

Summary

1. Significant sums of public money are allocated by the Greater Cambridge Greater Peterborough Local Enterprise Partnership (LEP) which is unelected and, as a private limited company, not as transparent as public bodies. It is in dispute with its accountable body, Cambridgeshire County Council, regarding transport schemes, with Fenland District Council regarding business support programmes, and has failed to date to appear before the Fenland District Council Scrutiny Committee.
2. The LEP works closely with another local funding body, the Cambridge City Deal (City Deal). The relationship between prominent local developers, the LEP and City Deal is opaque and open to abuse given the overlapping private business interests of Board Members and developers. The existence of a potential conflict does not mean there has been wrongdoing, but the LEP has refused to provide transparency on key relationships between the LEP Board Members, staff and developers, stating these are private company matters.
3. A number of prominent developers have bought former airfields or army bases at low cost as they are no longer needed by the military and have poor transport links. Other developers, or their clients, own green belt land around Cambridge which has low value without planning permission. The developers have then lobbied the LEP and City Deal to fund transport improvements which increase the value of these sites. They have also lobbied the LEP to recommend their sites be designated as Enterprise Zones or Science Parks, as this then allows grants in excess of state aid rules as exemptions apply to both Enterprise Zones and to Innovation. Both the transport improvements, and loans or grants for new facilities, increase the viability and value of the housing on their site. This housing also benefits from high prices in the nearby Cambridge market. Large scale housing meets a key Government objective, and benefits local councils through new homes bonus funding, satisfying key stakeholders.
4. There is nothing wrong with this approach if the investment decisions on transport links, Enterprise Zone designation, approving schemes on green belt land, and grants for Skills and Innovation hubs, are taken independently using clear criteria. However a number of developers, or their clients, appear to have very close links to the private business interests of LEP Board Members. It is unclear therefore whether LEP Board Members are being rewarded in their private business interests by developers in return for preferential treatment by the LEP of the developers schemes. Developers also influence the LEP and City Deal through organisations like Cambridge Ahead where the relationship is also close.
5. This risk - of preferential treatment by the LEP of investment decisions for schemes around Cambridge promoted by a small number of well-connected developers - is compounded by evidence suggesting the LEP has a different risk appetite to investment schemes linked to former military bases. At Mildenhall the LEP Chair and another LEP Board Member have stated their support for the front-loading of cost by endorsing the Mildenhall Prospectus ¹ yet for schemes in Fenland the LEP has been risk averse and inactive. The Wolfson Prize award winning design of a 12,000 home Garden Town just 40 minutes by rail to Cambridge and Cambridge Science Park would be significantly cheaper for families to buy and rent than the houses being offered by developers around Cambridge. It may be this threat to developers' interests, who have close links to the LEP Board, has contributed to the LEP's lack of support.

¹ Minute Item 2016/77 http://www.gcgp.co.uk/wp-content/uploads/2012/04/2017_01_17_-GCGP-Board-Agenda-and-Papers-FINAL-WEB.pdf

6. There is a significant concentration of influence in the Chair of the LEP Board. Mr Reeve is also Chair of LEP Investment Committee reporting to his Board², Chair of the Eastern Agri-Tech programme board run jointly with New Anglia LEP reporting to his LEP Board³, a member of the European Structure and Infrastructure Committee reporting to his LEP Board⁴, one of five Executive Directors on the Cambridge City Deal⁵, and a Director of the national LEP Network⁶. He also has significant regional influence through the staff of the LEP which has expanded significantly. To put this in context, three Executives being hired this year, including one focused exclusively on the City Deal, will all be paid more than the new Mayor of Cambridgeshire and Peterborough⁷.
7. The suitability of potential Board Members to the LEP, and how they manage potential conflicts of interest, has received little public scrutiny in the context of the sums of money involved. In the year Mr Reeve was made Chair of the LEP Board in August 2013, the Annual Accounts for his building firm, Chalcroft, where he was Managing Director at the time show “*serious irregularities*”⁸. Another LEP Board Member, Cllr James Waters, is reported to have been involved in a number of serious planning controversies⁹ including one application which led to a ruling by the Adjudication Panel of England in 2014, the year he became an LEP Board Member. He was also held by the Traffic Commissioner to have run his private business “irresponsibly” in 2013 the year before he became an LEP Board Member. Other LEP Board Members have benefited in their private business interests from contracts awarded by developers receiving LEP grants and this may or may not have been declared correctly.
8. The LEP appears to have deflected scrutiny by suggesting “*Fenland is the third ranked LEP Council area in terms of overall funding allocated (c £20 million)*”. Yet more than half of this - £11.5 million - was ring-fenced by the Government specifically for Fenland, and just £1.304 million has so far been spent by the LEP in Fenland. Discounting the ring-fenced Government allocation, the net total discretionary LEP funding to Fenland is just £476,500 over four years in the most economically deprived district within Cambridgeshire. During this period Fenland District Council also agreed to allocate £800,000 towards the cost of the A14 improvements at the LEP’s request.
9. There is also £67 million of EU funds over which the LEP has significant influence, but on which it provides little transparency. The EU Social Infrastructure Programme (ESIF) has had £25.7 million of this £67 million to spend in the three years 2014 to 2016 as part of three schemes within the ESIF Programme - the European Social Fund, the European Regional Development Fund (ERD) and European Agricultural Fund for Rural Development (EAFD). It appears that the LEP did not allocate any funds in the first year from an available 9.4 million euros¹⁰, and it is unclear how investment decisions have been reached or where this money under each of the three schemes has been spent in total and specifically in Fenland.
10. This is the third paper I have written, alongside those dated 13th January 2017 and 26th January 2017¹¹, highlighting concerns with the LEP. I tried to work collaboratively with the LEP repeatedly raising

² Confirmed at my meeting with him on 3rd March 2017

³ <http://www.gcgp.co.uk/yourlep/board/mark-reeve/>

⁴ <https://www.gov.uk/government/groups/local-sub-committees-meeting-documents>

⁵ <http://scambs.moderngov.co.uk/mgCommitteeDetails.aspx?ID=1074>

⁶ <http://www.gcgp.co.uk/wp-content/uploads/2012/04/Register-of-Interests-Jan-2017-FINAL.pdf>

⁷ Page 44, Minute Item 2016/70 http://www.gcgp.co.uk/wp-content/uploads/2012/04/2016_12_13_GCGP-Board-Agenda-and-Papers-FINAL.pdf

⁸ Page 18 Chalcroft Ltd Company number 01435810 Full accounts made up to 30 June 2013

⁹ <http://www.buryfreepress.co.uk/news/council-men-in-breach-of-code-1-416748>

¹⁰ Page 13 http://www.gcgp.co.uk/wp-content/uploads/2016/10/GCGP_European-Structural-and-Investment-Funds-Strategy_February-2016-Update-V2-FINAL.pdf

¹¹ <http://stevebarclay.net/wp-content/uploads/2017/01/LEP-statement-26th-Jan-2017-SB-Final2.pdf>

concerns in private only for them to be ignored. Before Christmas I raised concerns about the LEP publically but had no material response. At the Wisbech 2020 conference on 13th January I highlighted how the LEP had failed to invest in Fenland, which resulted in a meeting the following week in which the LEP blamed the County Council and District Council but failed to explain their own actions. A further paper on 26th January sought to obtain specific answers, only for the LEP to respond with a derisory one page statement. With the exception of Cllr Steve Count amongst LEP Board Members, and Stewart Jackson MP, who raised concern in the House of Commons on 9th February 2017 as the neighbouring Member of Parliament,¹² there has been little response locally illustrating the failure of the current accountability arrangements for the LEP. It is therefore appropriate for the National Audit Office, and the Public Accounts and Treasury Select Committee, to consider whether an abuse of public funds has taken place.

11. To help inform the decision of the Comptroller and Auditor General on whether to investigate, the LEP Board now needs to respond in detail to the concerns raised. This may also shape the timing of the transfer of £37.6 million of Growth Deal Round Three funding due to the LEP in April. Without a detailed response from the LEP, the Minister for Local Government, Andrew Percy MP, may decide to delay the transfer of this £37.6 million of Growth Deal funding if the Government is not satisfied with the effective governance and value for money of the LEP.
12. This paper, alongside setting out concerns with the LEP, also sets out next steps for Fenland to help secure investment from the LEP. A major programme of work is required, with the first phase being for Fenland District Council to bring in external programme resource to prepare a Prospectus along similar lines to that recently presented by Forest Heath District Council for Mildenhall. This can be funded either by a loan or grant from the LEP. The Fenland Prospectus needs to bring a number of workstreams together, some of which are already underway through the Homes and Communities Agency, Urbed design consultancy, and Metalcraft. The Prospectus needs to include two satellite Enterprise Zones, one at Wisbech linked to the new station and a second at Chatteris linked to the Metalcraft / Nuclear Decommissioning supply chain and skills centre.

Scrutiny needs to follow the taxpayer pound

13. The Greater Cambridge Greater Peterborough Local Enterprise Partnership (LEP) has been awarded in excess of £150 million from Government to spend locally on transport schemes, skills training, and business support¹³. The Cambridge City Deal works closely with the LEP, with up to £1 billion of public funds including up to £500 million for transport improvements¹⁴. A further £67 million will be allocated by the LEP via EU Growth Funds. Nationally there are 39 Local Enterprise Partnerships in receipt of £12 billion of Government funding under the UK Growth Deal.
14. No register of LEP Board Member' interests was published until January 2017, more than four years after the LEP was set up. As a private limited company, the LEP has little disclosure requirements. The LEP allocation to Fenland illustrates significant delays in spending. Appendix 1 provides a breakdown.
15. There is little transparency regarding the LEP's costs, with staff increasing from 8 just over two years ago to 27 (24 FTE), including three extra Executives hired this year at an additional cost of £276,000. Spending on consultancy advice is unclear. The LEP appears to receive subsidised rent from a developer to which it provides significant grants, but the amount of this subsidy is not disclosed – the rent paid in 2015 to Urban and Civic is understood to have been less than £3,000.

¹² <https://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm160310/debtext/160310-0002.htm#16031040001632>

¹³ <http://www.gcgp.co.uk/2017/02/growth-deal-funding-secured-gcgp-area/>

¹⁴ http://www.gccitydeal.co.uk/citydeal/news/article/9/billion_pound_city_deal_signed

16. On 22nd February 2017 the LEP issued a new Assurance Framework. This stated it “better reflects current policy and expectations of GCGP in relation to accountability, transparency and value for money”. Yet it appears little more than a mix of old documents and long documents which bear little relevance to the day to day operation of the LEP. For example the terms of reference for the Agri-Tech Growth Initiative list the programme board memberships as including Graham Nix as Chairman – yet he ceased to be Chairman in August 2013. As such it appears little more than a presentational device, a view re-enforced at the Metalcraft meeting with the LEP which I chaired on 3rd March 2017. The Chair of the LEP was unable or unwilling to clarify the rules applied by the LEP investment committee to bids.

“Serious irregularities” in the LEP Chair’s building firm Chalcroft when he was Managing Director

17. The annual accounts for Chalcroft, the building firm where the LEP Board Chair Mr Reeve was the Managing Director, suggest there “*were a number of serious irregularities in the Group’s VAT affairs*” in 2013 and that “*the irregularities were deliberate and enabled the Company to obtain a temporary but significant cash flow advantage over an extended period of time*”. This appears to have resulted in a very significant fine. The annual accounts also suggests the business “*was in breach of its banking covenants as at 30th June 2013*” which may have resulted in any overdraft being at risk had the bank been made aware of this. This is noted in both the 2013 and 2014 annual accounts. Mr Reeve became Chair of the LEP Board in 2013, the same year as these irregularities occurred.

18. It would be helpful if Mr Reeve clarified what he knew and when regarding his VAT and banking covenant irregularities, and when the LEP Board were notified as he was a LEP Board director from 2012. I am not an accountant and simply quote from the annual accounts rather than drawing any conclusions, but if Mr Reeve’s business was suffering from cash flow difficulties and these irregularities related to avoiding the bank calling in its overdraft facility or long term loan, or he broke the law regarding his VAT affairs, this would raise questions over his suitability in a role with significant influence over the spending of millions of pounds of public funds.

19. In addition to the questions regarding “serious irregularities” in respect of VAT, Chalcroft also appears to have faced past controversy over its health and safety record prior to becoming Chair of the LEP. Whilst their website lists their more recent record of six consecutive RoSPA Gold Medals for Health & Safety, they have twice been fined for serious Health and Safety breaches, regarding a £260,000 fine and £80,000 costs in 2007 for FJ Chalcroft regarding the tragic death of a 22 year electrician who fell 10 metres, and a fine in 2012 (the same year Mr Reeve became an LEP Director) of £14,000 and costs of £23,236 for criminal breach of the construction regulations regarding two workers who fell 8 metres with one fracturing his hip and pelvis.

Potential Conflicts of Interest regarding the Chair of the LEP

20. The relationship between the Chair of the LEP and key developers appears close. Developers who benefited from LEP grants, New Anglia LEP grants, and City Deal grants, have either hired Mr Reeve's firm Chalcroft directly, or their clients have hired Chalcroft. Yet when information was requested on how any potential conflicts of interest were managed, the LEP refused to provide details.

21. The developer Pigeon hired Chalcroft for an estimated £3 million of building work at Fiveways junction, on a scheme where Cllr Waters, another LEP Board Member, helped secure the funding from New Anglia LEP. Cllr Waters also has private business interests with Pigeon, including submitting a joint planning application for 138 homes together.

22. New Anglia LEP helped fund the £3.25 million Construction and Skills Centre at Easton and Otley College, where the developer instructed Mr Reeve's firm Chalcroft as contractor. Given that the LEP works jointly with New Anglia LEP on a number of projects, it would be useful if Mr Reeve provided clarification regarding his involvement in securing this work.
23. Firms which have received grants from the LEP also appear to have provided building work to Chalcroft. Sharp Systems received a grant on 13th August 2013 from the LEP¹⁵. Sharp appointed Chalcroft to work on an extension to double the size of their premises in King's Lynn¹⁶. Sharp Systems were then reported as having been awarded a second Agri-Tech grant by the LEP although there seems confusion between this being listed in the 2015 Board Minutes and the subsequent list of projects listing the date as the same August 2013 date as the first contract¹⁷. It is clear that Mr Reeve had a private commercial relationship with Sharp and that Sharp received two grants from the LEP, but it is not clear how this conflict of interest was managed.
24. A key client of Urban and Civic, MMUK, hired Mr Reeve's firm for a £20 to £24 million contract on the Alconbury site where the LEP provided grants to Urban and Civic. After raising this issue on 13th January, the Chair of the LEP gave a commitment to me on 20th January 2017 to issue a statement clarifying key questions regarding his role in the MMUK Flowers move from Chatteris to Alconbury. My statement of 26th January 2017 sets out the details regarding this move and why it is concerning for Fenland constituents. When asked "When did you hear that they were seriously considering it", the Chair of the LEP replied:

"When did I hear they were seriously considering it? I suppose that would have been when I saw a board report in my business that said that they were entering us into a tender process".

When asked when this was, he replied *"Oh, I cannot recollect"*.

It is surprising that the Managing Director of a small family building firm cannot recollect key details of a contract with an estimated value over £20 million. During my meeting with Mr Reeve I tried to clarify this further, having the following exchange:

Stephen Barclay: Also, the point that is being missed is the opportunity to expand in Fenland. Could I just go back? You said a board report to enter into a tender process?

Mark Reeve: Yes.

Stephen Barclay: Was that 2014? Because *Property Week* said that they were moving in 2015 so—

Mark Reeve: I would have to go back. You have to remember that is not LEP and we are here to talk about the LEP.

Stephen Barclay: I know, but what has concerned a lot of my constituents, as I am sure you will understand, is that if someone making the decisions on funding for Alconbury has any connection with that personally in terms of their own business, then because we are talking about millions of pounds of public money they want to understand whether, unlikely as I am sure it would be, there was scope for any overlap in that.

Mark Reeve: I think in avoidance of misunderstanding I will provide you with a written statement around those circumstances.

Stephen Barclay: Okay.

¹⁵ <http://www.gcgp.co.uk/approved-projects/>

¹⁶ Issue 17 of Chalcrofts newsletter to clients

<http://www.chalcroft.co.uk/pdf/newsletter/Chalcroft%20Building%20Partners%20Issue%2017.pdf>

¹⁷ <http://www.gcgp.co.uk/2015/03/215000-boost-for-agri-tech-in-the-east-of-england/> - this is in the 2015 minutes yet reported in the list of projects as being made on the same date 13/08/13 as the first grant

Mark Reeve: Thank you. I have that statement prepared for the press this afternoon anyway, so we will deal with that specifically.

Stephen Barclay: Does the statement cover when you became aware of the board report into the tender process?

Mark Reeve: The private business of Chalcroft Limited is not within that statement.

Stephen Barclay: Right, okay. Would you accept that there is scope—

Mark Reeve: Any further questions on this subject, no. We will deal with it under a statement, Stephen

25. Despite this exchange on 20th January, Mr Reeve has still not issued a statement answering these questions. At our meeting Mr Reeve had further said that

“I will speak to MMUK and we will get a statement from them as to what they were doing and what they were looking at and a statement from Urban and Civic”.¹⁸

Neither MMUK or Urban and Civic have provided a statement. It is unclear to what extent Mr Reeve was empowered by these two organisations to commit them both to making statements, and if so why they have since refused to do so. It does suggest a close business relationship that Mr Reeve felt able to make such a commitment on their behalf. Since this conversation with Mr Reeve, the LEP has said that:

“Mr Reeve did not need to declare an interest to the board in the project” as “these are private corporate arrangements made between the company and Urban and Civic”.

26. There are also inconsistencies between the LEP written statement and facts already in the public domain, for example regarding the LEP’s relationship with Urban and Civic and MMUK Flowers. The LEP’s written statement on 19th January said:

“In the MMUK case, GCGP were only advised of the company’s relocation once Urban and Civic, Alconbury’s owners, had completed the deal to move the Enterprise Zone”.

Yet the Chair of the LEP, as Managing Director of Chalcroft, had received an invitation to tender, pitched for this work, and secured the contract. It seems odd to imply the LEP was unaware of this firm’s move when Urban and Civic had presented to the LEP Board, had asked LEP Board Directors to promote the scheme, and the Chair of the LEP Board in his private capacity had tendered for and won the contract to build the firm’s new HQ. Nor, as has been suggested by Mr Reeve, was it automatic that MMUK would move to Alconbury. Urban and Civic granted them a freehold to their site, which is not their common practice, reflecting their desire to secure the move.

27. Other questions remain unanswered, such as what role Mr Reeve played in any contact or discussion regarding his client’s move to Alconbury. LEP Board minutes show that Urban and Civic requested LEP Board Directors act as “advocates” for the Alconbury site. Earlier minutes show similar engagement, with the 12th November 2013 minutes noting in respect of Alconbury that *“The Board discussed the project, and were keen to establish the specific role/s they needed to play to help make the development a success”*.

28. Given Mr Reeve’s national role as a director of LEP Network Ltd, it would be helpful if Mr Reeve would now confirm all work Chalcroft has received since he became a Director of the LEP from clients who

¹⁸ Page 6 <http://www.gcgp.co.uk/wp-content/uploads/2012/04/20131210-LEP-Board-Meeting-CORPORATE-FINAL.pdf>

benefit directly from his own LEP, New Anglia LEP, the City Deal, or any of the other 39 Local Enterprise Partnerships nationally.

29. There appears to be discrepancies between the LEP's recent statement on managing conflicts of interest and its recent Board minutes regarding how conflicts of interest are managed. The LEP state that *"if conflicts of interest are declared, they are noted clearly within the minutes"*. Yet the December 2016 LEP Board minutes when the Mildenhall scheme was discussed do not appear to have any such declaration from Cllr James Waters or Mr Reeve¹⁹. This is despite Cllr Waters being the Leader of the local council and owning land and property in the area, and Mr Reeve having received commercial contracts in this area from New Anglia LEP funding, and both have signed the prospectus promoting the scheme. It is also unclear why no LEP Board Minutes from 2017 have, to date, been published on the LEP website.

LEP and Urban and Civic relationship appears close

30. Urban and Civic are a private equity firm which has enjoyed a 270% increase²⁰ in pre-tax profits between 2015 and 2016 whilst also benefiting from significant LEP funding. Both of their development sites at Alconbury and Waterbeach have been designated as Enterprise Zones on the recommendation of the LEP, allowing an exemption to state aid rules to apply to grants. LEP Board minutes show Urban and Civic requested that the LEP act as *"advocates"* for encouraging firms to move to their Alconbury site. This assistance in recent years appears to have been required despite Urban and Civic profits increasing from £7 million in 2015 to £25.9 million in 2016. This provided a 9.1% dividend per share, from a 71.5% increase in turnover. Given that at the start of 2016 they had just 48 staff, with a further 15 added in the year, this works out at significant profits before tax for the small number of staff.

31. It remains unclear how much public funds have been spent on the Alconbury site or in close proximity benefiting the site, given that these have contributed to Urban and Civic's profit growth. For example the April 2014 LEP Board refers to a capital grants fund application for £5 million being made to bring forward infrastructure for commercial phase 1 with *"the creation of 48 net developable acres creating plots for 23 new buildings – 865,000 sq. ft. of commercial space. A DCLG Panel on 31st March, approved the application in principle, subject to final clarification on a few issues, and a letter offer is due during April. Work would start on site in May/June and the development platforms be completed by March 2015"*.²¹

32. It remains unclear how the relationship between the LEP and their landlord, Urban and Civic, has been managed. For example when I asked the LEP Chief Executive about any corporate hospitality from those seeking to influence the LEP has been managed, the LEP's statement referred to *"key partners"*. Yet when questioned about how this was defined the LEP Chief Executive stated *"Any company is a partner"*. Asked whether private equity firm Urban and Civic who own the Alconbury Enterprise Zone site which has benefited from millions of pounds of LEP funding would be a key partner, the Chief Executive answered *"They would be, yes"*. When asked if Cross Keys Homes are a key partner who benefited from a key housing contract on the Alconbury site from Urban and Civic, the Chief Executive answered *"Anyone is a key partner"*. The Chief Executive of Cross Key Homes and another Board Member of Cross Key Homes are both LEP Board Members.

¹⁹ Board Minute 2016/75 shows only David Gill declared a conflict of interest but that Board Minute 2016/77 Mildenhall was discussed http://www.gcgp.co.uk/wp-content/uploads/2012/04/2017_01_17_-GCGP-Board-Agenda-and-Papers-FINAL-WEB.pdf

²⁰ <http://www.urbandandcivic.com/investors/financial-highlights/2016-performance/>

²¹ Page 16 http://www.gcgp.co.uk/wp-content/uploads/2012/04/GCGP-Board-Papers_Corporate.pdf

33. If anyone is a key partner in the words of the LEP Chief Executive, it is unclear why does the LEP statement uses this specific definition? When questioned about this the LEP Chair said:

“What we can do, Stephen, just to clarify, is we will give you a list of who we believe are key partners and what key means. I think it is open to interpretation”.

Yet the LEP Chair has failed to produce this information which he undertook to provide on 20th January 2017.

34. The relationship between the LEP and Urban and Civic matters not just in respect of the large amounts of funding that Alconbury has already benefited from, but also in respect of new schemes. Last week Urban and Civic announced plans for 6,500 new homes on their Waterbeach site, including three new primary schools and a secondary school, and will require transport improvements particularly to the A10. Urban and Civic see these homes as being attractive to workers at the Cambridge Science and Business Parks, but note that at least initially very few of the new builds will be affordable. It is easy to see why the promoters of this scheme, the LEP’s landlords, would not welcome competition from 12,000 homes in Wisbech at more affordable prices linked to the same Science and Business Parks.

Potential Conflicts of Interest regarding LEP Board Member Cllr James Waters

35. In July 2014 Cllr James Waters was appointed to the LEP Board, chaired by Mr Mark Reeve²². On 28th October 2014 the Waters family and developer Pigeon submitted a planning application with Suffolk County Council (where Cllr Waters is a County Councillor) to Forest Heath District Council (where Cllr Waters is Leader of the District Council) for 138 homes and vehicular access. On 16th December 2014 Cllr Waters was quoted on the New Anglia LEP website regarding the £3 million Fiveways roundabout scheme, stating that Forest Heath had *“played an active role in working with Pigeon and New Anglia LEP to secure the funding for this brilliant scheme. We are working with our partners”*. This funding had been signposted by the New Anglia LEP as early as July 2013, with media reports stating *“Loan gives roundabout development a kick start”*²³. Pigeon appointed Chalcroft, the building firm of the LEP Chair Mr Reeve, as main contractor on this £3 million scheme.

36. It appears therefore that at the same time that Cllr Waters was discussing becoming an LEP Board Member with Mr Reeve in the summer of 2014, he was also preparing a second joint planning application for 138 homes with the developer Pigeon, whilst also playing an active role in lobbying for funding (a £500,000 loan) for Pigeon from the New Anglia LEP, with the funding being used to award a contract to the Chair of the LEP’s building firm. Cllr Waters attended New Anglia LEP Board meetings, as shown by the October 2014 minutes²⁴ in the period before New Anglia LEP made its £500,000 loan to Pigeon, whilst he was also by this time attending LEP Board meetings chaired by Mr Reeve having become an LEP Board member that August 2014. It would be helpful if Cllr Waters and Mr Reeve now clarify whether any potential conflict of interest existed, and if so how this was managed.

37. The planning application by the Waters family and Pigeon on 28th October 2014 was reported to be a second attempt, with the details of the earlier application no longer on the Forrest Heath planning portal. It would be helpful to clarify the timescale of the earlier application. Despite significant local opposition to the October 2014 planning application including from Mildenhall Town Council (the ward represented by Cllr Waters), public protest meetings, Suffolk Highways stating that Queensway

²² <http://www.gcgp.co.uk/tag/board/>

²³ <http://www.buryfreepress.co.uk/news/loan-gives-roundabout-development-a-kick-start-1-5261135>

²⁴ <http://www.newanglia.co.uk/wp-content/uploads/2014/11/WEBOct14minutes.pdf>

junction in Mildenhall was at capacity, and the site being contrary to Forest Heath's Development Plan, the scheme was approved²⁵.

38. On 8th July 2013 the Bury Free Press reported a £400,000 loan to kick start the Fiveways Roundabout development, in which Hugh French of Pigeons stated *"there is a lack of finance available for commercial developments at present, but we are delighted that the LEP has been able to assist us in moving our scheme forward"*. This appeared to suggest the developer did not have the finance to progress Fiveways requiring taxpayer support. Yet two months later on 13th September 2013 Pigeon acquired five acres of land in a separate Mildenhall property transaction. This land was on the north side of Bury Road, Barton Mills, and was purchased for £1.2 million according to land registry records.²⁶ When New Anglia LEP issued their loan to Pigeon for the Fiveways scheme in December 2014²⁷, the loan had increased by £100,000, to a total loan value of £500,000. It would aid transparency if Pigeon now clarified the chain of events explaining how this loan was obtained, why it increased in value, and why the developer had funds to purchase land whilst requiring a £500,000 taxpayer funded loan.
39. A third property transaction involving Pigeon in Mildenhall around the same time as those referred to above involved Jeremy and Charles Pembleton, who as Directors of Trumpington Land Ltd appear to have submitted a planning application on 23rd December 2013 for 78 homes on land south of Worlington Road, Mildenhall. This land seems to be the same land as that referred to on the developer Pigeon's website in a case study (in which they chose not to name their client). The Pigeon website states that they introduced a client to an investment opportunity to acquire land in 2013 which at the time "had no firm planning status". The website further states that planning approval was helped by "the lack of a five year housing land supply and permission was granted in late 2014". It is for Cllr Waters as Leader of Forest Heath, to set out why a developer he employed at this time appears to claim that they were helped by his council's lack of a five year housing land supply. Land Registry records show that "land on the south side of Worlington Road, Mildenhall" was sold on 1st July 2015 by Trumpington Land Ltd to Matthew Homes Ltd for £2,036,000²⁸.
40. It would be helpful if the LEP Board clarified what notification it received from Cllr Waters regarding his varied property interests and controversies prior to his appointment to the LEP Board, given its role in investment decisions on high value planning issues. Cllr James Waters owns significant property assets in the Mildenhall area whilst also promoting transport improvements to the area as Leader of the Forest Heath District Council. For example, Land Registry records suggest he mortgaged eight properties in very close proximity to the Mildenhall base, at the same time as supporting the Mildenhall Prospectus calling for LEP investment in transport links and other schemes in this area.
41. A previous planning application submitted by Cllr James Waters and subsequently approved by Forest Heath District Council led to another councillor being investigated and found guilty by the Adjudication Panel for England in 2014 for helping to secure planning consent. Media reports state that *"Former district councillor Terry Waters, of West Row, whose son James Waters submitted the controversial planning application, was also found guilty of using his position to push through the plans, for treating senior office Nigel McCurdy in a bullying and disrespectful manner, and bringing the council into disrepute. Mr Waters was banned from standing as a councillor on any authority for three years"*²⁹.

²⁵ <http://www.buryfreepress.co.uk/news/revised-plan-for-west-row-homes-is-given-go-ahead-1-7504425>

²⁶ Title Number SK114269 Registered Owner Pigeon (Fiveways) LLP

²⁷ <http://www.newanglia.co.uk/2014/12/16/the-next-stage-of-construction-at-fiveways-roundabout/>

²⁸ Land Registry Title SK361761

²⁹ <http://www.buryfreepress.co.uk/news/council-men-in-breach-of-code-1-416748>

42. Cllr James Waters also appeared before the Traffic Commissioner in August 2013 a year before becoming an LEP Board Member, who found that Cllr Waters had run his business “*irresponsibly*”. This included a disabled tachograph unit and inaccurately recorded tachograph sheets, failing to inform the regulator of issues, vehicles kept at an unapproved site, and action which in the view of the Traffic Commissioner left Cllr Waters’ reputation “*severely tarnished*”.³⁰
43. The developer Pigeon state on their website that they identify and promote land, maximising returns through their network of contacts. Given they have jointly promoted the 138 home scheme with the Waters family, and worked closely with Cllr Waters to secure funding for the Fiveways roundabout scheme, it would be helpful if Pigeon clarified whether Cllr Waters is one of the “*contacts*” to which their website refers. Greater transparency regarding Cllr Waters relationship with Pigeon would also be helpful given Cllr Waters land and property interests in Mildenhall and his work to secure funding from the LEP for the Mildenhall Prospectus. It would also be helpful if Mr Reeve clarified when his building firm Chalcroft was invited to tender for this estimated £3 million contract for building work at Fiveways, and what discussions he as Managing Director or LEP Chair had with Cllr James Waters, New Anglia LEP, and Pigeon.

Potential Conflicts of Interest regarding Cambridge City Deal

44. There are also a number of potential conflicts of interest regarding the Cambridge City Deal, and both greater transparency and clarification as to how any such conflicts are managed would be welcome. The Chairman of Pigeon previously worked for over thirty years for Bidwells, whilst another co-founder of Pigeon was formerly a Board member for Savills. All three firms work closely with the LEP and City Deal. In particular, Bidwells website notes it is “*long-standing property investment managers to Trinity College*”. The Vice-Chair of the Cambridge City Deal is on the Trinity Finance Committee. In January 2017 LEP board papers suggested a £1.9 million grant to Trinity College, applying an exemption to EU state aid rules, yet at my meeting with the LEP on 3rd March 2017 the Chief Executive stated this had been considered but was not now going ahead. It is unclear what prompted this change, or what governance arrangement applied. The LEP Board minutes from the January 2017 meeting have still not been published.
45. Bidwells, Savill’s and Pigeon are all members of Cambridge Ahead, “*a business and academic member group dedicated to the successful growth of Cambridge*”³¹. Bidwells for example has two members of the Growth and Commercial Space team for Cambridge Ahead, and are acting for the University in “*developing an urban extension on the edge of Cambridge for thousands of new homes and research units*”, as well as acting for Trinity on the Cambridge Science Park, O2 in London, and the Cambridge Union Society Building. The close links between Cambridge Ahead and the LEP can be seen in the January 2017 agenda for the LEP, which includes at item 6 “*Modelling Land Use and Transport Scenario – Proposal to support Cambridge Ahead’s Modelling Development*”.³² This work does not appear to have been published, and it is unclear how this work is independent given the interests of the developers’ clients around Cambridge who form part of the Cambridge Ahead membership?
46. Jeremy Pembleton, a client of Bidwell’s, works in “*strategic land promotion for Cambridge as a centre of excellence for research*”. Pigeon’s website suggested this was the same client referred to above in respect of their purchase of land in Mildenhall in 2013 subsequently sold for £2 million to Matthew Homes in Potters Bar in 2015. It is unclear whether Jeremy and or Charles Pembleton have private interests through the Pembleton family in development sites linked to Jesus College, and to what

³⁰ <http://www.buryfreepress.co.uk/news/council-leader-ran-business-irresponsibly-1-5466293/amp>

³¹ <http://www.cambridgeahead.co.uk/membership/our-members/>

³² http://www.gcgp.co.uk/wp-content/uploads/2012/04/2017_01_17_-GCGP-Board-Agenda-and-Papers-FINAL-WEB.pdf

extent Jesus College benefited from a £1 million LEP grant in May 2014 made to the Cambridge Biomed Site using an exemption to EU state aid rules.

Potential Conflicts of Interest regarding other LEP Board

47. A number of LEP Board Members, and members of sub-committees, also have potential conflicts of interest, yet how these have been managed also appears opaque. Both the Chief Executive of Cross Key Homes and a Board Member of Cross Keys Homes are also LEP Board Members. Cross Keys Homes was appointed by Urban and Civic in January 2016 to be their affordable housing provider. Cross Keys has also received other LEP grants, such as the LEP Prize Challenge Fun.
48. Another LEP Board member is the Managing Director of Skanska UK who was appointed in April 2016³³. Skanska have been awarded contracts for the Wisbech Access Study appraisal, for the A14 construction package one covering the A1 at Alconbury to the East Coast and package two covering east of the East Coast Mainline to Swavesey³⁴, and it is unclear whether any other transport projects part funded by the LEP have also been awarded to Skanska.
49. Also on the LEP Board, is Professor Iain Martin³⁵, Vice Chair of Anglia Ruskin University. Anglia Ruskin are a major beneficiary of the LEP's EU funding grants with £2,354,342 awarded under the KEEP+ programme, and £504,272 awarded under the REACTOR programme. Little detail appears to be published regarding LEP EU programmes and how investment decisions are reached, and there appears to be no geographic breakdown of how this significant funding has been spent. It is unclear what if any bids Fenland District Council has made for EU funds under these programmes, the total amount remaining to be allocated, and what additional funding has been included from the Big Lottery, DWP and the Skills Funding Agency. Appendix 3 sets out the programmes awarded EU funding but there appears to be little information published on how these programmes have allocated their funding.
50. There also appears to be a strong correlation between members of LEP sub-committees and grant recipients. As I previously highlighted in my paper on 26th January, both the land owner and the site promoter of the Agri-Tech Innovation Hub in Soham are members of the programme board, and this scheme has received £600,000 in grants. The only award to Fenland in four years was to the son-in-law of the land owner on the programme board. Other LEP Board Members have interests in schemes in their own locality, for example iMET is being built on the Alconbury site benefiting from three grants totalling £10.5 million. The Leader of Huntingdon District Council represents the LEP on the project board.³⁶

LEP Board members have indicated support for Mildenhall airfield

51. The need to manage potential conflicts of interest applies to future LEP investment decisions as well as evidencing how this has been managed for past LEP Board decisions. The Chair of the LEP and another LEP Board Member, Cllr Waters, are proposing significant new funding at Mildenhall. Yet the Prospectus for this scheme suggests a different set of standards may apply for LEP investment compared to the LEP Board's approach to schemes in Fenland.
52. At the same time that the LEP Board was failing to progress Fenland transport schemes, Cllr James Waters and Mr Reeve have called for massive upfront investment in the former military airfield at Mildenhall, even though their December 2016 Prospectus notes:

³³ <http://www.gcgp.co.uk/wp-content/uploads/2012/04/GCGP-LEP-BOARD-MINUTES-260416.pdf>

³⁴ <http://www.gcgp.co.uk/2015/06/lep-welcomes-progress-on-the-a14-upgrade/>

³⁵ <http://www.gcgp.co.uk/yourlep/board/iain-martin/>

³⁶ Page 10 http://www.gcgp.co.uk/wp-content/uploads/2012/04/2016_07_19_GCGP-Board-Agenda-FINAL-Website.pdf

“significant infrastructure costs create large front-loaded viability constraints” and “it is not unusual for major schemes such as this to be considered as unviable in the early stage, especially where significant infrastructure costs are required”.

53. This contrasts with the investment approach to Wisbech Rail where the LEP cited the need for certainty of completion. The Mildenhall Prospectus further suggests LEP funding should be allocated on the basis that it:

*“will provide additional weight to the business case for improvements to Fiveways roundabout and the A14/A11 junctions”.*³⁷

Yet no potential conflict of interest appears to be declared in the Mildenhall prospectus signed by the Chair of the LEP Board given his own building firm Chalcroft is undertaking work at Fiveways worth an estimated £3 million, and it is unclear why a scheme that has already been funded needs further investment to build a stronger business case.

54. The Mildenhall Prospectus also sets out the Chair of the LEP Board’s support for an Enterprise Zone for Mildenhall, stating *“we want to explore with Government the benefits of designations such as Enterprise Zones”*. It is unclear whether, having offered Mildenhall his support, Mr Reeve will still vote on which area will be recommended by the LEP to Government for the next Enterprise Zone.

Major transport pipeline shows LEP’s focus remains elsewhere

55. The LEP Board Minutes for July 2016 note the Government’s separate Local Transport Majors Fund for *“exceptionally large, potentially transformative, local schemes that are too big to be taken forward within regular Growth Deal allocations and could not otherwise be funded. Government define this as schemes over £59m for GCGP area”*. The LEP state they received three proposals, for the A505 Transport Study (Cambridge / Royston), the A15 Dualling Study (Peterborough/ Market Deeping) and A16 / A47 roundabout two lane dualling to the A16 / Peterborough Road. The July 2016 minutes note *“The Board agreed the recommendation of the Local Transport Plan on the Large Local Transport Majors schemes for bidding which were the A505 and A15 proposals”*. Again Fenland is excluded from any bid for this major transport funding.

Growth Deal Round Three investment assessments remain secret

56. SDG Consultants have carried out technical appraisals of the GCGP project pipeline for the £37.6 million of Government funding due in April 2017, yet it is unclear what criteria has applied to these assessments. This makes it difficult to have confidence that the pipeline bids from Fenland District Council will be correctly assessed. The LEP now needs to set out how much has been spent on SDG Consultants, how many projects they have assessed, the criteria used, and a breakdown of how Fenland pipeline projects scored compared to those of other districts within Cambridgeshire.

LEP Board has failed to answer Agri-tech questions

57. In seeking to understand why Fenland had received only one small Agri-Tech grant, the LEP suggested in response to my earlier papers, that this was due to a lack of bids. Yet we still do not know how many Fenland bids were made for Agri-Tech funding which the LEP turned down. At my meeting with the LEP on 20th January 2017 I specifically asked about this:

³⁷ Para 3.5 http://www.gcgp.co.uk/wp-content/uploads/2012/04/2016_12_13_GCgp-Board-Agenda-and-Papers-FINAL.pdf

“So just to clarify, it is not that Fenland are not bidding, it is that the quality of the bids is not good enough”

Neil Darwin “It is both”

Mark Reeve “It is a combination of both, of course, because quality and quantity are both relevant”.

When asked “Could you send us the documents to show how many times Fenland have bid compared with everyone else”

Neil Darwin “Sure”.

58. The LEP Board has also still not provided evidence of the communication from the LEP to Fenland District Council alerting them to the lack of Agri-Tech bids. Mr Reeve said *“we have been in constant dialogue with Fenland around why, what they could do, and what they should do more of”*. It remains unclear how the LEP communicated this *“constant dialogue”* given Fenland District Council deny any wrongdoing? Yet when I asked:

“This goes to the heart of it, though. That is why I want to be very clear. What you are saying is that King’s Lynn has been proactive in communication. You are suggesting that Fenland has not”, the Chief Executive of the LEP replied *“Indeed”*.

When the LEP was challenged on this point *“I can think of numerous farmers in Fenland that would love a new onion store”,*

Neil Darwin “There are; they have just not come forward. We have not had applications from them”.

“So it is not that they are not fitting the category, it is that they are not coming forward”.

Neil Darwin “Correct. Indeed”.

LEP Board has still not explained the decision to cancel the £500,000 Skills Centre

59. The LEP cancelled a proposed £500,000 skills centre for Fenland but when challenged as to why this was not communicated to me they state *“it hasn’t been quietly cancelled”*. So who was it communicated to at Fenland and when? The Chief Executive of the LEP states that:

“Produce World, who co-sponsored the application when it was disappointedly beaten by Soham – they turned round to us afterwards and said, “We don’t think we need the skills centre”.

60. It would be helpful if Fenland District Council clarified if they accept this statement, and if so what they asked for instead or if not why not?

61. A further area of ambiguity in the LEP statement issued on 27th January relates to whether King’s Lynn businesses were able to bid for LEP funding as well as New Anglia LEP funding. The LEP statement said that:

“The Eastern Agri-Tech Growth Initiative is, and always has been, a programme covering both the Greater Cambridge Greater Peterborough LEP and New Anglia LEP areas. Therefore, there is no potential for areas to ‘double dip’ into both schemes as there is only one programme”.

Yet an email dated 28th April 2016 from the Business Development Officer for King’s Lynn & West Norfolk Borough Council, states *“West Norfolk sits within both the New Anglia LEP and Greater Cambridge Greater Peterborough LEP areas. As a result businesses in West Norfolk can benefit from grant schemes delivered by either LEP”.*

This email suggests that whilst the Agri-Tech programme is run jointly and can only receive one bid, firms in King's Lynn can bid for other grants from the New Anglia LEP which is not an option for Fenland firms.

LEP's unsubstantiated allegations against Cambridgeshire County Council and Fenland District Council

62. The Chair and Chief Executive of the LEP have in recent weeks alleged that a top official at Cambridgeshire County Council ignored the LEP for over a year causing unnecessary delays to the Wisbech Rail scheme, that Fenland District Council compared unfavourably with King's Lynn and did not effectively communicate the Agri-Tech scheme, that the quality and quantity of Agri-Tech bids from Fenland were poor, and that Fenland District Council failed to even ask about the over £200 million of business rate funding available from the Alconbury and Cambridge Enterprise Zones.
63. Gillian Beasley, the Chief Executive of Cambridgeshire County Council, has described the allegations made by the Chief Executive of the LEP, as set out in the transcript at Appendix 3, as serious and refutes them. She has asked the LEP to provide evidence yet none appears to have been provided. It is unclear why there is a delay, and why the LEP Board regard this as acceptable. It is also unclear why this official continued to attend LEP Board meetings if it was believed they were ignoring the LEP?
64. Paul Medd, the Chief Executive of Fenland District Council, also disputes the LEP's allegations yet this issue also remains unresolved. Again the LEP Board has remained silent (with the exception of Cllr Steve Count). Individual LEP Board Members now need to explain why they feel it is acceptable for the LEP to make allegations but fail to substantiate them, and confirm whether LEP Board stands by all the comments made by their Chair and Chief Executive at my meeting on 20th January 2017.
65. The LEP Board has displayed little appetite to investigate the clear discrepancies between the version of events of their Chair and Chief Executive, and that of other key stakeholders. This illustrates the failure of accountability which applies to the LEP, and why a national investigation is now merited.

Lack of transparency regarding how the LEP Board makes investment decisions

66. Last year a major archaeological discovery from the Bronze Age was made of world significance, at Must Farm in Whittlesey, Fenland. Yet whilst the LEP plan to spend £7 million on a scheme linked to this discovery, Whittlesey Town Councillors say no commitment has been made for any of this funding to be spent in either Whittlesey specifically, or Fenland more generally.
67. The LEP Board minutes of Tuesday 19th July show support for a £7 million scheme by Vivacity, including funding from English Heritage and the Lottery, for a Flag Fen site and visitor centre in Peterborough. The minutes note "*the opportunity presented by Vivacity was supported by the Board*". Yet no part of this funding has been earmarked for Fenland according to the Whittlesey Councillor leading this project within Fenland. It would be helpful if the LEP would clarify what funding they intend to allocate for firstly Whittlesey, and secondly Fenland as a whole, from this £7 million.
68. A three year creative industries programme called Collusion worth £905,000 from 2016 to 2019 has included 13 major projects or commissions across the LEP area. Yet this appears to be focused on Cambridge, Huntingdon and Peterborough with no mention of Fenland in the Board papers. In an email to me from the Chief Executive of the LEP on 16th December 2016, Mr Darwin suggested that a Collusion hub would be set up in Wisbech but no further information has been provided. The LEP

Board helped develop the Collusion bid through a small grant of £9,000 in 2015.³⁸ It would be helpful if the LEP now provided a breakdown by district of how this funding has so far been spent.

69. The process of allocating business rates from Cambridgeshire Enterprise Zones which can be retained within the LEP area remains unclear. Having lost out to six other sites in Cambridgeshire which now have Enterprise Zones, it would be reasonable for Fenland residents to expect that they had at least secured a commitment from the LEP for some of the business rates from these sites to be spent on key transport schemes in the district. Huntingdon not only has an Enterprise Zone at Alconbury, but it has also secured a commitment for £50 million from the LEP to be earmarked for the A14 improvements. Yet the LEP state that of the over £200 million of projected business rates funding still to be allocated, none have been earmarked for Fenland, with the LEP Chief Executive stating on 20th January at our meeting that *“we have not had that conversation”*, adding *“We have not spoken to Fenland district or the County at all and that has not come up in conversation”*. When I queried this further, pointing out *“Is that not quite a significant additional source of money for the Wisbech Rail”*, the Chief Executive said *“It would be”*. Yet other councils have had this conversation.
70. This also applies to Enterprise Zones, with six sites having this designation in Cambridgeshire but none in the north of the county despite this area being the most deprived area. This contrasts with the approach taken by other LEPs, such as New Anglia LEP, which focused on its most deprived areas first for Enterprise Zone status. It also ignored the Government’s preference during the last round of allocations for Enterprise Zones in rural areas.

Next Steps

71. On 3rd March 2017 as part of my continued efforts to engage with the LEP to secure funding, I chaired a meeting between the LEP Chair and Chief Executive and senior management from Metalcraft. Prior to the meeting, I obtained a note from the House of Commons Library showing how state aid rules should not impede a major grant from the LEP to Metalcraft. In considering how Fenland Councillors support this bid, I hope they will look at the £2.1 million grant awarded by the LEP on 28th April 2014 to TWI in South Cambridgeshire, in order for them to progress high pressure testing facilities, and the Mildenhall Prospectus signed by the Chair of the LEP produced by Forest Heath District Council.
72. Fenland Councillors should also look at the potential for skills training and the development of a supplier hub around a Metalcraft bid, with the Enterprise Bid for Fenland including both the Wisbech station site and one in Chatteris built around Metalcraft’s expansion potential. Metalcraft were one of only two firms to win the first phase of a major contract from Sellafield worth £48 million (and the only one of the two companies to be British), it is currently in pole position to win the next contract having been asked to build the pilot models, and that second contract is worth £500 million. In considering the potential for skills development in Chatteris linked to this bid, Fenland Councillors should also note that Huntingdon has received skills support from the £10.5 million LEP grant to iMET and the Highways and Civil Engineering Academy in Huntingdon has received £415,000, King’s Lynn has received £3.4 million for the Institute of Advanced Construction, and Peterborough has received £586,000 for the Food Manufacturing and Processing Centre as well as LEP support for the Peterborough University from the Growth Deal Round 3 allocation.
73. In setting out the scope of the major regeneration programme Fenland needs, and for which LEP funding should reasonably be expected, an external programme team needs to be brought in by the council in order that it can compete on a level playing field with schemes elsewhere in the LEP area. A first phase should seek to build on existing work on Wisbech Garden Town and Rail, Metalcraft in

³⁸ Page 7 http://www.gcgp.co.uk/wp-content/uploads/2012/04/2016_07_19_GCgp-Board-Agenda-FINAL-Website.pdf

Chatteris, A47 dualling improvements, funding by a loan or grant from the LEP. This scoping work would specifically include:

- a. the development of two Enterprise Zone satellite sites covering Wisbech and Chatteris – the Government signposted its desire for the next Enterprise Zone to be in the North of the County when announcing the Growth Deal Round Three funding;
- b. the Wisbech proposal to link the Enterprise site to a new station, Garden Town, and off-site construction centre. A report is due at the end of March 2017 on this which I agreed in January when the Chief Executive and Deputy Chief Executive of the Homes and Communities Agency visited Wisbech, following which they seconded a senior member of the HCA to prepare a feasibility report, due shortly;
- c. the Chatteris proposal to link an Enterprise Zone with the Metalcraft bid for the next phase of Sellafield work, a high engineering skills centre, and a focus on attracting firms in their supply chain who will benefit from orders linked to a major Nuclear Decommissioning contract to move to Chatteris to benefit from five years free business rates;
- d. clarity regarding transport links including how Wisbech Rail, dualling the A47 at Eye, new bus routes linked to housing developments – these are supposed to produce travel plans but do not appear to be doing so with bus routes particularly an issue in Chatteris -, and cycle lanes linking the new station and Enterprise Zone;
- e. linking the skills component of this bid to the doubling of Apprenticeship funding following the introduction of the Apprenticeship levy;
- f. clarifying how this bid fits with funding within the scope of the new Mayor and Combined Authority;
- g. ensuring other parts of the district are included, such as the Vivacity project in Whittlesey or the Collision arts programme benefiting which suggested a hub in Wisbech also extends arts programmes to other Fenland towns including March;
- h. clarifying what European Social Infrastructure Funding can be targeted and the timescales for how Fenland plans to do so;

It is not realistic to expect officers at Fenland District Council to deliver this work alongside other commitments which is why external professional resource needs to be bought in along similar lines to major regeneration projects run by other councils.

74. Fenland District Council should also obtain legal advice as to whether the £800,000 allocation agreed in February 2014 towards the cost of the A14 to be paid from 2020 onwards is legally binding, and if not whether it would be appropriate or counter-productive to cancel this payment. Councillors supported this allocation on the basis that the LEP said it would help accelerate the delivery of Kings Dyke Crossing. Yet three years later, just £160,000 out of the £8 million has been spent by the LEP³⁹. This is despite the LEP Rag rating this project as green in their September 2016 minutes stating “*Planning permission granted March 2016*”⁴⁰. This is part of a pattern of funding for Fenland being delayed, suggesting a lack of urgency from the LEP. On 7th June 2016 the LEP project list suggests Fenland stations received £395,000⁴¹, yet none of this funding has been spent. Throughout the period of the LEP, Fenland District Council also appears to have been contributed small annual sums to its costs, with LEP Board papers suggesting this totals circa £60,000.⁴² Appendix 1 seeks to bring transparency to the lack of spending in Fenland by the LEP, and is an area the District Council Scrutiny Committee should pursue.

³⁹ Page 33 http://www.gcgp.co.uk/wp-content/uploads/2012/04/2016_12_13_GCgp-Board-Agenda-and-Papers-FINAL.pdf

⁴⁰ Page 9 http://www.gcgp.co.uk/wp-content/uploads/2012/04/2016_09_13_GCgp-Board-Agenda-FINAL-WEB.pdf

⁴¹ <http://www.gcgp.co.uk/wp-content/uploads/2016/03/GCgp-Funding-List-Jan-2017-FULL-FINAL.pdf>

⁴² Page 3 http://www.gcgp.co.uk/wp-content/uploads/2012/04/151201_GCgp-Board_Papers.pdf

Conclusion

75. The LEP needs urgently to provide detailed answers to the questions regarding conflicts of interest, provide evidence to support allegations made against other stakeholders, and clarify how investment decisions have been independently reached. Failure to do so risks delays in the transfer of funding by Government of the Growth Deal Round Three allocation due in April 2017.
76. The LEP Board should also revisit their earlier decision to allocate all Regional Growth Funds as loans, given that it is within their discretion to allocate this funding as grants. Such a decision would unlock additional grant funding, which could be used to assist Fenland. £7.5 million of loans allocated by the LEP is due to be repaid, and this could be re-profiled as grants. The LEP should also set out exactly what funding for each programme remains unallocated or unspent.
77. The National Audit Office has now been asked to investigate, and the LEP Board should assist this work by responding openly to the concerns identified in this paper, and in my previous two papers of 13th January and 29th January. This will also assist the Chairs of the Public Accounts Committee and the Treasury Committee in determining what action their committees should take in pursuing this matter. Fenland District Council Scrutiny Committee should also hold a hearing with the LEP as a matter of priority.
78. Fenland District Council need to submit an urgent funding request to the LEP Board in order to pay for external, professional project resource, to prepare a Fenland Prospectus for the regeneration of the district. This requires urgency in order to access Growth Deal Round Three Funding available from April 2017, in particular because a number of projects are already in the LEP's pipeline of work.

Appendix 1

Source of Allocation	Total LEP Funding	Schemes	Allocated	Spent	Not spent	Not allocated
2012 Growing Places Fund Feb 2012 End March 2012	Total £14.9 million avail for grants of which: £10.7m for grants £4.2 m for grants	All LEP areas – LEP chose to use just £150K as grants and rest as loans	£150K grants £	Unknown	Unknown	£7.5 m not allocated end 2013/14 £7.5m in loans to be repaid avail for future years
	Grants - unclear	Delamore Horticulture Skills	£150,000 grant & £50K loan	£200,000	n/a	n/a
	Loans - unclear	None to Fenland	0	n/a	n/a	n/a
Growth Deal 1&2 Excl Challenge Fund	£109 million	All LEP areas	£96,591,000		Unknown	£12,409,000
Growth Deal Round 1 paid to LEP in March 2015	£21.1 million for + unallocated £7.5m from Growing Places Fund	Wisbech Access Improvements - capital (Gov Allocated)	£10,500,000	0	£10,500,000	n/a
		Wisbech Access Improvements – revenue (Gov Allocated)	£1,000,000	£827,808	£175,000	n/a
		Kings Dyke Crossing, Whittlesey	£8,000,000	£160,000	£7,840,000	n/a
Growth Deal Round 2 in March 2016	Total £29.9m: £28.9 million + £1m New Anglia LEP for Agri-Tech	Fenland Station Improvements	£395,000	0	£395,000	n/a
Growth Deal Round 3	£37.6 million in April 2017	All LEP areas	Tbc	n/a	n/a	£37.6 million
Agri-Tech Programme	£6m total to date	All LEP areas	£3,397,709	n/a	n/a	Unknown
Agri-Tech Round 1 in March 2014	£3.2 million Agri-tech fund (£?) R&D Fund (£?)	Law Fertilisers None to Fenland	£46,500 0	£46,500 n/a	n/a n/a	n/a n/a
Agri-Tech Round 2 in 2015 funded out of Growth Deal	£2.5m Agri-tech fund (£?) R&D Fund (£?)					
LEP Challenge Fund	£1 million	All LEP schemes	£790,000			£210,000
Challenge Fund Round 1 in 2015	£1 million	None to Fenland		n/a n/a	n/a n/a	
Round 2 in 2016		Rosmini Centre Ferry Project	£40,000			
Round 3 in 2017		Reuseful Ferry Project	£40,000 £50,000	n/	n/a	
Total			£20,272,500	£1,364,308	£18,910,000	
	Fenland District Council	A14 contribution	(£800,000)			
	Fenland District (Council	LEP contribution		(£60,000)		
Net Total			£19,472,500	£1,304,308		
Net Discretionary Total	Excludes £11.5m allocated by Gov		£7,972,500	£476,500		

Appendix 2

EU Social Infrastructure Programme (ESIF)	Total programme of £67,390,000 for all 3 schemes for 2014 to 2019/20	LEP Areas	Spent to date	Amount spent in Fenland is unknown	Amount still to be spent Is unknown
	£25,770,000 available for 2014, 2015, 2016				
EU Social Fund	Circa £32.3 million	Total all LEP schemes	£12,875,000		
European Regional Development Fund (ERD)	Circa £32.3 million	Unknown	Unknown		
		Unknown	Unknown		
European Agricultural Fund for Rural Development (EAFRD)	Circa £7,390,000				
Opts in from Big Lottery	£42.9 million (61% of their £70 million allocation)	Unknown	Unknown		
Opts in from DWP		Unknown			
Opt in from Skills Funding Agency					

European Regional Development Fund (ERDF)

The notional GCGP allocation for ERDF 2014-20 is €38,622,251 (£27,421,798 based on an exchange rate of €1 = £0.71)

Priority Axis (PA)	% of ERDF	€	£*
PA 1 – Research and Innovation	37.21	14,373,046	10,204,863
PA 2 – ICT	12.55	4,850,393	3,443,779
PA 3 – SME Competitiveness	22.80	8,850,568	6,251,953
PA 4 – Low Carbon	27.43	10,593,244	7,521,203

Four rounds of calls for applications have been issued by the MA since the programme became operational in 2015. The present (fourth) round of calls closes on 17th March. DCLG plans to launch a fifth round of calls on the same date.

The following projects have been funded in the GCGP LEP area:

P A	Project title	Lead applicant	GCGP ERDF contribution (£)	Geographic coverage	Notes	Date of awards To be confirmed
1	REACTOR	Anglia Ruskin University	504,272	GCGP LEP area	Working with SMEs to create new products through the application of games knowledge and technology	
1	SCORE	Orbis Energy	510,000	GCGP, New Anglia and South East LEP areas	Supply chain innovation project with a delegated grant investment package supporting 200 SME's to operate in or diversify into the offshore renewable energy	
1	KEEP+	Anglia Ruskin University	2,354,342	GCGP, New Anglia, Herts, South East and SE Midlands LEP areas	Supporting collaborative research and innovation activity to develop new products and services. Funding will prepare SME innovations for market readiness	
1	Innovate to Succeed	Exemplas	485,862	GCGP and Herts LEP areas	Increasing high growth SMEs' effectiveness in generating and commercially exploiting their innovative ideas	
1	Innovation Bridge	Central Beds Council	584,410	GCGP, New Anglia and SE Midlands LEP areas	Providing free support to help SMEs to innovate and grow, with access to specialist university expertise and a grant programme to support the implementation of a growth plan	
2	Connecting Cambridgeshire	Cambs County Council	605,144	Cambs and Peterborough	Supporting the rollout of superfast broadband to thousands of homes and businesses that would not otherwise be able to receive it, e.g. in remote rural areas	
3	Serious Impact	Allia	853,970	GCGP and New Anglia LEP areas	Provides a range of free programmes to support and energise entrepreneurs to develop and grow impact ventures	
3	Signpost 2 Grow	NWES & LEP	2,504,487	GCGP LEP area	Free service giving local businesses access to a wide range of business support, advice, grants and events,	

					aimed at helping them to grow and develop	
3	Better off in Business	The Prince's Trust	176,050	GCGP, Black Country, Derby and Notts, SE Midlands, South East, Greater Lincs and Stoke and Staffs LEP areas	Helping unemployed young people (or working less than 16 hours per week) to explore and test their business ideas, write business plans and start their own businesses or achieve alternative goals in education, training or work	
4	Business Energy Efficiency in Cambs and Peterborough	Peterborough Environment City Trust	1,376,100	GCGP LEP area	Providing support and grants to SMEs to help catalyse investment in energy efficiency initiatives, to reduce carbon emissions and realise associated business benefits	

European Social Fund (ESF)

The notional GCGP allocation for ESF 2014-20 is €36,569,515 (£25,964,355 based on an exchange rate of €1 = £0.71)

Investment Priority (IP)	% of PA	€	£
PA 1 – Inclusive Labour Markets		21,027,338	14,929,410
1.1 Access to Employment	56.30	10,268,995	7,290,986
1.2 Sustainable Integration of Young People	14.32	3,011,441	2,138,123
1.4 Active Inclusion	10.38	3,521,550	2,500,300
1.5 Community Led Local Development	19.00	4,225,352	3,000,000
PA 2 – Skills for Growth		15,542,177	11,034,945
2.1 Access to Lifelong Learning	82.67	12,849,307	9,123,008
2.2 Improving Labour Market Relevance of Education and Training Systems	17.33	2,692,870	1,911,938

The majority of 2014-20 ESF investment in the GCGP LEP area to date has been match-funded via the so-called 'Opt-in' route, using funding from existing government programmes managed by DWP, the Skills Funding Agency and the Big Lottery Fund. The exception is Community Led Local Development, for which a call was issued and where public match funding was required.

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The following projects have been funded in the GCGP LEP area:

IP	Project title	Lead applicant or contractor	GCGP ESF contribution (£)	Geographic coverage	Notes	Date of awards To be confirmed
1.1	Work Routes	Reed in Partnership	2,700,000	GCGP LEP area	Helping long-term unemployed people start and sustain work. Provision is tailored to meet the needs of local jobseekers; helping people to overcome their barriers to work with a range of personal support available for up to a year	
1.4	Building Better Opportunities: Community Connections (North)	TCHC	1,697,500	North of the GCGP LEP area (Peterborough, Fenland, King's Lynn and West Norfolk)	Help people not in employment to break down barriers preventing them from achieving their goals, getting closer to securing a job and improving their life chances	
1.4	Building Better Opportunities: Community Connections (South)	Papworth Trust	970,000	South of the GCGP LEP area	Helping to move people who are the hardest to help, closer towards their aspirations	
1.4	Building Better Opportunities: New Horizons	Cambridge Housing Society	1,212,500	GCGP LEP area	Helping people make sense of their money, get on-line and find routes into employment	
1.4	Building Better Opportunities: eMploy-ABILITY	Peterborough Plus	970,000	North of the GCGP LEP area (Peterborough, Fenland, King's Lynn and West Norfolk)	Support for those furthest from the labour market to find work or get back into work	
1.5	Wisbech Community Led Local Development	Cambridgeshire ACRE	31,000*	Wisbech	Community-led programme of locally provided support for hard to reach communities in the most deprived urban areas	
2.1	Employee Skills Support	Ixion Holdings	5,700,000	GCGP LEP area	Supporting employees to develop skills enabling them to progress in employment. Supporting employers to take on and develop employees to fill intermediate,	

					technical and higher level skills gaps and shortages	
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* Project preparation costs. A second-stage application for a further £1 million ESF and £1 million match funding was submitted in January 2017 and is in the process of appraisal by the MA.

European Agricultural Fund for Rural Development (EAFRD)

The notional GCGP allocation for EAFRD 2014-20 is €9,236,676 (£7,395,748 based on an exchange rate of €1 = £0.80)

The first call for EAFRD applications in the GCGP LEP area was for Business Development grants. The call closed on 26th August 2016. One grant of £90,187 for a potato and onion grading facility at Broadpool Farm, Warboys, Huntingdon, was awarded. A further five grant applications worth a total £662,300 are undergoing appraisal by the MA.

A second round of calls for applications is now open. Business Development and Food Processing grants are available in the GCGP LEP area.

The Business Development call invites applications for investments that will support new and existing rural micro and small enterprises to expand and help farmers diversify into non-agricultural activities. There is £3.25 million of investment available, and applicants can apply for grants of between £50,000 and £170,000. The call will remain open until 31st January 2018.

The Food Processing call invites applications for investments that will develop added value food production and promote the adoption of innovation to increase the long-term competitiveness in the sector. There is £3.25 million of investment available.

Appendix 3

Stephen Barclay: Yes. To date, £1.5 million has been spent on two studies, neither of which cost what the scheme actually needs.

Neil Darwin: Indeed, yes.

Stephen Barclay: So you accept that?

Neil Darwin: Yes, absolutely.

Stephen Barclay: Given that you are responsible for spending some of that money, why do you think that is acceptable?

Neil Darwin: Again, I spoke to (*redacted name*) on the way over. He called me to say that they will be bringing forward proposals for your first question to us in the 15 questions. We are reliant on the county to bring that work to us. We do not generate the work.

Stephen Barclay: That is very welcome, but that is an answer to a different question. The question was: you have spent a proportion, not the whole lot but you have contributed a proportion, of £1.5 million on work that is flawed. Have you asked for that money back?

Neil Darwin: Not at this stage because we are awaiting further news from the county council.

Stephen Barclay: Right. So why have you paid for a piece of work that was so flawed, that did something, half-barrier crossings, that Network Rail tells me was never acceptable, legally is not doable, and is deeply flawed? Why did you spend money on a flawed study?

Neil Darwin: Because the project brief specification was brought to us by the county council.

Stephen Barclay: So that is the county council's fault then?

Neil Darwin: A collective involvement, but they are the ones who drafted the work.

Stephen Barclay: Collective involvement, so who else? It is the county council's fault; who else's fault?

Neil Darwin: With us because we are funding the work, of course, which is what you are driving at, but the county council would have specified what was needed and, again, we would make the same observation you have made, which is why we need to refer the piece of work.

Stephen Barclay: When did you realise that you had made this flaw?

Neil Darwin: When you and I sat next to each other down in Portcullis House.

Stephen Barclay: February 2016?

Neil Darwin: Yes. We have not seen anything since.

Stephen Barclay: You realised that this error was there in 2016 that we did not actually have an accurate business case?

Neil Darwin: Yes.

Stephen Barclay: Yet we are now January 2017, a year later, and we still do not have a—

Neil Darwin: We have not had anything further, yes, correct.

Stephen Barclay: A year has passed. We still do not have an accurate business case on this absolutely critical scheme. Why have we had a further year's delay?

Neil Darwin: Because we have been chasing the county council.

Stephen Barclay: You have been chasing the county council for a year. It sounds like you are in close touch with (*redacted name*); you spoke to him this morning. Presumably, over the last year you have been speaking to him lots of times. You have been saying to him, “(*redacted name*), come on, where is that at?”

Neil Darwin: Indeed, yes. Yes, absolutely.

Stephen Barclay: “Where is it?”

Neil Darwin: Yes.

Stephen Barclay: For a whole year?

Neil Darwin: Yes.

Stephen Barclay: *(redacted name)* has been ignoring you then?

Neil Darwin: Yes, absolutely, but you will be pleased to learn—and again you will have the same healthy distrust of this as I do—*(redacted name)* and his team will be able to deliver the extra piece of work next week.

Stephen Barclay: *(redacted name)* has been ignoring the representations of the LEP for a year.

Mark Reeve: I think ignoring is probably strong. I have not seen the correspondence, I am not into the detail at all here, Stephen, but—

Stephen Barclay: Well, Neil just said yes so—

Mark Reeve: Oh, okay.

Stephen Barclay: For a year, but now that I have raised it we can manage to produce it in a week?

Neil Darwin: Absolutely.

Mark Reeve: It appears so.