

Business Board		Agenda Item
4 March 2024		3.2
Title:	Business Growth & Social Impact Investment Fund Update	
Report of:	Business Programme Support Officer, Grace Crawford	
Lead Member:	Chair of the Business Board, Al Kingsley	
Public Report:	Yes	
Key Decision:	No	
Voting Arrangements:	No vote required	

Recommendations:

A	To note the updates contained within this report.
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Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

X	Achieving ambitious skills and employment opportunities
X	Achieving good growth
X	Enabling resilient communities
X	Achieving best value and high performance

1. Purpose

1.1	This report provides the Business Board with a progress update since the Full Business Case and drawdown of the £10million Gainshare funding for this programme was approved by the Combined Authority Board in November 2022.
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2. Background

2.1	<p>The Business Growth and Social Impact Investment Fund was designed to address the challenges faced by businesses and third sector organisations within certain key sectors that are key to sustainable and inclusive economic growth across the Combined Authority. This funding programme will be available to support two distinct categories of business and organisation targeted as follows:</p> <ul style="list-style-type: none"> Fund 1 is £7.1m aimed at providing equity or debt funding to high growth potential businesses that have limited access to funding from other sources. The primary sector will be green-tech businesses, plus businesses that are needing to invest in reducing their carbon emissions with equity investment and loans of £100,000 - £500,000.
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	<ul style="list-style-type: none"> Fund 2 is £1.9m aimed at providing grants or loans to third sector businesses that have limited access to funding from other sources. This will consist of smaller loans or grants of less than £75,000 to support third sector.
2.2	The Combined Authority Board also approved delegated authority to the Acting Assistant Director – Business, Trade and Investment, in consultation with the Chief Finance Officer and Monitoring Officer to complete procurement and contract delivery partners to manage the delivery of the programme.

3. Update

3.1	<p>Procurement</p> <p>The procurement process is almost complete and in response to the CPCA's Invitation to Tender, two delivery partners were successful in their bids to manage each fund.</p> <p>Contracts are being agreed and mobilisation is anticipated within the next two months.</p>
3.2	<p>Fund 1</p> <p>This will be managed by The FSE Group - an early-stage fund manager, focused on investing in and lending to high-growth, innovation-led SMEs in underrepresented regions in the UK. The FSE Group have a strong track record in establishing regionally focussed, market gap funds and currently manage c.£325m of such funds in the East of England (including the CPCA region), South East England (Berkshire, Hampshire, Surrey, West Sussex), the Midlands, London, South West England (Cornwall, Devon, Dorset, Somerset), Yorkshire & Humber, and Scotland.</p> <p><u>Proposed Governance Arrangements</u></p> <p>A Steering Group will be established to oversee the operation of the Fund and will meet quarterly to monitor the progress against Key Performance Indicators (KPIs) and address any changes required in relation to the investment policy, business targeting and to opine on any points of policy. It is envisaged that three appointments will be made by the CPCA to this Steering Group, which could include Business Board members, elected members and senior officers. Members of this group will not be involved in the individual loan/investment decisions but will have sight of the overall portfolio positions and have controlling position on wider policy issues.</p>
3.3	<p>Fund 2</p> <p>This will be managed by Allia Impact Ltd - based in the Cambridgeshire and Peterborough region for 25 years, with designated third sector and environmental business centres in Cambridge and Peterborough. Allia has experience of running programmes aimed at the third sector both by them and in collaboration with specialist partners. These include social enterprise, tech for good, and charity startup programmes that cover the launch, early stages of growth, environmental and financial sustainability, and mentorship programmes. Allia also has facilitated grant making, social investment, social business hubs, and other aspects of social innovation ecosystem building.</p> <p><u>Governance</u></p> <p>A Panel will be established that will meet monthly to review the grants and loans presented to the CPCA. It is proposed that delegated places on this panel will include an independent advisory expert, CPCA senior officers and representatives from the CPCA Business Board and the CPCA Investment Committee. This panel will have responsibility in assisting with the strategic direction of the Fund and agree grant and loan award decisions.</p>

4. Appendices

4.1	Combined Authority Board – Minutes of meeting 30 November 2022 Minute 309
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5. Implications

Financial Implications

5.1	<p>Fund 1 – the total fund excluding management fee is currently set at £7.1m.</p> <p>Fund 2 – the total fund excluding management fee is currently set at £1.9m. There is an additional £500k available to add to fund 2 as an option when the first tranche is all awarded.</p> <p>After the 3-year investment period, there will be a 7-year exit period, and proceeds from the sale of equity, and repayment of loans, will be returned to the CPCA throughout the exit period.</p> <p>It's expected that the cost of the procured services (Allia and FSE) will be in-line with the £500k budget for management of the fund.</p>
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Legal Implications

5.2	<p>Fund 1 and Fund 2 will operate under two separate contracts for administrative delivery (yet to be signed and currently being finalised).</p> <p>The legal structure for Fund 1 is currently being reviewed but it is proposed that a new Special Purpose Company (SPV) is created which will be the lender or investor of record for the fund. The FSE will set up the SPV as a subsidiary of FSE Fund Managers.</p>
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Public Health Implications

5.3	<p>A mayoral priority is to provide funding to third sector organisations with a social impact focus that have a business or trading element in the context of addressing the issues facing residents through encouraging the presence of more compassionate employers, socially responsible employment and tackling inequalities. This fund aims to address this priority.</p>
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Environmental & Climate Change Implications

5.4	<p>Given the regional ambition for support to transition to Net Zero, businesses focusing on investing in products and services that contribute to the Net Zero agenda will be prioritised through this fund.</p>
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Other Significant Implications

5.5	None
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Background Papers

5.6	Combined Authority Board - Gainshare Equity Fund Report Combined Authority Board 30 November 2022 Agenda Item 4.5
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