



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Agenda Item No: 4.5

Combined Authority Gainshare Equity Fund

To:	Cambridgeshire and Peterborough Combined Authority Board
Meeting Date:	30 November 2022
Public report:	Yes
Lead Member:	Deputy Mayor Councillor Anna Smith
From:	Steve Clarke, Interim Associate Director Business
Key decision:	Yes
Forward Plan ref:	KD2022/071
Recommendations:	<p>The Combined Authority Board is recommended to:</p> <ul style="list-style-type: none">a) approve the Full Business Case for the Growth Works Equity Fund and approve the drawdown of £10million Gainshare currently 'subject to approval' in the medium term financial plan (MTFP)b) delegate authority to Interim Associate Director Business in consultation with Chief Finance Officer and Monitoring Officer to complete procurement and contract with delivery partners to commence delivery of the fund.
Voting arrangements:	<p>A simple majority of all Members present and voting</p> <p>To be carried, the vote must include the vote of the Mayor, or the Deputy Mayor when acting in place of the Mayor.</p>

1. Purpose

- 1.1 To seek approval for the Full Business Case and approve release of the funding allocation from the subject to approval line of the medium term financial plan (MTFP).
- 1.2 To seek approval of delegation to Officers to procure delivery partners and commence delivery of the project.
- 1.3 If approved the project will have £10million approved comprising £9.5million Capital and £500,000 Revenue funding to move into the delivery phase of the project. Monitoring and evaluation will continue throughout the delivery phase.

2. Background

- 2.1 Lack of access to funding for small to medium sized businesses has been consistently recognised as a key issue to be overcome in stimulating and sustaining business growth across Cambridgeshire and Peterborough, both in the 2019 Cambridgeshire and Peterborough Local Industrial Strategy and now in the 2022 Cambridgeshire and Peterborough Combined Authority (CPCA) Economic Growth Strategy. This issue is most pressing for businesses outside of the Cambridge City area.
- 2.2 The CPCA Economic Growth Strategy also sets out high-growth potential and current key priority sectors for the region, that should be prioritised due to their ability to contribute and sustain high-quality local jobs. Given the regional need for support to transition to Net Zero, businesses focusing on products and services that contribute to Net Zero agenda should also be prioritised.
- 2.3 In the context of this business need and the strategic priorities set out in the Economic Growth Strategy, the CPCA Board earmarked £10m of gainshare funding to be used to support local business growth, potentially through equity investment as a mechanism. At the same time, a mayoral priority was highlighted to also provide funding to third sector companies (social impact focused firms that have a business or trading element, as opposed to charitable organisations), in the context of addressing the issues facing residents through encouraging the presence of more compassionate employers, socially responsible employment and tackling inequalities.
- 2.4 This full business case builds on the strategic outline business case approved in July 2022, and a project initiation document submitted to the CPCA Board in Spring 2022. It further develops the structure, commercial, procurement and management models for the fund.
- 2.5 The objectives for this intervention are:
 - 1 To provide a credible source of growth funding (£100,000 – £500,000) for 20-40 small to medium businesses that cannot otherwise access it, in key sectors including IT, Life Sciences, Agri-Tech and Advanced Manufacturing as well as the emerging green-tech sector.

- 2 To provide a credible source of smaller amounts of funding (up to £100,000) to support local third sector businesses providing new or continued community and social products and services.
- 3 To increase growth of existing businesses in key sectors including IT, Life Sciences, Agri-Tech and Advanced Manufacturing as well as the emerging green-tech sector.
- 4 To create new jobs and sustainment of existing jobs and community offers in areas in C&P which have the highest levels of deprivation and the lowest paying wage levels.

2.6 The Business Growth Fund project will deliver the following Key outcomes:

- Increase in business growth in key sectors, particularly outside of Cambridge where access to funding is more limited
- Creation of high value jobs in green tech
- Advancement of businesses towards net zero

2.7 The Business Growth Fund project will have the following Key Metrics:

- Number of jobs created or retained in growth potential businesses in CPCA priority sectors including green-tech - Estimated 500 jobs
- Number of jobs created or retained in third sector social enterprises - Estimated 85 jobs
- Number of indirect and induced jobs created in business supply chains and wider economy – Estimated 185 jobs
- Reduction in Greenhouse Gasses (tonnes of CO2 equivalent) – Estimated 9,000 tonnes p.a.
- Turnover growth of businesses in priority sectors
- Financial returns – estimated £9.8million based on the financial model

2.8 The Project has been through the following process steps to get to this final approval stage.

Step 1: Prioritisation

2.9 Bids for inclusion in the CPCA budget were submitted by 31 December in response to the MTFP consultation.

The PID scored very well compared to all other projects against the six keys in the Combined Authority Growth Ambition Statement with an average of 2.8 collated score, where the average for all projects was 2.4 with a minimum of 2 and a max of 3.1.

GVA	Climate Change	All other	Infrastructure	Knowledge	Health	Skills	Social	Finance
4	2	2	2	4	2	4	2	3

The project was ranked joint 9th out of over one hundred submissions.

This project was passed through that stage and included within the MTFP as subject to approval allocation following Board approvals in January and March 2022.

Step 2: Project Initiation Documents (PID)

- 2.10 The initial design and scope of project was developed with consultation with selected Members of the Business Board and Local Authorities plus wider stakeholders working in the business and social finance arena.

The PIDs were taken to the April and June Performance and Risk Committee (PARC) meetings, internal officer review meetings, where each were assessed, and relevant changes made. This project within the scope of this paper has an approved PID.

Step 3: Business Case

- 2.11 A HMT Green Book compliant Business Case template has been used to develop and complete the full business case.
- 2.12 This Project completed a Strategic Outline Business Case which went to PARC in July 2022 and was approved by that Committee and was invited by the Combined Authority PMO to move straight onto Full Business Case development.
- 2.13 The Business Board has been formally consulted on the final Full Business Case and this has been fully endorsed by the Business Board to be recommended to the Combined Authority for approval.
- 2.14 The Full Business Case can be found as an appendix to this report.

3. Assessing Value for Money

- 3.1 The CA Programme Management Office has reviewed the Combined Authority Assurance Framework, HMT Green Book (2020) and National Audit Office (NAO) guidance and met with the Chief Finance Officer when deciding on guidance for evidencing Value for Money.
- 3.2 The full business case for this project has been considered against the Assurance Framework and does demonstrate a strong fit with strategic objectives of the Combined Authority Board and Business Board.
- 3.3 The NAO guidance states that there must be a balance of inputs, outputs & outcomes, that 'optimal' is the most desirable possible given restrictions or constraints, for this particular full business case the question of 'what does good look like?' has been satisfactorily answered.
- 3.4 Within the Strategic Case of the Business Case the scope of the project has been fully developed and there is a case for change section which assesses what do nothing looks like and what good looks like, linking to CPCA strategic objectives.
- 3.5 Within the Economic Case a Green Book Project Profile Tool was adapted for each project to link outputs to outcomes to impacts and to CPCA strategic objectives and metrics. A logic model has also been developed. Also included in the Business Case is a Monitoring and Evaluation section that includes an evaluation plan and how progress against these inputs, outputs and outcomes will be measured.
- 3.6 Within the Economic Case there is also an assessment of options against costs and benefits including do nothing and do minimum which aims to assess which is the optimal

use of resources. The project has a Benefit Cost Ratio (BCR) of 5.66 which is classed as very high and even after sensitivity testing remains in the high category.

- 3.8 The Chief Finance Officer has reviewed this Business Case and has assessed to represent Value for Money against the above criteria.

4. Timescales and next steps

- 4.1 If approved the project will move into the delivery phase of the project, starting with procurement of delivery partners and final design of the scheme prior to launch financial year 2023/24. Monitoring and evaluation will continue throughout the delivery phase. CPCA will explore options for joining the management efforts across the district councils who are delivering or planning to launch similar funds. Co-investment opportunities will also be sought to promote collaboration and maximise the outputs across the region.

Significant Implications

5. Financial Implications

- 5.1 The Combined Authority Board approved, as part of the 2022/23 Revenue Budget, Capital Programme 2022/23 to 2025/26 and Medium-Term Financial Plan (MTFP) 2022/23 to 2025/26, a list of projects, presented on 26 January 2022.
- 5.2 The initial allocation of subject to approval budget within the MTFP was agreed at this Board and is shown in the tables below, ensuring that funding would be available for these projects, should they be approved via the gateway stages and provide evidence as value for money.

MTFP - Business and Skills Capital Budget	2022/23	2023/24	2024/25	2025/6	2026/27
	£'000	£'000	£'000	£'000	£'000
Growth Works Additional Equity Fund (cap)					
Subject to Approval	950	2,850	2,850	2,850	

MTFP - Business and Skills Revenue Budget	2022/23	2023/24	2024/25	2025/6	2026/27
	£000's	£000's	£000's	£000's	£'000
Growth Works Additional Equity Fund (rev)					
Subject to Approval	50	150	150	150	-

- 5.3 There are financial implications arising from the recommendations in this report where the MTFP budget profile for the project has changed from that approved shown above. Below is the new revised budget profile from the Full Business Case.

MTFP revised budget profile from Full Business Case					
	Total	FY (2022 /2023)	FY (2023 /2024)	FY (2024 /2025)	FY (2025 /2026)
Capital	£ 9,500,000	£ -	£ 2,850,000	£ 3,325,000	£ 3,325,000

Revenue	£ 500,000	£ 60,938	£ 156,250	£ 156,250	£ 126,563
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6. Legal Implications

- 6.1 If the FBC is approved then CPCA will carry out a competitive process to identify and commission the right fund partner to manage the Fund, in accordance with the requirements set out in this business case. This will follow the standard CPCA procurement process and contract for delivery.

7. Public Health Implications

- 7.1 The proposed project will have a positive impact on public health regarding the creation of key employment, skills or social impact outcome improvements across the Combined Authority area. Good work and personal skills development are a key determinant of positive health outcomes.

8. Environmental and Climate Change Implications

- 8.1 Please refer to the Full Business Case appended which outlines positive impacts and outcomes derived for environment and climate change measures such as carbon reduction from delivery of the project.

9. Other Significant Implications

- 9.1 There are no other significant implications

10. Appendices

- 10.1 Appendix 1 – CPCA Business Growth Fund Full Business Case

11. Background Papers

- 11.1 [Combined Authority reports January 2022 - Sustainable Growth Ambition Statement, 2022/23 Budget and Medium-Term Financial Plan 2022 to 2026](#)
- 11.2 [Combined Authority Board March 2022](#)

12. Accessibility

- 12.1 An accessible version of the information contained in the tables in this report and appendix are available on request from democratic.services@cambridgeshirepeterborough-ca.gov.uk