THE BUSINESS
REBOUND & GROWTH SERVICE
FULL BUSINESS CASE

EXECUTIVE SUMMARY

Opportunity

Our economy is already home to a high concentration of high-growth firms and a highly skilled and entrepreneurial workforce. We are one of a small number of regional economies that provide a net contribution to the Treasury and offer the potential to play an important role in leading national economic recovery from the impacts of COVID 19. Our strength comes from:

- **Greater Cambridge** which is the UK's fastest growing economy and the most likely part of the county to recover quickest to help regain the £3.7bn GVA lost. It gives us Global Leadership in life sciences and education and has the largest share (16%) of the UK's knowledge intensive business services. It generates more patent applications per head of population than any city in the UK and more than all of the EU put together.

- **Greater Peterborough** which has reinvented itself as a Smart City, with UK leading levels of digital connectivity and its major cluster in environmental technologies. It is also home to a high-tech manufacturing base that has grown whilst the sector has shrunk nationally, now representing 18% of its businesses, compared to 9% nationally.

- **The Fens** which are considered one of the country's greatest natural assets and contain over 50% of the UK's grade one, highest quality, land for food growing.

However, there is still much untapped potential and, as markets recover to a new norm and permanent shifts in customer behaviours and workforce practices become apparent, a fantastic opportunity will open up for the CPCA & Business Board to deliver even greater impact by supporting our brightest firms to adapt to grow faster, longer and more sustainably.

How we might achieve this, has been set out in our Local Economic Recovery Strategy, co-developed by the Business Board and the Economic Recovery Sub-group of the COVID 19 Local Recovery Forum. Successful implementation of this Economic Recovery Strategy, with the right investment from our partners in Central Government, will enable this national powerhouse economy to return quicker to its previous contribution of £5Bn pa to Treasury to help finance recovery in other areas of the UK, especially in the midlands and north.

Vision

Our COVID-Revised Strategic Vision is to:

Accelerate the rebound and regrowth of our economy, to lead the nation out of recession, rebooting it to achieve our ambition of doubling GVA over 25 years, in a way that is more sustainable, greener, digitally enabled, and inclusive.

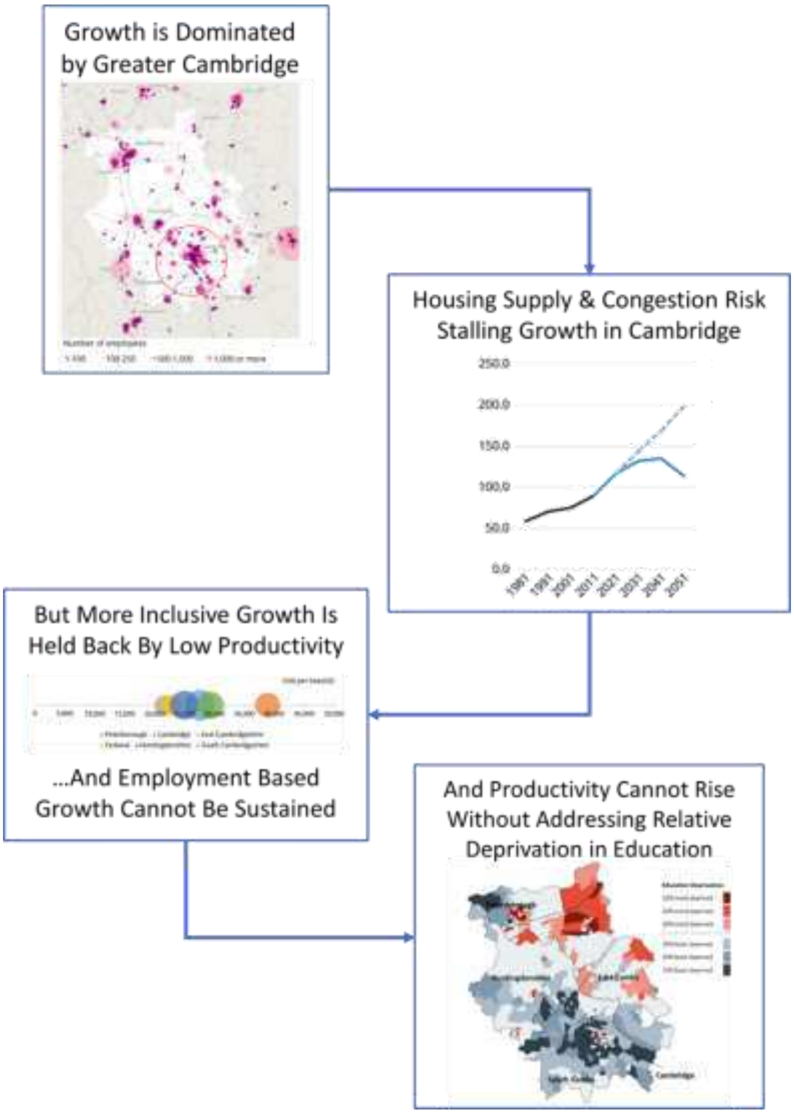
We will achieve this through a Local Economic Recovery Strategy that accelerates our recovery by strengthening our businesses' and workforce' capacity for rebound and regrowth. This strategy consists of five simple Pillars, based on the Local Industrial Strategy's themes of Business Environment, Ideas, Infrastructure and People, with a local addition and emphasis on greater sustainability.

A key intervention vehicle to enable the first Pillar, and potentially providing around half of all jobs growth generated by the Business Board over the next 6 years, will be the **Business Rebound & Growth Service** to accelerate start-ups, scale-ups & set-ups within our economy, over the course of the COVID 19 economic recovery period and beyond.

The Five Pillars of our Economic Recovery Strategy are:

Strategic Policy Context

The Key Messages from the CPIER that have informed our Local Industrial Strategy (LIS), and driven the need for more inclusive, and knowledge intensive, jobs growth are summarised as follows:



The policy response set out in LIS to meet this need, in the shortest timeframe, to create medium term impacts, was the Business Growth Service. This was designed to better enable our academic ideas to be more rapidly commercialised and spun-out, whilst ensuring our most exciting entrepreneurs are supported to scale-up and the world's brightest firms are encouraged to locate here. The Service will deliver across the specificities of our three sub-economies as an integrated single-front-door offering for high-growth start-ups, scale-ups and set-ups. Central to the idea is building a network of growth companies that, when connected through innovation, skills and growth support, become more than the sum of their parts. In this way we aim to develop the same quality of growth support that has made growing businesses inside Cambridge, so much faster and more sustainable than nearly anywhere else in the UK.

Service Impact Headlines

The Business Rebound & Growth Service will provide:

1. **A Growth Coaching Service** to engage and support our highest potential firms to speed their growth, build their capacity for growth, sustain their period of growth, or all three, **to create 3,498 jobs.**

2. **An Inward Investment Service** to better connect us into global markets, to engage and persuade firms to locate into our economy or invest in our strategic projects**, to create 1,328 jobs**.

3. **A Skills Brokerage Service** to link learners and those retraining for new jobs, to employers and skills providers to improve the supply of skills to our growth sectors, **to provide 3,505 people with better skills** for new jobs, including **1,600 apprenticeships**.

4. A Capital Growth Investment Fund to help SMEs, grow through organic expansion, offering an integrated range of grants, loans and equity products unavailable commercially, **to create 1,500 jobs.**

By integrating all these services into one Business Rebound & Growth Service to create a **total of 6,326 jobs**, we will better connect our places and business clusters and provide across them, a quality and connectivity of growth support that reflects, and has the potential to develop towards, the support eco-system developed over half a century within Greater Cambridge. To do this, the Service will expand and build on the growth support networks that are already present in and around Cambridge and develop a commercial marketplace for advisory and investment services, as well as a mentoring culture amongst supported entrepreneurs.

Service Contribution Towards Our Goal to Double the Economy

To double the size of our economy, and prior to COVID 19, jobs growth needed to increase from its historic rate of 2.5% pa (1998-2018) to 2.8% (2017-42). From a 2017/18 baseline of £24.46Bn and a current workforce of 418,000[1] this meant that the CPCA and its partners, notably the Greater Cambridge Partnership (GCP), needed to nudge an additional 0.3% of growth in jobs, above and beyond that which would naturally occur without our intervention. This equated to at least 1,254 pa, with substantially more of these jobs being in Peterborough and the Fens, than had previously naturally occurred, and more being knowledge intensive to drive up productivity, prosperity and ultimately, health and wellbeing for *all* our communities.

To meet this challenge, the Business Growth Service was tasked, in November 2019, by the Business Board, to stimulate business growth in firms to generate an additional 5,890 jobs, measured over the 3 years the Service's delivery and the following 3 to capture the delayed effects between intervention and jobs growth realisation. This would have produced a net-impact on additional jobs growth of 982pa, substantially contributing to the required 1,254pa to enable the doubling of our economy.

However, since then the impact of COVID 19 has removed £3.7Bn of GVA from what would have been forecast to have been £25.7Bn for 2020/21. Whilst various rebound forecasts indicate that a substantial proportion of this will be recovered over the next few years, it will still increase the need for additional growth and jobs to supplement both the natural growth and the previously planned impacts of the CPCA and its partners, to still achieve our ambition to double the economy.

Hence, officers have undertaken a refocusing and redesign of the original concept for the Business Growth Service into the *new Business Rebound & Growth Service,* and through innovations developed in partnership with various by private sector bidders to deliver it, we have identified ways to now deliver an enhanced 6,326 new jobs, increasing the job growth potential of the Service by 7.5% since OBC.

In addition, of course, are the many other, powerful interventions and initiatives of the Business Board, the wider Combined Authority and its key partners such as GCP, that make up the five pillars of our COVID 19 Local Economic Recovery Strategy. Counting only the CPCA Business Board's LGF impacts, these amount to a further 50,644 new jobs created to 2042, See Appendix 1.

Thus together, the enhanced Business Rebound & Growth Service and the broader interventions of the Business Board, are forecast to deliver 1,055 and 2,025 jobs pa respectively and a total of 3,080 pa over the decade. This joint performance should be sufficient to both accelerate growth AND compensate for the COVID 19 impacts to still achieve our ambition to double GVA by 2042.

[1] Overview of Economy and Employment in Cambridgeshire Report: 03 2019 https://cambridgeshireinsight.org.uk/economy/

Strategic Case for Change

Historically, growth and especially the quality of growth across our cities and towns has not been inclusive and has led to high levels of health, wellbeing, and prosperity disparity, with pockets of both urban and rural deprivation. The Local Industrial Strategy and the Business Rebound & Growth Services is an opportunity to address the inequalities that undermine economic growth and vision to become a leading place in the world to live, learn and work. An inclusive growth strategy which improves absolute standards of living is vital for the long-term economic sustainability of our economy; as such it represents a risk mitigation strategy as well as an opportunity. Enabling the doubling of our economy in a way that increases inclusivity cannot be done through more of the same quality and quantity of business support. The volume of engagement with firms must be increased along with the intensity of that support and the ambition for the quality and quantity of job impacts. To support this, we need an approach to targeting firms and offering growth support to them, that is tailored to the very different needs of our three sub-economies and each individual customer. To do this we will need to:

1. **Transform the Growth Hub** from the current activity-based service, that most commonly provides firms with less than an hour of support and is measured only by the number of those engagements it makes. Instead, we must build a jobs growth outcome-based service, capable of assessing the growth ambitions and barriers to success, of our most exciting 3,000 firms, diagnosing their needs for support and providing over 1,000 of them, with access to more than £9m of growth coaching from the private sector to help them achieve growth and create higher value jobs, spread more evenly across our economy.

2. **Create a world-class inward investment service to** attract firms across the world and the UK to relocate into our economy and better connected into overseas investor networks to promote our strategic investments in transport infrastructure and higher education.

3. **Transform the current small-scale schools career advice service** into a skills marketplace, where young people and those looking to retrain can find jobs and training to provide our growing businesses with the right skills at the right time in the right place.

4. **Create a world-class growth capital investment eco-system** where start-ups, spin-outs and scale-ups can find coaching to attract investors, grants and loans to bridge the current gaps in the commercial marketplace and from an eco-system that attracts more investors into the whole of our economy – not just the high value sectors within Cambridge.

Economic Case to Invest

Based on a total public sector cost of £25,613,216 the Business Rebound & Growth Service generates 6,326 new jobs, producing Cumulative Net Present Fiscal Benefits of £437,847,012 and a BCR of 17, which is an increase on the OBC figure of 15.

Commercial Case for Implementation

In 2019 the Business Board lacked the revenue funding to procure the Business Growth Service, hence an innovative approach to raising the funds was adopted. To overcome this constraint, common to all LEPs, the approach adopted at Outline Business Case in November 2019 was to free-up a small proportion of the Business & Skills MTFP, to create a revenue fund to leverage and multiply with external funding to deliver a Business Growth Service **Delivery Fund** of over £19,499,148. This strategy is summarised below.

Strategy for the Creation of The Growth Service Delivery Fund	
Total LGF Capital Equity Investment by the Business Board, as Working Capital	£5,407,000
ERDF Funding	£5,291,601
ESF Funding	£2,035,547
Total ESIF Revenue Funding	£7,327,148
CPCA budget for Growth Hub	£738,000
CPCA Skills Strategy Implementation budget	£150,000
Local Ind Strategy Implementation budget	£150,000
CPCA contract with Careers Enterprise Company	£240,000
CPCA Enterprise Zone businesses rates receipts	£927,000
Total CPCA Revenue Allocation from the CPCA 2020/21-22/23 MTFP	£2,205,000
Total SME Contributions to Growth Coaching Fees	£4,500,000
Total Fund for Procurement of Business Growth Service	£19,439,148

To enable the financing strategy above the Business Board implemented the following steps:

1. The Business Board first requested that the CPCA, as the Business Board's Accountable Body and legal personality, establish a Growth Service Management Company (Growth Co), on behalf of the Business Board, as a subsidiary to the Combined Authority Trading Company Limited ("Angle Holdings Ltd"), with an initial allocation of 100 shares in favour

of Angle Holdings. The purpose of Growth Co being to manage the Growth Service Delivery Fund, and the subsequent delivery of the Business Growth Service.

2. The Business Board then accepted an application from the CPCA, to the LGF capital fund administered by the Business Board, for a capital equity investment from the LGF into the Growth Service Management Company. Growth Co will initially be wholly owned by Angle Holdings Ltd. via an initial allocation of 100 shares of £1 each issued to Angle Holdings Ltd on incorporation. Once the conditions on the LGF investment are met, specifically that the EU funding has been confirmed, the Growth Co will issue £5.407m additional shares to the CPCA in return for the £5.407m LGF investment. At this point, the CPCA will become the majority shareholder and will operate control directly rather than through Angle Holdings Ltd. Through this investment, working capital within the Growth Service Management Company, will be generated as revenue which can then be used to part fund the procurement of the delivery of the Business Rebound & Growth Service.

3. The Business Board then recommended that the CPCA, as the Business Board's Accountable Body and legal personality, apply for funding on behalf of the Business Board, from the European Regional Development Fund (ERDF) and European Social Fund (ESF) and to allocate this external funding to the Cambridgeshire & Peterborough Growth Company to part fund the procurement of the delivery of the Business Rebound & Growth Service.

4. The Business Board then requested that the CPCA allocate funding from the Business & Skills 2020/21-22/23 MTFP to the Cambridgeshire & Peterborough Growth Company to part fund the procurement of the delivery of the Business Rebound & Growth Service.

5. The CPCA then procured private sector suppliers to deliver the Business Rebound & Growth Service, instructing them to generate £4.5m of private sector contributions to the costs of Business Rebound & Growth Service. This being through customer payments of 50% of the costs of the growth coaching they receive as part of the Business Rebound & Growth Service.

In this manner, nearly £19.5m of funding was assembled to finance the delivery of the Business Rebound & Growth Service, based on just £2.335m of CPCA initial revenue allocation. However, it was agreed to be important to both the Business Board and the Mayor, that the Business Board's focus remain that of strategy, acting as a catalyst and funding partner to facilitate and enable others to achieve economic growth outcomes. Hence, the CPCA has procured a private sector delivery consortium to operate and manage the Business Rebound & Growth Service under contract from the Cambridgeshire & Peterborough Growth Company.

Funds to Be Transferred in to Growth Co to Manage

In order to contract with the preferred delivery consortium to deliver the Business Rebound & Growth Service, the CPCA will transfer into to Growth Co, The Growth Service Delivery Fund of £19,499,148.

In addition, to delivering the growth coaching, skills brokerage and inward investment services, the Business Board has tasked the Business Rebound & Growth Service with the administration of the Capital Growth Investment Fund and an Innovation & Relocation Grant, approved in September 2019 by both the Business Board and CPCA Board and confirmed now as final allocations for Business Board approval, in September 2020.

Grant & Equity investment Fund			
Scheme	**Type**	**Range**	**Total pot value**
Growth Grants	Capital Grant	£20k to £150k	£2,850,000
Growth Investment Funding	Capital Equity	£150k to £250k	£5,700,000
Administration Fee for Above		5%	£450,000
Relocation Advice Grants	Revenue	£5k to £25k	£150,000
R&D Grant Application Support Grants	Revenue	£10k to £50k	£300,000
Administration Fee for Above		10%	£50,000
			£9,500,000

In order for Growth Co to manage these investments on the CPCA's behalf, the CPCA will additionally, transfer into Growth Co, the Capital Growth Investment Fund and an Innovation & Relocation Grant fund, totalling £9,500,000.

Conditions Set at OBC to be Satisfied at FBC

Approval of the Outline Business Case by the Business Board, and later ratified by the Combined Authority Board, was based on eight conditions being met, and documented within the Final Business Case. These were:

1. **Confirmation of EU funding**

- Of the £7,327,148 of ERDF and ESF funding required to part-finance the complete Service, the ESF funding has now been confirmed as being secured via a Grant Offer Letter from DWP.

- The ERDF funding proposals for the Growth Coaching Service and the Inward Investment Service, have successfully passed the primary evaluation by MHCLG, and are now progressing through the more iterative, secondary stage of clarification questions. All clarification questions have been satisfactorily answered and we have been issued with a Letter of Comfort that informs us that confirmation of funding should be received during September. See both in Appendix 2. On the basis that the proposed Service provides important support not to just to future growth but for recovery and rebound or COVID-impacted business, it is planned that:

    i. Pending, and only in the event that, MHLCG confirm of the remaining two packages of ERDF funding, that the CPCA will enter into a contract for delivery of the whole Service with the Preferred Delivery Consortium. Based on MHCLG's Letter of Comfort, we expect a positive approval of our proposals during September, and to use these approval letters as the basis for entering into contracts be during October.

    ii. Should MHCLG's confirmation come later, we will delay contracting with the Preferred Delivery Consortium until that point.

    iii. Should MHCLG decline to fund one or both packages of ERDF funding, we will re-plan the whole Service, with scaled down versions of the Growth Coaching and Inward Investment elements, returning to the Business Board and CA Board in January 2021 for approval of a scaled-down service.

2. **Appointment of delivery partner**

- Page 60 within the Commercial Case describes the procurement process that has led to the selection of a Preferred Delivery Consortium Bid. The winning bidders were informed on the 4th September. Upon completion of the Alcatel Stand still Period, the identity of the Delivery Consortium members will be published, and contracts provisionally set out for a commencement of Service during October 2020, via Officer delegation.

3. **Submission of 3-year cash flow forecast; monthly for year 1 and annual thereafter.**

- Appendix 7 provides the cashflow for the expenditure of the £19,499,418 over the three years to October 2023.

4. **Contact / Involvement of HMRC to upskill Growth Hub staff**

    - Page 43 within the Economic Case provides an update on the work carried out by CPCA Officers with a range of colleagues within the BEIS Business Growth Directorate, HMRC and the Office of National Statistics, including access to the work of the Data Enabled Change Accelerator (DECA). This work has provided the insight sought to help the Growth Hub, and new Service that replaces it, to better target high growth potential firms more effectively.

5. **Discussions with local authority partners on availability of in-kind support via use of L/A office space, provisional of secretariat, and officer time**

    - Through the work of the COVID 19 Economic Recovery Sub-Group (ERSG), involving all the constituent Local Authority Economic Development Teams, the Service has been co-developed and adapted for economic recovery. These adaptions, jointly agreed through the ERSG build on previous strong collaboration to produce the joint delivery plans for each sub-economy, to be executed jointly through CPCA Officers, LA Officers and the contracted Service Delivery Partner (see Appendix 3). This will include in-kind support from LA colleagues and in some cases the use of LA offices for meetings with the Service Delivery Partner and customers of the Service. A table of commitments from each LA partner is also contained within Appendix 3.

6. **Submission of independent state aid report covering ESF and ERDF application and utilisation; allocation of £2.335m of the authority's revenue budget to Growth Service Management Company Ltd; Management of Capital Growth Fund**

    - Pinsent Mason, our legal advice provider has provided a 20 page, detailed advice on state aid compliance, the use of ERDF, ESF and CPCA funding and the structure of the Growth Service Management Company. See Appendix 4

7. **Submission of Sustainability and Environmental Policy for the Growth Service Management Company Ltd**

    - Officers have produced a Sustainability and Environmental Policy, See Appendix 5.

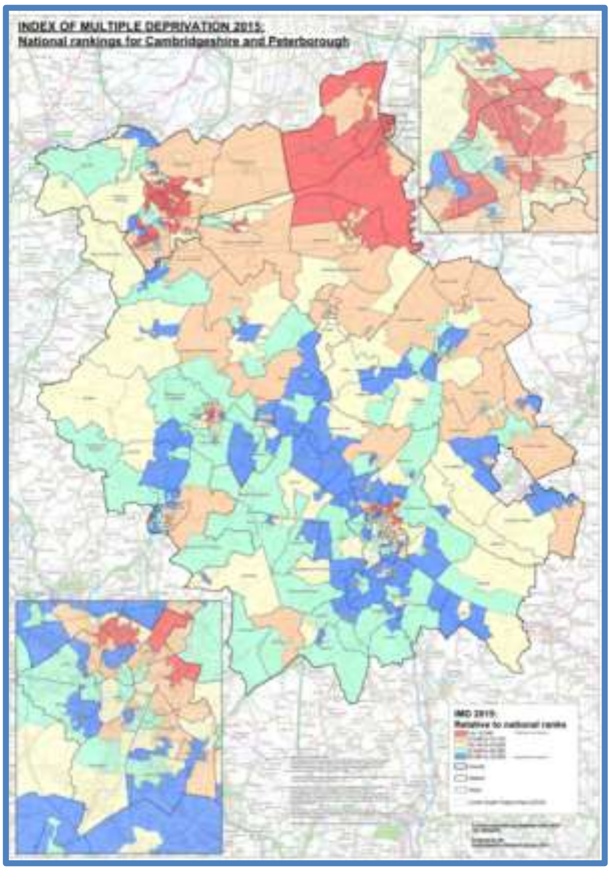
8. **Submission of evidence to support the claim of delivering 2.8 new jobs per firm receiving supported in-depth coaching**

    - Page 40-43 within the Economic Case provides three sources of fresh evidence that all validate the assumptions made in the OBC, around the potential for jobs creation by the Service, based on OBC forecasts for the average number of jobs created per growth coaching intervention being 2.8.

STRATEGIC CASE

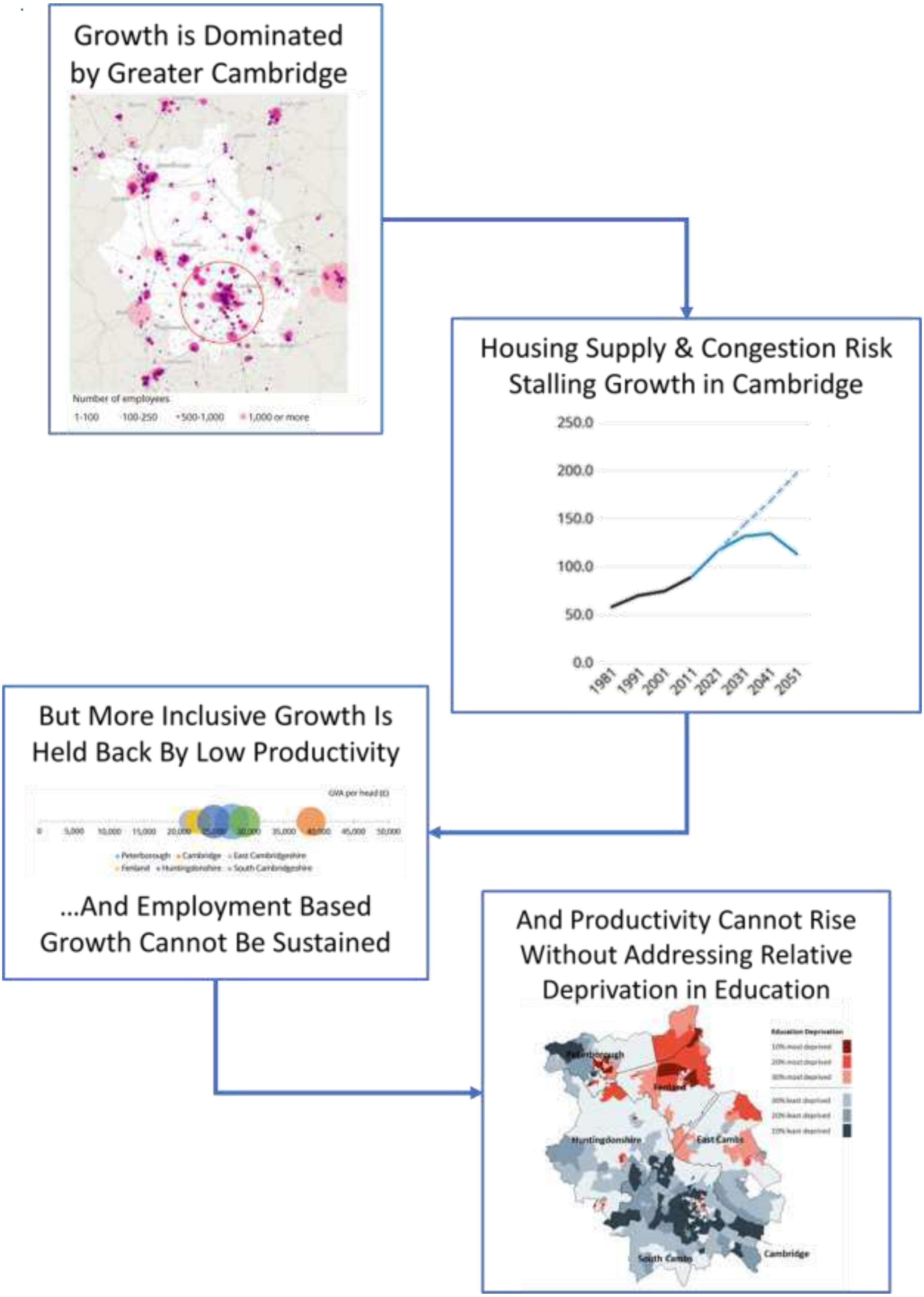
C&P Independent Economic Review (CPIER)

Despite business growth having been strong over the last decade across the whole economy, the sub-economy of Greater Cambridge has been performing the most strongly. The positive effects of this have been felt in some of the Greater Cambridge ecosystem, with market towns such as Ely and St Ives benefiting. However, further north the effects are not being felt. Wages are notably lower in the northern districts of Peterborough and Fenland than the southern districts of Cambridge and South Cambridgeshire. There are related challenges of poorer health and education outcomes, with healthy life expectancy falling below the retirement age in some parts of the north of the Combined Authority. This can be seen clearly through the Indexes of Multiple Deprivation with strong contrasts within and across Cambridgeshire between areas ranked amongst the best (blue) and the worst (red) in the country.



In many ways, our area is a microcosm of the UK as a whole. It has a prosperous south, based around one principle city, which receives the majority of foreign investment and attracts high value companies and talent from across the world. International evidence increasingly shows that this concentration of growth leads to both high living standards and significant inequality. Further north, there is much industry and innovation – but while there are many success stories, business investment, skill levels and wages are lower. This presents the opportunity to develop and deliver place-based business growth and skills interventions that can address the underlying business support and skills development conditions that have led to these disparities.

The Key Messages from the CPIER that have driven the identification of the need for the Business Rebound & Growth Service are summarised as follows:



Policy Response in the form of The Local Industrial Strategy (LIS)

There is a significant risk to the Cambridgeshire and UK economies if transport infrastructure and housing issues are not tackled in the Greater Cambridge area. Evidence shows that on current rates of transport infrastructure development and housing delivery, the growth of this economy will slow, before eventually going into reverse within 10-15 years. Hence, as well as needing to focus on "a package of transport and other infrastructure projects to alleviate the growing pains of Greater Cambridge" the Combined Authority also needs to find new ways of spreading growth within our economy more evenly.

We have a strong track record of supporting indigenous high growth firms in Greater Cambridge, where firms are supported by dense networks of entrepreneurs, consultants, academia and sector-cluster organisations. So how do we leverage this world-class asset, that is Greater Cambridge, to the greater benefit of more of our citizens and a greater proportion of our place?

The answer is not to attempt to encourage or induce firms to spread and relocate more broadly across our economy, because we know this does not work and that entrepreneurs are unwilling to give up the clear benefits of the innovation and growth eco-system in Cambridge. Instead, the LIS sets out a strategy of spreading and replicating the conditions that helped bring about this global growth success story – primarily the peer-to-peer and commercial marketplace for innovation, growth, productivity and skills, complemented by greater access to growth finance and greater visibility and availability of the higher-level skills needed for productive growth.

Working across the whole economy, the LIS proposed to develop and deliver a **Business Growth Service**, that networks to connect the growth, investment and skills support resources of Cambridge, and elsewhere, to firms across the economy, creating a marketplace for growth, investment and skills services, available to all our high potential firms, wherever they might be located. In doing so, the LIS aimed to create a world-leading business growth support eco-system for high-growth potential firms, where business ideas and business leaders can establish, grow to scale and find innovative routes into global markets.

This inclusive growth strategy is designed to shift more of our future growth into the wider economy and diversify our economic base to mitigate the current place-concentration risks to our economy. All our towns and cities will form a network of well-connected economic and business clusters centred on key sectors, collaborating across geographic boundaries and accessing world-class growth support. When connected and enabled through the marketplace of growth-support we will provide, including coaching, mentoring and finance, businesses in our towns and cities will interact within and between them in new ways that enhance their productivity, creativity and competitiveness. Supported business leaders will be encouraged to go on to mentor other entrepreneurs, sharing the lessons they have learned through the support they have received, creating a legacy Growth Service Alumni for peer to peer support.

As a key LIS intervention, the Business Growth Service was designed to bring together a range of service lines into a new, targeted approach to business growth support, to provide an evolution of the Growth Hub, which will continue to operate within the new service.

The Specification for this Service Laid Down in the LIS

The Business Growth Service, within the LIS, consisted of 5 key interventions within a portfolio of initiatives, illustrated and described below:

1. **A Growth Coaching Service** to engage our highest potential growth firms to better support them to accelerate their growth, increase their capacity for growth, sustain their period within growth, or all three.

2. **An Inward Investment Service** to extend our reach into key global markets, to engage and persuade overseas firms to locate into our economy or invest in our strategic projects to improve our employment space, transport, and educational infrastructure.

3. **A Skills Brokerage Service** to link between young talent and those retraining or progressing in a career, our employers and our skills providers, to improve the supply of skills to enable growth.

4. **A Capital Growth Investment Fund** to help SMEs, grow through organic expansion, to provide growth capital and grants between £20k-£250k for traditional SMEs, that are not generally available from the private sector, which focusses on high-tech, IP based start-ups and much higher growth rates, using equity investments of £250k to £2m. This is a clear gap that government continually seeks to fill through funds such as the Midlands Engine and Northern Powerhouse Investment Funds. This CPCA Business Board fund aims to fill the same gap in our economy.

5. **An Innovation & Re-Location Grant** to co-invest with small firms in the cost of contracting experts to help access; R&D funding from UK and EU agencies for new product development or; consultants and planning support for new build employment space

By integrating all these services into one Business Growth Service the LIS aimed to better connect our places and business clusters and provide across them, a quality and connectivity of growth support that reflects and has the potential to develop towards, the support eco-system developed over half a century within Greater Cambridge. To do this, the Business Growth Service was tasked to expand and build on the growth support networks that are already present in and around Cambridge, to develop a marketplace for all three advisory services, and to encourage a mentoring culture amongst supported entrepreneurs.

Pre-COVID 19, the Business Growth Service was designed to deliver a jobs growth impact to support the doubling of the economy, in a way that is more inclusive of Greater Peterborough and The Fens, whilst also addressing the much lower productivity levels in those sub-economies. To achieve this, jobs growth needed to increase from historic rate of 2.5% pa (1998-2018), by 0.3% to the 2.8%. With around 418,000[2] jobs in the economy this meant that the Business Rebound & Growth Service needed to nudge an additional 0.3% growth in jobs, above and beyond that which was naturally occurring without the Business Board's intervention. This equated to at least 1,254 pa, with substantially more of these jobs being in Peterborough and the Fens, than naturally occur, and in relation to higher-value jobs in those areas, so as to increase productivity.

To meet this challenge, the Business Growth Service had been originally designed to stimulate business growth in firms to generate an additional 5,890 jobs, measured over the 3 years the Service will run and a following 3 to capture the delayed effects between intervention and jobs growth realisation. This would have produced a net-impact on additional jobs growth of 982pa, substantially contributing to the required 1,254pa to enable the doubling of the economy.

The targeting of firms to be supported, and the place-based resourcing of the Growth Advisors in the service will ensure that at least 66% of the jobs growth targeted will be in Peterborough and the Fens. By focusing the Service on higher value firms, with products and services that can command higher prices and margins, the Service will grow the proportion of higher value (GVA/employee) jobs in the communities it focusses on. This will in turn raise productivity in those areas. The principle being that, instead of attempting to grow productivity in ALL firms, the Service will grow the proportion of higher productivity firms in the broader population, to achieve a productivity lift at much lower cost.

However, since its original design in October 2019, the economic conditions, into which the Business Growth Service will be launched in during October 2020 , have changed significantly as a result of COVID 19, and the Service now needs to include new innovations to enable it to operate even more effectively to deliver an even greater impact to compensate for a £3.7bn loss to our economy.

[2] Overview of Economy and Employment in Cambridgeshire Report: 03 2019 https://cambridgeshireinsight.org.uk/economy/

The Economic Impact of COVID 19

In August 2020, CPCA commissioned a report from consultants, Metro Dynamics, to understand the economic impact of the Covid-19 lockdown. This analysis and the underlying data will be available for CPCA in a in a regularly updated dashboard. This in-depth work follows on from some preliminary work conducted by Hatch Consultants and Cambridgeshire Insights.

The economic impact assessment carried out for this FBC summarises the Headline findings and Executive Summary of the first Report by Metro Dynamics entitled “COVID 19 Impact Assessment” to inform how the Business Growth Service should be adapted to mitigate the impacts of COVID 19 on businesses, as well as create and harness opportunities that it also provides.

Headline Findings from Metro Dynamics

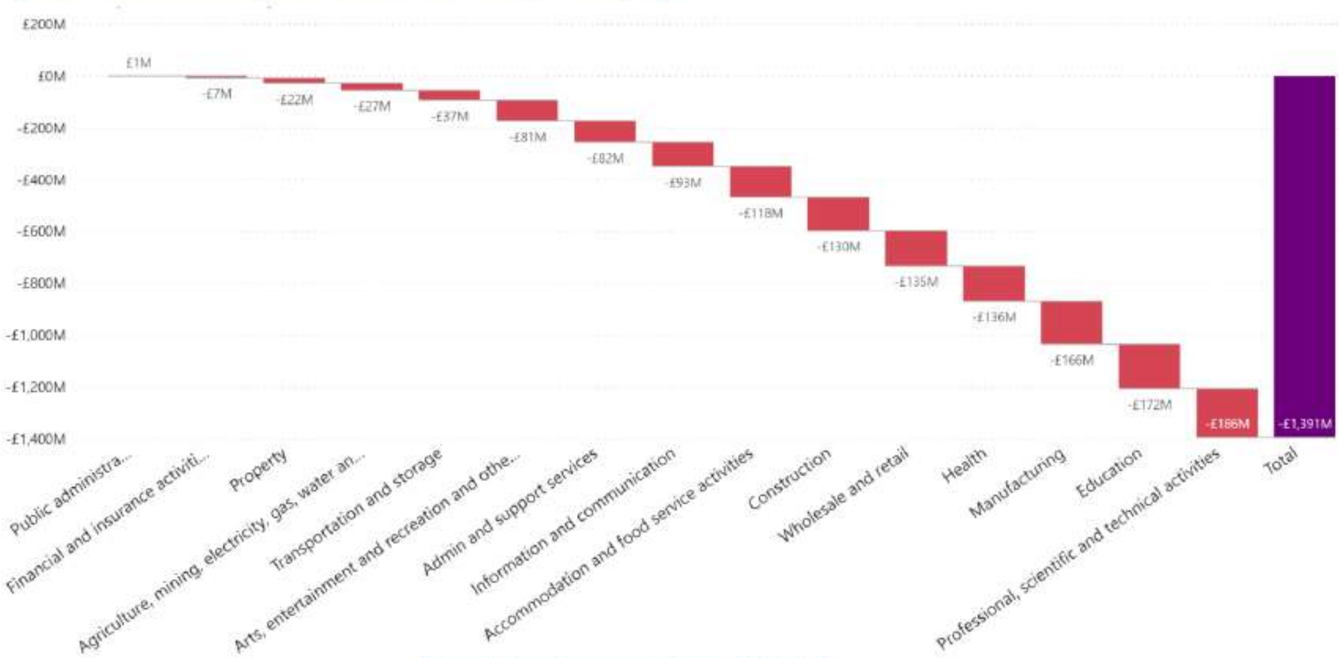
Q2 output contracted by £1.39bn across CPCA: a 21.9% annualised fall in output. This is less than the fall in output forecast by the OBR but is still historically significant. These numbers are modelled based on national figures and using 2018 GVA figures for CPCA.

Across sectors, the largest falls in output in percentage terms were in the visitor economy (-87%), arts & recreation (-45%), construction (-35%), and education (-34%).

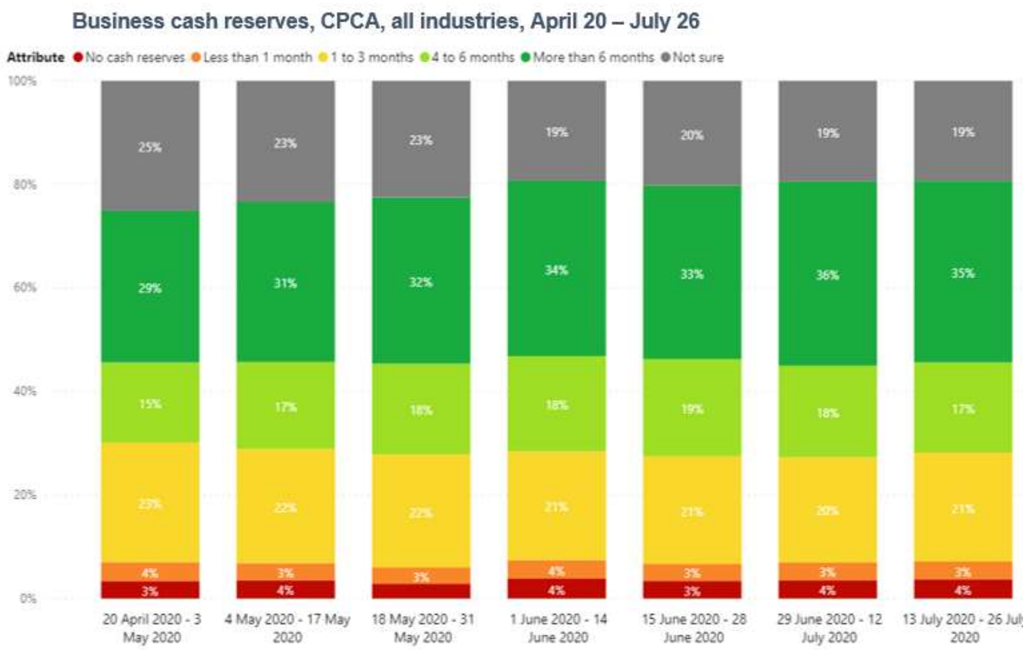
Across local authorities, Q2 output fell by: Cambridge £370m (-25%); Peterborough £319m (-20%); South Cambridgeshire £298m (-22%); Huntingdonshire £214m (-20%); Fenland £99m (-22%); East Cambridgeshire £90m (-20%).

Business Cash Reserves across CPCA has slowly improved.

Estimated modelled output loss for CPCA in Q2 by sector (£m)



Source: Metro Dynamics analysis of ONS data



Labour Markets

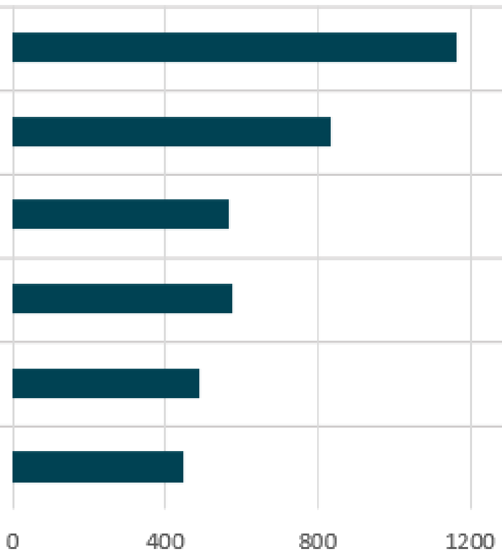
A **107% increase in universal credit claimants** from Feb – July 2020 for CPCA, compared to a 90% increase nationally.

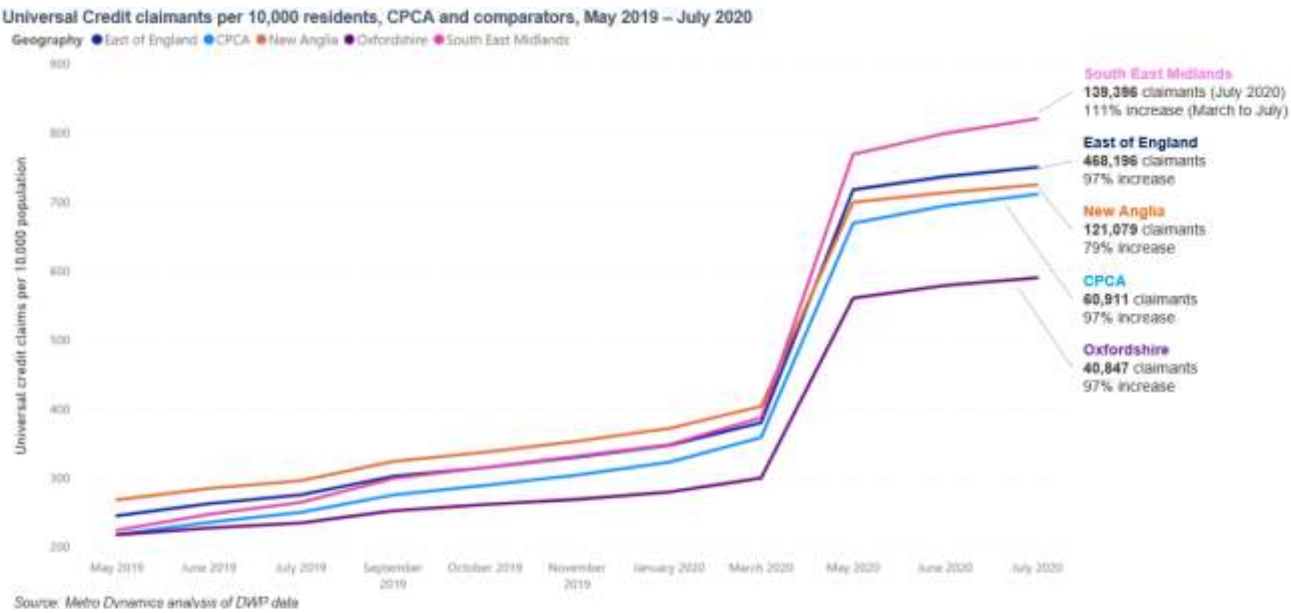
From a low base, a 147% increase in JSA claimants from Feb – July 2020 for CPCA, compared to an 86% increase nationally.

More than 1 in 4 workers furloughed across the CPCA area, with the highest number in Peterborough (28,400) and the highest proportion of workers in Huntingdonshire (35%)

Universal Credit claims by local authority

Local authority	UC claimants (Total, July 20)	UC claimants per 10,000 residents
Peterborough	23,592	
Fenland	8,482	
Huntingdonshire	10,099	
Cambridge	7,205	
East Cambridgeshire	4,406	
South Cambridgeshire	7,126	





Six months into the Covid-19 crisis, much uncertainty remains.

Six months into the health and economic crisis caused by Covid-19 some patterns are emerging in the shape of the impact and the likely trajectory for recovery, but there are many things still to transpire regarding business confidence levels, the labour market and long term impacts.

The economic situation is bad, but not quite as bad as first forecast

Metro Dynamics estimate that the CPCA economy declined by £1.39bn from 1 April to 30 June (Q2): a 21.9% annualised rate of decline. While this is less than the £3.7bn fall in output first forecast by the Office of Budget Responsibility in April 2020, it is nevertheless a decline of historic significance, far exceeding the worst effects of the 2008 recession. Similar falls were recorded comparator areas, including a 22.5% decline in Oxfordshire LEP area and a 21.2% decline in New Anglia LEP.

For CPCA's sectors, the largest falls in £ terms were in the Professional, Scientific and Technical (PST) sector (-£186m, a 24% quarter on quarter fall in output), Education (-£172m, 34%) and Manufacturing (-£166m, 20%).

Early signs are emerging of a recovery, but this is still slow and fragile and the worst period may be ahead for labour markets

After a period of decline and near-total shutdown in some sectors (Visitor Economy output fell more than 80% in Q2), it appears as though the economic freefall of April and May has since stabilised and there are some early indicators of economic activity resuming in Q3, such as businesses across most sectors reopening their doors, shoppers cautiously returning to high streets and workers to offices. That said, around one in five businesses across CPCA were continuing to access government support schemes in August and both local and global markets remain uncertain. For labour markets it is simply too soon to tell whether the worst has passed. Government policies (particularly the Coronavirus Job Retention Scheme: 'furlough') have delayed the full extent of the impact on labour markets but will not prevent some rise in unemployment when the scheme closes at the end of October.

Around one in four workers (114,800) across CPCA remain on furlough, while from February to July the number of people claiming Universal Credit increased by 107% to exceed 60,000 (a record high), compared to a 90.3% rise in claimants nationally. Since February, all local authorities except Peterborough have seen faster rises in universal credit claimants (UC) than the national average. Whilst it is important to discount the increase that was occurring anyway due to UC role out, and the fact that UC figures will include many who are furloughed and may not ultimately be unemployed, it appears increasingly likely that some structurally higher unemployment is locked in for at least the short / medium term. With very limited activity occurring in new job advertisements (particularly in lower paid / skilled roles outside construction) it is likely that some people who have recently lost their jobs will remain unemployed for some time to come. One important indicator will be the extent to which the UC claimant count increases again if the furlough schemes ends as planned in October.

The trajectory from here can be influenced but not controlled.

Firms and communities in the CPCA area are still in the early stages of processing Covid-19's longer term impact. The things we do know reinforce the uncertainty ahead: the virus is still spreading globally and within the UK; National and local Government's financial and political capacity to respond is stretched; the end of the furlough scheme in October looms for many businesses and workers; Brexit, deeply uncertain global trade and travel) – highlight how difficult and uncertain the next few months will be.

There are also things we don't yet know which will be crucial to how CPCA recovers in coming months, such as:

- How the Education sector (particularly fee paying and foreign students) will rebound once 'regular' activity resumes in September;
- How soon – and to what extent – restrictions on global travel and markets will lift, which are vital for CPCA's knowledge-based sectors;
- The extent to which a temporary rise in unemployment becomes a structural issue, which may be compounded by business' increased preferences for labour-saving automation and online retail, resulting in fewer entry-level jobs;
- The extent to which a temporary shift to remote working becomes permanent for some workers, and the implications of this for the spatial pattern of economic activity;
- The pace of recovery in retail, and whether smaller centres (such as market towns) will recover faster than larger centres (such as city centres).

There have been substantial losses in Greater Cambridge's most prominent sectors

Across Greater Cambridge (to generalise: Cambridge and South Cambridgeshire) output in Q2 fell by -£669m, almost half of total output lost across CPCA. Of particular interest are the output declines in Professional, Scientific and Technical (PST) activities and (-£136m) and Education (-£104m). To some extent this reflects their size, but both are also highly dependent on future global markets and travel. Greater Cambridge's success stems from its reputation as a centre of knowledge, research and innovation, which attracts global capital and the highest-skilled workers. Covid-19 poses a real risk here, and one which is largely beyond CPCA's control: if, as it has done throughout 2020, Covid-19 continues to disrupt and obstruct the international flow of labour, students and capital then Greater Cambridge's economic activity will remain subdued, with the risk of longer-term scarring or permanent loss of output and employment. Already 14,000 people are claiming Universal Credit: around 5% of residents. Our analysis notes similar problems in other knowledge-based economies, such as in Oxfordshire, where Q2 Education sector output fell by -£180m.

Greater Peterborough's emerging Manufacturing specialism has suffered, and a slow retail recovery puts many jobs at risk

Across Greater Peterborough output in Q2 fell by around -£533m, led by a -£78m decline in Manufacturing output and a -£67m decline in Retail output. Manufacturing is the region's largest source of GVA (nearly 15% of total) while Retail employs 36,000 people: 18% of the workforce. In recent years manufacturing has emerged as a fast-growing regional specialism that helps to diversify CPCA's economy, progress which risks being set back by Covid-19.

Though the region appears so far to have been spared from the worst of the recession, a slow recovery in the retail sector poses a real threat to regional employment, given 36,000 workers are employed in the sector. An analysis of high streets shows that activity has been slower to return in Greater Peterborough than in other parts of CPCA. It remains to be seen whether the shift to online retail is temporary, or whether there is some permanent displacement of in-person retail activity. If there is, many retail jobs across Greater Peterborough are at risk over the longer term.

A strong agrifood economy has spared The Fens from the worst, but challenges lie ahead

The Fens experienced around -£189m loss of output in Q2. Though the loss in output is smaller here than in other areas that is because there was less to lose to begin with. The Fens' strong Agrifood base (£326m output, 9% of GVA) may have helped insulate the region from the worst effects of the economic shock as regional food production and processing stepped up to meet demand. That said, there are now more than 13,000 Universal Credit claimant across the region, and new claims have been increasing at a faster rate than nationally. In addition, there are fewer obvious drivers of economic recovery in the region if the economy stalls further.

CPCAs strategic objectives remain relevant and valid – but there will be both opportunities and challenges that provide scope for taking a fresh look at how they are achieved:

1. The spatial pattern of economy activity and the relationships between places for work, living, leisure and learning are changing.
2. Structurally higher unemployment is likely to endure some time and the burden will fall disproportionately on more deprived people and places.
3. Global capital is flowing to temporary safe havens and reliable future bets – of which CPCA may be one. While global capital can still flow across borders, the same cannot be easily said for international labour or students.
4. Productivity performance is likely to vary substantially across places and sectors, with the path out of the crisis potentially influencing productivity for some time to come.
5. The pandemic reduced travel and loading factors for all transport modes and routes across the CPCA area. In the recovery there are new capacity constraints on public transport from social distancing,and renewed public appetite for greener modes of personal transport.

The Programme Design Response for Economic Recovery

Our workforce will face huge challenges in the future, with many already facing huge uncertainty and threat of redundancy. The future workers in our region, our young students, face the daunting prospect of entering a severely contracted jobs market that is now newly congested with competition from experienced talent who have found themselves jobless. Hence, the Business Growth Service will need to be adapted to ensure that recovery is speeded through a stronger rebound and that it is even more inclusive, reducing the disparities between our sub-economies and building future resilience. In addition, the Service must help our economy become greener, faster.

Economic Recovery Adaptions to the Growth Coaching Service

The key message for the Service to convey to all businesses is to find ways to capture what they have learned from the unforeseen and enforced impacts of Covid-19 on markets, customer behaviours and working practices. Over a very short timeframe, businesses have had to rapidly adopt new technologies to facilitate, amongst other things, mass home working. They have localised their supply-chains and many will have moved into new markets. Returning to “business as usual” may not be the best strategy and this presents new opportunities for entrepreneurs - growth opportunities the Service will help businesses identify and exploit. Helping businesses to ask the right questions and implement change to be able to act on the answers will be a key new feature of the Service. Not only will this help companies recover from the economic shock, it will also build and embed resilience against future shocks whatever their source.

A New Rebound & Grow Coaching Service

Ready for launch in October this service will be harnessed to strengthen the “business bounce” in our economy by targeting and engaging our highest potential growth firms into **Rebound & Grow Coaching.** To adapt the service for the rebound phase of recovery, the coaching offerings are being redesigned around the “ROAR” approach to regrowth, comprising four elements: Recover–Orient–Adapt–Regrow:

- **Recover:** Rebooting and rebuilding the corporate systems and management processes that enable the core customer acquisition and service fulfilment of the company. Rebuilding new, and possibly lower, steady state revenue lines and adjusting the organisations costs base to them.

- **Orient:** taking time to fully understand the longer-term shifts in markets and customer behaviours, such as;

    - Reduced customer access brought about by a more permanent shift in behaviours towards online and distance buying.

    - Extended and fluctuating periods of social distancing impacting productivity and causing supply chain consolidation & localisation

  - New opportunities for faster growing product and service lines and more efficient and cost-effective modes of delivery and working practices.

- **Adapt:** Harnessing the medium and longer-term shift in the business environment to create new product and service differentiation and organisational strengths.

- **Regrow:** Harnessing an accredited pool of experienced entrepreneurs and business coaches to help local business leaders to orient & adapt to the permanent shifts in their business and identifying and capture regrowth opportunities, including supporting micro and SME's with toolkits and advice that can help them thrive in an increasingly digital and e-commerce landscape. A potential further £20m of growth grants and investment to businesses.

Support for the Visitor Economy to Recover & Adapt

Growth Advisors will link firms with potential for strong rebound, within the visitor economy of Cambridge, into the new £145,000 Grant Scheme for revenue grants of between £1000 - £3000 for equipment and support to help evolve, adapt and implement new processes and technologies to capture the evolving remote "virtual visitor" experience and marketplace.

Support for Displaced Workers to Transition into Entrepreneurship

Post-COVID labour market conditions, created by a significant increase in displaced workers coupled with a contraction in job opportunities will produce fierce competition for new and re-growth jobs. However, large-scale re-employment could also be supported by encouraging entrepreneurialism and self-employment with both young adults as well as mature, displaced workers. Whilst there are many layers of existing support for potential **company start-ups** and the **self-employed sole traders**, the landscape needs to be simplified and localised to the specifics of our sub-economies and market towns to address and harness local opportunities. Both types of new entrepreneur can be supported through mentoring, grants, incentives and leveraging other programmes such as the National Skills Fund and AEB Funding to design specialised courses for aspiring entrepreneurs.

Support for City & Town Centre Firms to Rebound

Both Peterborough and Cambridge cities have applied for new city centre improvement funding from the CPCA Business Board, through its Local Growth Fund. These applications have been designed to support the regeneration of the City Centres by moving more to outside entertainment and socialising. The applications will follow the LGF process and will be required to meet the outputs and outcomes identified in LGF increasing jobs, safeguarding jobs and improving the estate grades and access to the City Centres.

An adaption of the existing Market Towns Fund provided by the CPCA through its devolved Gainshare Funding as a ringfenced £2m fund will enable a co-ordinated approach to the changes required post COVID to management of people meeting and socialising, maintaining the retail, leisure, hospitality and environmental sectors in town centres. A commitment was made by the CPCA to work in partnership with district and town councils to produce masterplans for key towns.

Economic Recovery Adaptions to the Inward Investment Service

For the first year of the three-year Service, the new service will specifically target not just the planned core customers of the Service, i.e., foreign and national relocating firms, but additionally, regional firms. These businesses are currently adapting to greater remote working and downsizing their premises requirements (in both terms of space and costs). This possibly permanent shift to more remote working, will create a large population of firms in transit, between premises and potentially towns and cities. These will include high potential firms, that we should engage and build tailored packages of support.
The service will operate a tiered model to attract regional relocations into The Fens, national relocations into Greater Peterborough and global relocations into Greater Cambridge.

Economic Recovery Adaptions to the Skills Brokerage

Improved Careers Advice to Better Connect School Leavers with Jobs

The CPCA will implement the recommendations from the Cambridge Ahead report[3] on the disconnect between career guidance in schools and the workplace, to improve the original design of the Careers Advice element of the Skills Brokerage, funded through the DfE's Careers Enterprise Company (CEC). As part of the redesign, the new Service, in partnership with GCPs commission for Careers Advice from Form The Future Ltd, and Cambridge Ahead Member support in Greater Cambridge will increase engagement and coordination of employers to provide more Careers Advice into schools. This will include a Greater Cambridge pilot to encourage more large employers to generate active engagement with schools and seek to ensure:

- Work mentoring, work experience, and industry placements increase
- All schools have a dedicated careers leader to coordinate career guidance
- Teachers understand technical education pathways and give them equal emphasis.
- Learners understanding of the skills required in the labour market locally increases
- Employer mentoring for learners on the demands and working life increases
- The CEC element of the Skills Brokerage becomes the default partner for schools

Helping FE Providers to Adapt to More Remote Learning

To better support the Skills Brokerage, the CPCA will use underspends in its Adult Education Budget, relating to the COVID 19 impact on student volumes, combined with some Local Growth Funds, to create a £320k Adult Skills Digital Delivery Innovation Fund. This will be provided to local, colleges and independent training providers to finance the costs of digital transformation within FE delivery, through capital grants for IT equipment for staff and learners, as well as revenue funding for additional staff to adapt courses for remote delivery. It will improve digital access, connectivity and provide devices for those that need it most to tackle any inequalities and ensure all can take advantage of learning opportunities identified by our Skills Brokers.

[3] https://www.rand.org/pubs/research_reports/RR4491.html

Improved Learner Access to Digital Skills Development

Poor digital skills make it difficult for people to take up employment, education and training opportunities. Hence, Skills Brokers will signpost workers and those unemployed to greater provision of digital skills to help mitigate against digital exclusion for those most in need of training and in low skilled jobs. The CPCA will seek to fund increased provision through local devolution and integration of the Adult Education Budget with the National Retraining Scheme, Apprenticeship Levy and National Skills Fund to create more scope for increasing higher level digital provision to ensure our workforce are able to perform in a digitally focused world.

Connecting Displaced Talent into Re-Skilling & Jobs Faster

The new Service will target Skills Brokers, through our partners in Job Centre Plus, onto those displaced workers from the hardest hit sectors. Adapting the service to create bespoke pathways into retraining and on into a job. This will include fast and facilitated access to the:

- **Apprentice Bonus Scheme** to pay employers to create new apprenticeships, providing between £1,500 and £2,000 to support salary costs of apprentices, paid in addition to the existing £1,000 payment for new 16-18 year old apprentices, and those aged under 25 with an Education, Health and Care Plan.

- **£2bn Kickstart Scheme**, potentially delivered through the CPCA, providing an average of £6,500, to cover 100% of the relevant National Minimum Wage for 25 hours a week, plus the associated employer National Insurance contributions for new jobs created that include training for 16-24-year olds at risk of long-term unemployment.

- **Traineeship Bonus Scheme** to pay employers to create new traineeship placements, providing a one-off payment of £1,000 for trainee work placements of over 70 hours.

The Skills Brokers will also target major employers to connect job seekers into their recruitment programmes including in key sectors such as:

- **Engineering** - Working with Marshall Cambridge and their supply chain to create **50 Apprenticeships and 30 Adults** retraining opportunities.

- **Health and Care** - Working with the local NHS Trusts to create **300 new jobs** for those displaced but seeking to be retained in the sector. Working through the local Health and Care Sector Work Academy to link people into training and a guaranteed interview in the sector.

- **Life Science** – Where the Skills Brokers will map new jobs against displaced workers placing learners into at least **50 jobs.**

Economic Recovery Adaptions to Our Priority Sector Strategy

The LIS identified four priority sectors upon which to focus our interventions for long-term, innovation-based growth. These included:

- **Life Science:** Consolidating Greater Cambridge as a Global Centre for discovery and connecting it across the Arc to create a Global Player in diagnostics markets.

- **Digital & AI:** Establishing Greater Cambridge and the Arc as the preferred base for firms across the world to create and adopt the technologies of tomorrow.

- **Agri-Tech:** Strengthening the university spin-out culture and capability in Cambridge and developing a scale-up and tech-transfer capacity in Peterborough and the Fens.

- **Advanced Manufacturing & Materials:** Expanding the Greater Cambridge science base northward to rejuvenate Peterborough's manufacturing heritage to establish a manufacturing innovation eco-system to spread high-value, inclusive growth.

However, recovery must take a more pragmatic approach in balancing support for our hardest hit sectors, with investment into those with the greatest potential for long-term growth. Hence, our recovery strategy will embrace additional sectors as a priority upon which to focus Service's interventions. This will consider, emerging growth sectors that we will need to be able to respond to as and when they materialise. Currently, the additional sectors to priorities include:

- **Retail, Hospitality and Leisure:** Helping firms to deal with the continuing and long-term social distancing and behaviour change, **especially in the Visitor Economy.**

- **Construction:** Helping firms to adapt to a new commercial market as businesses adopt remote working longer-term, helping developers stimulate demand in the homeowner market and creating new demand through infrastructure investments.

- **Transport:** Helping operators to shift current public perception of mass-transit safety that threaten a structural shift in the commercial operation of public transport

- **Education:** Supporting HE and FE to transition permanently towards greater digital delivery for remote learning, embracing more business model innovation to harnesses blended learning to embed more of the curriculum in businesses.

- **General Manufacturing**: Helping firms deal with the disruption in their supply chains, the slow recovery in demand and the potential impacts of a no deal Brexit.

Case for Change to Our Current Service Delivery Arrangements

Current State Assessment: The CPCA Growth Hub

Current Provision

Meeting the strategic growth ambition, set out in the LIS and subsequently amended through the Local Economic Recovery Strategy (LERS), requires the Business Board to rethink its business growth support services. This has led us to look at our existing Growth Hub Service, its future potential and how we best align it to deliver on the intent of the LIS and LERS. The Growth Hub, employing 3 FTEs, has engaged 1,400 firms since 2016, but has not recorded what impact it has had on generating business growth (it is not required to by BEIS – its funder). No reliable data exists across the Growth Hub network on business growth impacts of the Service.[4] However, it has contributed a valuable role through its predominantly phone-based services and has been particularly good at encouraging, informing, and connecting companies with other sources of support for improving growth. Through our Growth Hub Review businesses have told us they value advisors as trusted impartial, government experts. They are effective in triggering new growth and encouraging companies to internationalise by trading more products and services in more markets.

The Need for Change

Building on these strengths it is clear there is the potential to drive still greater value from our investment in our growth services. As the Business Board has focused on formulating a new and more ambitious business growth strategy through the LIS and LERS, we have taken a step back to understand how:

1. We best align the Growth Hub to deliver the central objective of creating place-based recovery, rebound and growth that increases productivity in Greater Peterborough and the Fens.

2. We might improve the service based on 'lessons learned' so far, responding to the growing evidence base on what works well, and what we can improve.

In reviewing our existing ways of working we identified some ***key opportunities for change and improvement.*** When considering the current service, we note that it;

1. Was set up to deliver against targets based on the "volume" of customers serviced rather than the growth created in GVA and jobs; which is central to our LIS and LERS;

2. Deals, disproportionately, with low potential, small and micro businesses rather than seeking out larger, high growth, high potential companies that the evidence shows are better placed to help grow GVA in the places we desire.

---

[4] CPCA interviews with Warren Rails, CEO of LEP Network and Rannia Leontaridi, BEIS Director & Senior Responsible Officer for Growth Hub funding,

3. Spreads our resource thinly over a large population of small, low potential firms, reducing average service time to less than three hours per business;

4. Has no clearly defined 'service offer' which contributes to a low level of awareness of Growth Advisors and their capabilities among the business population.

The Proposal for Change

The proposed Business Rebound & Growth Service will retain the central role of the Growth Advisors, available as a free service for businesses across the economy. This will take the form of the telephone based and field staff, focused on engagement, diagnosis of need and brokering (EDB) to expert support, providing the equivalent service to that currently provided by the Growth Hub as three-hour interventions. This will in effect be a by-product of the deeper intent of the proposed service, to target high growth potential firms and broker them to high-value coaching to deliver real business growth. In delivering EDB, these staff will engage at least three times the firms taken into coaching services and provide them with the same broad advice and signposting services currently provided by phone to Growth Hub customers. However, in addition, the key changes proposed are:

1. Prospecting of the high potential start-ups, set-ups and scale-ups, most able to help CPCA achieve place-based, productive and inclusive growth.

2. Positioning Growth Advisors as trusted and impartial brokers, with a remit to help companies identify and overcome growth barriers, developing packages of advice and coaching for the business leaders, brokered to experts in the firms' sectors and markets to help them break down those barriers and better realise their full growth potential.

3. Focusing Growth Advisors' on 'only what government can do', by spending more time understanding needs, encouraging, informing & connecting firms to sources of commercial advice and support;

4. Developing long-term relationships with the highest growth potential companies;

5. Leveraging the private sector advisory market much more effectively through a pool of commercial growth coaches, able to deliver deeper, broader and bespoke growth support services to each individual firm and its management team;

6. The provision of a "Nudge Grant" for smaller firms, where it is needed to encourage them into taking up commercially available services from the private sector, which they would otherwise not normally use.

Current State Assessment: The CPCA Inward Investment Service

Current Provision

The current Inward Investment activity funded by the Business Board is delivered through Opportunity Peterborough in Greater Peterborough alone and on a one-year contract only basis, consisting of £100k funding and 1.5 FTE of resource. The current approach on inward investment activity can be summarised as being disparate, under-resourced and lacking a single clear unifying brand identify. This results in:

1. Failure to deliver a whole-economy coverage or local customisation, with limited international market penetration for most of the area.

2. Failure to maximise the area's genuinely world-class sectors, research, technology and innovation strengths and to clearly promote and differentiate itself via the use of robust market and data analysis, media and marketing collateral cross referencing place offer.

3. Failure to fully leverage the resources of partners networks (at a regional, national and international level) to the benefit the CPCA economy.

4. Failure to compete effectively with competitor regions across the UK such as Birmingham, Manchester, Bristol and Oxford.

In the CPCA region only Opportunity Peterborough has a dedicated Inward Investment function. The other Local Authorities assign variable amounts of resource and personnel, but this is mainly as a small part of their Economic Development teams' existing activity.
In the Greater Cambridge there is a small project; Cambridge &… which has participated in the procurement process for the selection of a supplier to provide services in Greater Cambridge.

Meeting the stated strategic growth ambition requires the CPCA to invest into an Inward Investment Programme of a larger scale to deliver the growth impact required. This has led us to look at our existing Inward Investment activity and how we best align it to deliver on the intent of the LIS and LERS.

Key to improvement of our inward investment performance is the better sourcing of leads for new investors. Other MCA's Inward Investment team leaders interviewed, have reported that 60% of their enquiry leads come directly to them from their self-generated pipeline activities and not through the DIT national Inward Investment activities. DIT confirm this, accepting that the majority of UK FDI and Capital investment is generated outside their delivery teams across HMG's global network of embassies, consulates and posts. The CPCA is currently almost entirely reliant on DIT for all FDI and capital investment promotion and consequently investment levels could be driven higher than are currently achieved.

Other reasons that the national DIT Inward Investment teams should not be relied upon solely for FDI and capital investment into our economy, include:

1. DIT's *UK First Policy* means they are not able to easily promote a single area at Post to an investor and so a generalised approach manifests "in-market".

2. DIT's resources are balanced to their funding formulae which favour Northern Power-House and Midlands Engine with little resource being focused on the C&P economy.

3. DIT does not possess the local relationships and granular understanding of the Cambridgeshire & Peterborough offer locally in our cities and market towns.

The Need for Change

Inward Investment, has for many years, been very poorly funded and resourced in the C&P economy. It has also been poorly coordinated and directed across the economy and has failed to provide sufficient scale to have any meaningful impact. It is a long-term activity and requires continued resources for prolonged activity to develop pipelines of enquiries and functional investor relationships to work within decision making cycles common to most companies and funders. From DIT data, we can already see that inward investment into the CPCA area is declining in both the last two years.

Unless the CPCA acts on the delivery arrangements for Inward Investment this trend is unlikely to reverse. However, despite the recent downturn in inward investment performance locally, our historical performance has been strong, indicating that the attractiveness of our investable assets is excellent, and that it is the relatively poor marketing of them that is the major contributor to recent weaknesses in performance.

CPCA performance contrasts with the fortunes of the other MCA's, most of which have seen an increase in numbers of successful investments and associated jobs, as a result of well-coordinated and directed asset promotion, investor landing and account management activities. This has been particularly the case for Greater Manchester and West Midlands where their Inward Investment Services have been highly active. The table below compares how some Combined Authorities are performing relative to CPCA:

MCA		2014/15	2015/16	2016/17	2017/18
Greater Manchester	Successes	67	85	78	72
	New Jobs	2021	2578	3435	1476
Liverpool City Region	Successes	28	27	33	34
	New Jobs	1126	621	507	667
West Midlands	Successes	73	81	61	76
	New Jobs	4739	5176	2580	3138
CPCA	Successes	35	44	78	57
	New Jobs	872	855	1556	1084

The Proposal for Change

The case for resourcing a new enhanced, proactive Inward Investment service is a key element of the Business Rebound & Growth Service we propose to create. The proposed Inward Investment Service within the wider Service, will create the central role of coordinating Inward Investment support across the CPCA area. Pragmatic improvements will substantially improve CPCA impacts on growth, including the attraction into our economy of high potential **overseas companies as set-ups**, as well as **overseas investors to drive forward our start-ups and scale-ups**

Key features of the enhanced service include:

1. **Targeting:** A strategy for which type of investment is most desirable for the CPCA area (sectors; business, functions, company culture) and targeted outreach programmes to actively approach target companies

2. **Lead Generation**: Prospecting of high potential inward investment opportunities both existing companies invested into UK (but not necessarily in CPCA area), Global Growth companies seeking to open up the UK market to their services and entrepreneurial scale-ups.

3. **Sector Specialisms**: Positioning Inward Investment Specialists as trusted and impartial experts with a remit to help companies consider CPCA area for their location of UK investment, identify and develop packages of advice, direct support and solutions to land the companies investment and better realise their full growth potential.

4. **Strategic Account Management:** Account Managers spending more time with existing company investors with a presence in CPCA and also those already in UK/London with no presence in CPCA, understanding needs, encouraging, informing & connecting firms to sources of commercial advice and support to secure the investment. Developing longer-term relationships with the strategic target companies with whom the CPCA would want to see investing in the area.

5. **Place Offer**: Leveraging the private sector advisory market much more effectively through Place based Specialists, like the Cambridge &' able to deliver deeper, broader and bespoke Inward Investment support services to each individual firm;

6. **Excellent Client handling:** A sales process to capture and nurture all leads, building links to multiple individuals in target companies and managing them through evaluation and decision phases to investment commitment with a follow-up facilitation service to help companies install and get connected quickly

Current State Assessment: The Various Skills Services

Current Provision

There are currently four Skills Services working within the CPCA area, each are generally focused onto one of the three sub-economies, but with some overlap.

1. **The Opportunity Peterborough (OP) Skills Service**, funded by the CPCA, covers the geography of Peterborough, Huntingdonshire, Fenland and East Cambridgeshire. Its focus has been broader than the proposed Skills Brokerage Service, in that it works directly with secondary students to prepare them more generally for the world of work with activities such as CV writing, interview techniques and employer events. However, recent changes to the contract between has focused the Service more on to raising the desire amongst local talent for apprenticeships.

2. **The Form the Future (FTF)** Apprenticeship Service, funded by the Greater Cambridge Partnership, is provided within the Cambridge and South Cambs area to connect students and businesses. This is the only current service that has a specific apprenticeship target. This was for 210 apprenticeships per year but is being revised as a result of the impact of COVID 19.

3. **The Edge Brokerage for Jobs and Skills** is a partnership between Urban & Civic, HDC, Groundwork East, Cambridge County Council, Job Centre Plus, CPCA, and CRC. It covers the geography of Huntingdonshire and beyond. They have funding from CITB for a new Edge Construction Hub and focus on supporting individuals in finding work and connecting them to employers with jobs and apprenticeships opportunities.

4. **The Opportunity Area Levy Advisor service**, funded by DWP through the CPCA, provides two CPCA employed staff to mobilise the Levy Pooling Service and support Levy employers to utilise their levy more effectively. One Levy Advisor has been appointed the other post is vacant.

All four current skills services have good relationships and reputations with schools and businesses. However, there are clearly, several geographic overlaps and a number of gaps in provision. Most are focused on the provision of generic careers advice, rather than providing a consistent, whole-economy service, to inspire and support displaced workers, learners and the unemployed into jobs with in-work training.

The Need for Change

The skills landscape is confusing for learners and employers; the reforms in Technical Education with the introduction of the Apprenticeship Levy, Trailblazers, and the emergence of T Levels, has created more complexity within an already confusing skills eco-system. To make things worse, there are four different providers in a relatively small economy, all with differing offers.

Businesses need better workforce skills than are available, particularly in the north, which reduces productivity and average wage level; The recent Baldwin's report (April 2019) for one of the CPCA's sub economies suggests that 26% of businesses are looking to upskill their existing staff in the Greater Peterborough area. The deficit between the skills requirements of employers in the north, and those of the available workforce, will transcend the current COVID 19 depressing effect on employer training investment.

The CPCA is failing to deliver on its Skills Strategy which includes the following objectives:

1. Wherever possible the CPCA should look to simplify access to skills support for employers and learners. At the same time our colleges and providers deserve a more stable basis for funding and relationships. This means contracting with fewer providers and developing deeper relationships. In this way, CPCA initiatives can help rebuild employer confidence in the local skills system.

2. The CPCA should not tell others what to do; but help determine priorities and push organisation towards what works best. In this context, the role of the CPCA is to commission, to test, and to facilitate engagement between learners, employers, and providers.

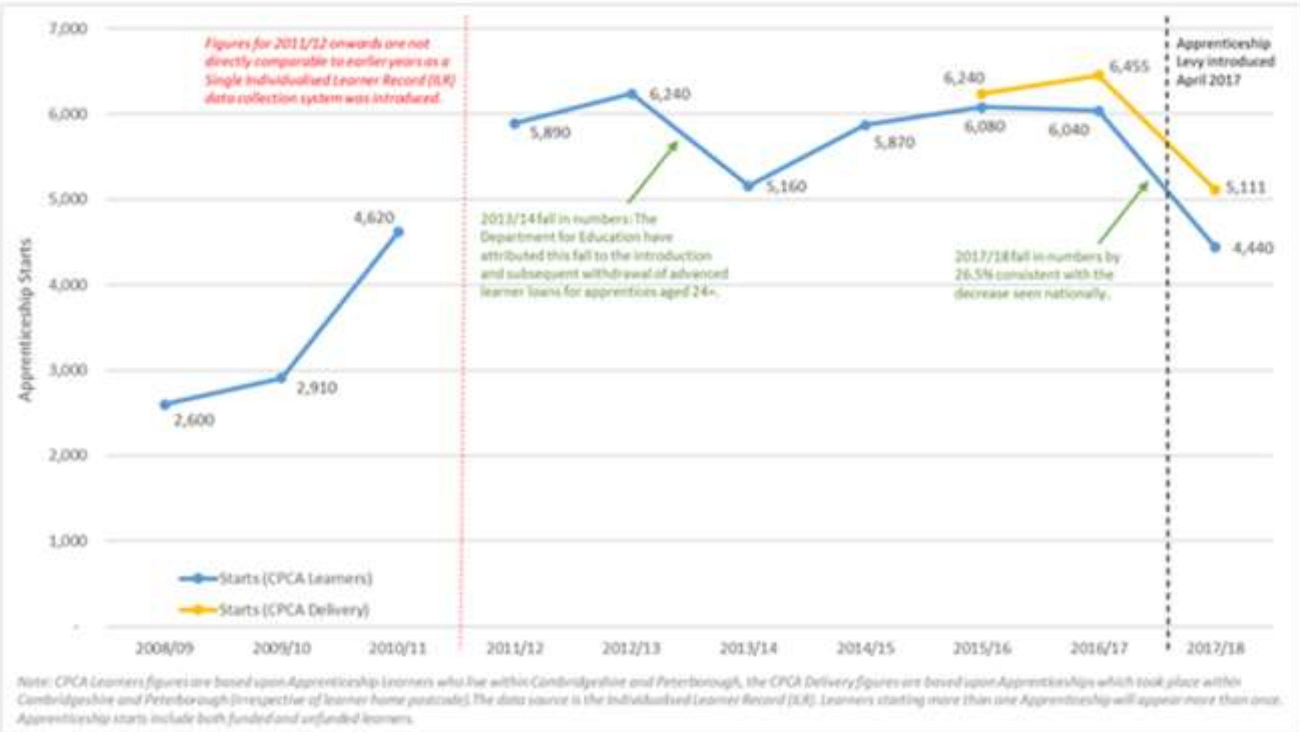
3. The CPCA should tailor its interventions appropriately to its sub-economies, sectors, and learners. A one-size fits all approach is not suitable for the three distinctive labour markets in the economy, and resources should be targeted on to what makes the most difference.

The need for change is also informed by the analysis of past performance in enabling the take-up of apprenticeships to support employer demand. The analysis of the 10 Year Trend in Apprenticeship data from 2008 to 2018, as well as the underlying issues identified in the CPIER and employer surveys, show that:

1. **Before 2016/17 the market was relatively stable** with the volume of apprenticeship starts being steady. The exception being 2013/14 when the number of starts dropped due to the introduction of the 24+ Advanced Learner Loans, which required that Level 3 Apprentices of 24 and above, to pay for their own Apprenticeship. Subsequently DfE withdrew this, however the numbers did not recover immediately.

2. **The market was disrupted by the introduction of the Apprenticeship Levy** in 2017/18 causing a large scale and systemic decline in Apprenticeship numbers. This resulted in a reduction of 1,600 Apprenticeships as the levy paid by larger employers was failing to get through to smaller firms, as was envisaged by the DfE.

3. **The levy utilisation in C&PC was only 13% of that generated in levy payments** by firms; indicating an 87% under-utilisation for both the levy payers and also the small firms that could also be benefiting. The figure nationally is little better at 14% and highlights the urgency of the need to create a levy pooling system and related course development service, that can help larger firms to access more and better courses that help them utilise more of their levy, and help smaller firms access unused levy to fund the courses to upskill their workforce.



4. **The recent impacted of Covid-19 has depressed apprenticeship numbers further.** Nationally, apprenticeship starts fell by 7.3% in the period August 2019 to January 2020 compared to the same period in 2018/19 (pre-Covid). Apprenticeships then fell further by 52.3% in the period 23 March 30 June compared to the same period in the previous year. This is expected to worsen over the course of the current quarter, as the furlough scheme comes to an end and many businesses struggle to recover their revenues.

5. **The CPCA needs to re-baseline the level of naturally occurring apprenticeships** so that it can measure its impact on increasing apprenticeship numbers through its interventions. The 2018/19 Apprenticeship Baseline (5,447 starts) presented at OBC, is no longer an appropriate measure, as the number of naturally occurring apprenticeships will be significantly reduced over the short to medium term to around 1,900

The Proposal for Change

It is the market failure brought about by the introduction of the Levy system, the COVID 19 induced drop in demand and the confusion created in the marketplace by multiple offers that differ widely, that the Skills Brokerage Service addresses. Specifically, it is designed to increase the "bounce-back" growth rate in apprenticeships from a forecast naturally occurring 7% to 10% over the 21/22 academic year, to generate just a further 200 apprenticeships (to 2,100) on the temporarily depressed 20/21 forecast of around 1,900. Then stimulate a medium-term recovery in 22/23 of 550 further apprentices to achieve a rebound of 26% to achieve 2,450 and finally to recover apprenticeship back to a modest 50% of their 18/19 levels of 5,447, to achieve 2,750 in 23/24. However, we will need to be prepared to compromise with delivery partners for the proposed Skills Brokerage, on this proposed target for CPCA additionally generated apprenticeships over the contract period.

To deliver this recovery in apprenticeship numbers over the next three academic years, the Skills Brokerage Service will need to deliver:

- **A Digital Talent Portal;** The CPCA will support providers, schools, colleges, higher education, parents and residents to navigate effectively through the complex skills landscape by the creation of the Digital Talent Portal through a "one stop shop" This action will facilitate a better match of potential talent to skills needs and job vacancies and in so doing will create opportunities for a strong, productive and thriving economy. This will increase the number of people transitioning through the skills ecosystem into Apprenticeships, Higher Education and employment.

- **A Brokerage Service** to support the promotion of Apprenticeships to connect employers, providers and learners; Brokering opportunities to encourage and increase work experience, T Level Industry placements, traineeships, apprenticeships, and graduate placements particularly through wider employer engagement and involving supply chains.

- **A Levy Pooling Marketplace** growing Apprenticeships by creating a by working with Levy Employers to support SME's in Priority and Supporting Sectors using the 25% Levy Transfer. Creating a Levy pot that SME's can access, so that together with our businesses and Training Providers we can utilise it better.

- **Apprenticeship & Levy Specialists** trained to support with knowledge of Apprenticeships and Training and able to support employers to use their levy.

- **Support for micro businesses** unable to take on an Apprentice due to either their size or specialist nature.

- **A Careers Aspiration Pilot** to increase the amount of young people entering Higher and Degree Apprenticeships. This will increase the life chances of those who wouldn't ordinarily take these routes and will link with the University of Peterborough.

The Need for Locally Tailored Delivery Plans

The OBC stipulated that the Delivery Plan for the Business Growth Service would be developed in consultation with officers in the seven local authorities, in order to tailor the services to the specific needs of the three sub-economies. The results of this consultation process have identified the importance of a number of key features in how the COVID 19 adapted Business Rebound & Growth Service should be delivered:

1. **Firms should be engaged into all the services available through a "single front door"** to avoid business leaders being contacted multiple times by sales teams and economic development officers from multiple organisations promoting different services

2. **Firms should be provided with an integrated offer** and not be required to navigate the Business Board's and other existing similar services in a piecemeal manner. The offer should be in the form of a bespoke package able to meet diverse customer needs across a portfolio of services and our differing sub-economies, cities and towns.

3. **Firms should be provided with growth funding alongside growth advice** by adding a range of grants and equity investment options to the portfolio of growth services, including.

    a. **The Small Business Capital Growth Investment Fund**, previously approved and ringfenced, within the LGF budget as an allocation of £9m, in September 2019, and later adapted into the Business Board's COVID Recovery Grant earlier this year. Of the originally allocated funds, there remains **£3m of Growth Grants and £6m of Growth Equity** investment funding.

    b. **An innovation & relocation grant** also previously approved and ringfenced, within the LGF budget, in September 2019 by both the Business Board and CPCA Board, but with the separate focus on helping small firms in meeting the costs of accessing; R&D funding from UK and EU agencies for new product development; or investment for new build employment space and help with planning permissions.

The goals and delivery approach for this fully integrated service have been agreed with local authority officers as being required to be focused differently in each of the three sub-economies. The different needs of each sub-economy are summarised overleaf and illustrated diagrammatically in Appendix 3.

	Greater Peterborough	The Fens	Greater Cambridge
Growth Coaching Service	Customer focus towards a mix of firms as follows: Size focus; 70% <10 emp; 20% ,50 emp; 10% <250 emp Sector focus; Logistics, Construction, food and drink, Business Services, Digital, Environmental. Connectivity with proposed Manufacturing Network for improved access to firms Need deliver partners with strong coach connections, sales processes growth barrier diagnostic software	Customer focus; Consider adopting a lower growth threshold for firms in fens Emphasise network building amongst firms and better connecting them into District Councils Focus specifically on Agri-Food Sector Supply Chains	Sector focus; Life Sciences, Digital, Adv Manufacturing Size focus; strong emphasis on micro businesses Recognition of different needs between city and rural firms Strong use of existing business networks inside Cambridge, with clarity for the customer on what is already available and what value the proposed services add to existing support. Careful monitoring of take-up with ability to flex and adapt services and growth ambition thresholds of customers. Need delivery partner, familiar with supply chain growth models such as those used in collaborative R&D, AMSCI Sharing in Growth programme and U.S. models such as the Illumina Accelerator
	Hunts: Sector focus - precision technology , digital, paper and packaging, metal and composite materials manufacturing industries, logistics and e-commerce. Specific support for business in internationalisation and accessing new markets, as well as leadership and management training for SMEs in priority sectors esp if delivered at iMET Building sustainable support networks through coached firms becoming mentors to other firms, and collaborate to build shared capability supply chains in local clusters.		
Inward Investment Service	Sector focus; Logistics relocations from Midlands, Prof Services, HMG & NGOs from London, Global foreign direct investors from US & EU	Targeted Scale-Up Relocation Packages for firms attracted from contiguous economies, along with Cambridge firms looking to scale-up, where cost of space and labour is becoming key to operational efficiency. Creation of bespoke packages of support for firms relocating into the Fens, including partnerships with developers to support expansion of business space availability.	Connectivity with local networks and services such as Cambridge &. Linking wider scale-up support elements with inward locating firms and connecting them into clusters and networks Need to operate links with Dept for International Trade with single front door Target investors on to enterprise zone, new towns and new employment sites Packages for South Cambs sites for businesses moving out of Cambridge
	Hunts: Single front door sales team must include sector specialists in priority sectors with cross cutting expertise to support on skills (including upskilling) and attracting inward investment. Need to design campaigns to link into Dept for International Trade embassies and posts, in investor markets (countries) most relevant to each sub-economies' priority sectors. Focussed Account Management onto existing on-patch inward investors with capability to expand. Targeted Scale-Up Relocation Packages for firms attracted from contiguous economies, incl south to LSCC and west to OxCam, along with Cambridge firms looking to scale-up, where cost of space and labour is key in robotics, medical diagnostics and manufacturing. Connectivity into DIT high value campaigns in sector-market combinations for current and future sectors.		
Skills Brokerage Service	Connectivity with local networks and services such as Opp Peterborough Sector focus; food and drink, Logistics, Eng, Manufacturing Development of shared sector academies with Launchpad and capital grants Skills focus; Sales, business management, social media marketing, digital	Development of apprenticeship courses to better meet business needs, both now and into the future, including STEM. Develop stronger links with CITB on modern method construction Need delivery partner with ability to navigate business needs and educational attainment between local partners, FE/HE providers	Connectivity with local services such as the current GCP-led skills brokerage Development of apprenticeship courses based on CPEIR, Rand & Regeneris research. Importance of Levy marketplace becoming efficient and spreading apprenticeships across sector clusters and supply chains, using strategic FE and independent providers. Developing employment centres such as Waterbeach brokerage Focus on to SMEs, especially those in Life Sciences in second cycle of growth.
	Hunts: Connectivity with local networks and services such as EDGE, using the proposed services to add value to, and expand EDGE activity.		
Capital Growth Grant	Target customers already supported with advisory, coaching and skills services focusing on investments in the range of £50-£150k grant size	Integrate with partners like CBRE to scale employment space investment. Coordinate individual investments to agglomerate into potential Wisbech and Charteris Enterprise Park Projects. Focus onto move-on accommodation particularly Wisbech	Create evaluation processes that focus investment onto firms caught up in a market failure, acting as an investor/lender of last resort, to avoid duplication with a currently buoyant angel equity investor market. Connect capital growth grants to firms supported by launchpad, especially those in new towns.
	Hunts: Grants and loans for rapid growth companies which often struggle to secure finance for newer bigger premises as their financial track record is not long enough. Funding an integrated approach between capital growth grants and firms involved in Launchpads, esp around iMET		
Innovate & Relocate Grant	Better linking Peterborough manufactures with Cambridge-based new product development consultants, using new and innovation grants to support collaborations. Target contract manufacturers for first own-product development, and traditional firms needing next generation offers.	Create Off-Plan Demand to link with Property Developers	Link firms receiving innovation grants with R&D grant proposal authoring experts in partner organisations such as TWI, ARU, IFM, UoC and Make UK Need delivery partner with experience in proposal writing at high success levels in both UK and EU
	Hunts: focus grants to support innovation and product development onto priority sectors		
Service Integration	Essential for a single front door and fully integrate offering to all customers for all services, create bespoke packages to attract in local firms, relocators, investors and employment site developers Require an integrating partner with experience in >£20m consortium management, tools and techniques – Track record in delivering 100s pa SME engagements and 1,000s of jobs outcomes		

Why Now?

Strategically, and resulting from the Business Board and Combined Authority Board approval of the Local Industrial Strategy in March 2019, we now have the evidential, organisational and political mandate to launch an inclusive growth support programme. This programme will aim to replicate and extend the world-class business support eco-system, that has made Greater Cambridge a global success, into the wider economy to promote and deliver prosperity and opportunity more widely across our place.

Tactically, we were presented with a closing window of opportunity, over the last 12 months, November 19 to November 20, to finance the services we propose through access to LGF, ERDF and ESF funding budgets, all of which will be fully expended by November 2020. The principle economic benefit of acting, as we did over the last 12 months, was the securing of the £19.5m of funding to implement three key business support services, that when combined with capital growth funding in the form of smaller grants and larger equity investment, will deliver an integrated, single-front-door service that will deliver inclusive growth.

Operationally, this will give the CPCA's business board:

1. **A broader reach** – as we create and better exploit business networks, partners and private sector capabilities, as well as develop our links into the business clusters within the wider economy, especially in the north. We will create a step change in our connectivity with business and our ability to identify, engage and add value to the high potential firms most able to deliver the inclusive growth we seek.

2. **Improved quality of service** – based on providing high growth, high potential firms with access to over 150 private sector advisory experts to provide a bespoke service and by increasing the depth of growth support from a current average of just three hours, to twenty days, we will better succeed in helping to address the more complex challenges associated with the larger, faster growing, higher potential firms that will make the difference needed in our economy.

3. **More efficient and effective use of CPCA resource** – by focusing scarce and expensive human resource on companies with the greatest potential to provide inclusive growth, while signposting to other, mainly digital services, the bulk (95%) of lower potential businesses.

4. **Better leverage of private sector resources** – by diagnosing the key obstacles high potential firms, individually face, and the resources to overcome, within and outside the company, we will broker each firm to the best possible expert within the whole-economy growth support marketplace, to coach the leadership team through to growth success

ECONOMIC CASE

Quantitative Evaluation

With BCR expressed as Cumulative Net Present Fiscal Benefits divided by Cumulative Net Present Fiscal Costs a BCR of 19 is generated. This is a 33% increase on the BCR forecast at OBC. This provides a significant safety factor against which to absorb ‘stress test’ assumptions, described in the Risk Assessment related to the Commercial Case. However, one of the conditions set for approval of the Final Business Case, was that Officers submit further “evidence to support the claim of delivering 2.8 new jobs per firm receiving supported in-depth coaching.” Three further sources of evidence have been identified, all of which validate the assumption of 2.8 jobs made in the OBC. These include three studies:

Growth Coaching Case Studies from the BIS Funded Growth Accelerator Programme

BIS (now BEIS) commissioned a pilot growth coaching service in 2012, originally branded Growth Accelerator and later rebranded to The Business Growth Service, when the pilot was upgraded into a full programme. Evidence has been gathered of a best practice sharing programme between UK and French agencies designed to help the French Government establish a similar programme. The documentary evidence of the knowledge exchange between UK and French policy makers includes case studies of firms supported with growth coaching in the UK[5]. This includes:

- A micro company of 4 employees, providing on-line accountancy services, with a turnover of £105,000, provided with coaching to develop a growth strategy and a 3-year vision of where the company wanted to be and what the Directors wanted from the business with the key milestones, using an Orbit planning tool. This was supported by a marketing strategy for the 3 revenue streams in the growth plan. Completing the coaching with the development of value propositions for each revenue stream for the target markets, to maximise competitive advantage from the new marketing strategy and provide competitor analysis. On a baseline GVA of £68,552 the company grew by £57,167 and created 4 more jobs.

- A medium sized SME of 84 employees, providing manufacture of insulation products to the automotive sector, with revenues of £11.5m, provided with coaching to provide a value stream mapping plan to define roles, responsibilities and department structures, mapping key business processes to identify any gaps or overlaps, creating job descriptions for all employees. And redefining the company management structure to better enable future growth. On a baseline GVA of £1,829,463 the company grew by £2,771,780 and created 27 more jobs.

[5] https://cambridgeshirepeterborough.sharepoint.com/:p:/r/sites/bgs-fbc/_layouts/15/Doc.aspx?sourcedoc=%7B67CB4FA5-F473-45B2-BD17-56D54797FB27%7D&file=BEIS%20Funded%20Growth%20Accelerator%20Programme%20-%20Case%20Studies.pptx&action=edit&mobileredirect=true

Based on this and an accompanying knowledge sharing programme to transfer the programme design and 250 page operations manual to the French agency, a French version of the UK Growth Accelerator programme was launched in 2016 by Bpifrance, the French agency for innovation and entrepreneur support. Bpifrance have now accelerated over 600 companies, through 1200 coaching interventions and 100 mentor networking events for supported CEOs[6].

Subsequent to this knowledge exchange, BIS also went on to scale-up its growth coaching programme, going on to engage 10,400 SMEs (over 3 employees in size) to record 64,000 jobs created, at an average gross job creation rate of 6.4 jobs per firm coached. However, when assessed by HMT as part of the comprehensive spending review for the years 2011/12 through to 2014/15, this figure was adjusted to take account deadweight (in terms of growth that would have happened without support) and displacement (in terms of growth that substitutes for other firms in the economy). The adjusted figure was 2.8.

Proceedings of a European Conference on Stimulating Entrepreneurship and Growth

Evidence has been gathered from Taftie, the European Association of National Innovation Agencies, relating to its 20th anniversary conferences, specifically focused on “Small Business Innovation; Stimulating Entrepreneurship and Growth.” The conference convened policy makers from 30 countries, including in South America and Africa to debate the design and implementation of national innovation and entrepreneurship programmes. This topic was selected for 2012, as policy makers were planning to develop economic recovery strategies for the last economic shock of 2008-2012. For this reason the conference focused on the growing understanding and importance of High Growth SMEs. A tiny segment of the SME population that represents just 6% or so of the total number of businesses but accounts for half of all economic growth in virtually all European countries.

On page 18 of the conference proceedings[7] a review of Growth Coaching programmes across Europe was noted and referred to as the INNOGRIPS2 project. This included a study of growth coaching programmes including:

- Accelerace Denmark
- TEKES funded Finnish Growth Company Service
- Seed capital scheme Norway
- Estonian Development Fund Estonia
- Gazelles Programme France
- High Tech Start-up programme Ireland
- Growth Accelerator “Groeiversneller” Netherlands
- Neotec Fund Spain
- Growth Accelerator Pilot UK

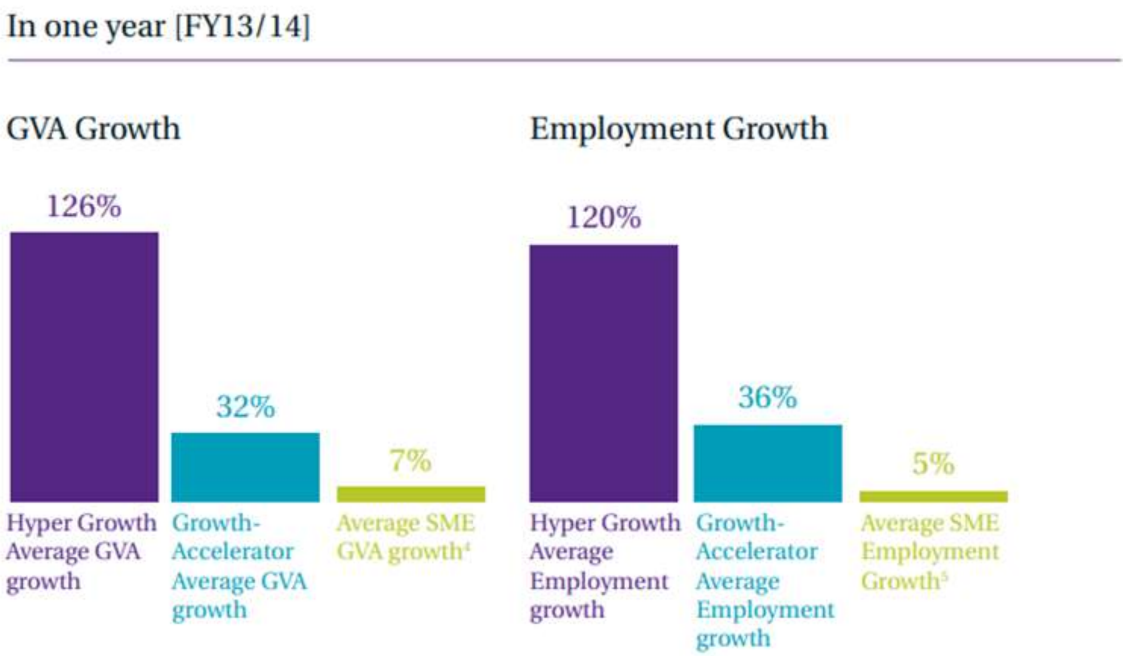
[6] https://www.bpifrance.com/Coach-for-entrepreneurs

[7] https://cambridgeshirepeterborough.sharepoint.com/sites/bgs-fbc/Shared%20Documents/FBC%20master%20file/FBC%20Drafts/V1%20Draft/Evidence%20of%202.8%20jobs%20per%20client/EU%20association%20of%20innovation%20agencies%20report%20on%20Growth%20SMEs%20&%20Growth%20Coaching.pdf

Across the programmes above studied, the review found that growth assessments had been performed on 5,500 firms, which subsequently received a total of 25,000 days of coaching, which led to an average per annum growth per company supported of €230,000, with a cost to government per job created of €4,000. As this growth was measured in company turnover, rather than GVA, it equates to around 3.5 jobs per coaching intervention, once currency exchange rates and variances in costs per employee are taken into account.

The Hyper Growth Insights Study: An In-Depth Study Of Elite Business Performance

Grant Thornton, lead Delivery Partner for BIS on the Growth Accelerator programme, sponsored the Hyper Growth Insights Study[8], which investigated 34 businesses from a random sample of 500 Growth Accelerator clients. The study found that this hyper growth cohort of firms created £41.9m GVA and 571 jobs, recording an annual growth rate of 126%. It found that the wider sample of 500 had recorded an annual growth rate of 32%, somewhat higher than that used to designate "High Growth" (20%) and significantly higher than that of the average SME at 7%.



Adopting a multiple case study approach, the research involved an in-depth interview with 25 of the 34 business leaders (Founder, Chief Executive or Managing Director) using structured questions around motivations, behaviours and ambitions. Alongside the interview research also involved:

- Analysis of demographic and financial data of each individual business
- Psychometric profiling of the business leader; and a case study of its successes

[8] https://cambridgeshirepeterborough.sharepoint.com/sites/bgs-fbc/Shared%20Documents/FBC%20master%20file/FBC%20Drafts/V1%20Draft/Evidence%20of%202.8%20jobs%20per%20client/Hyper%20Growth%20Report%20FINAL%20FINAL.pdf

The findings were then discussed and debated with a panel of leading business experts from both the private sector and academia. This work provides illumination on the nature and types of issues that are important to high growth (and hyper growth) businesses and will be used in the coaching service development as well as in the targeting of potential clients for the CPCA Business Growth Service. This qualitative insight will be further supported with data driven insight from BEIS and HMRC, as discussed in the next section.

BEIS & HMRC Insight into High Growth Firms

One of the conditions set for approval of the Final Business Case, was that Officers engage in “Contact / Involvement of HMRC to upskill Growth Hub staff” in regard to the characteristics that indicate which individual firms might be potential high growth firms. CPCA Officers have specifically engaged with a range of colleagues within the BEIS Business Growth Directorate, HMRC and the Office of National Statistics, in order to gain access to, and better understand the work the BEIS have been doing through HMRC to identify high growth indicators in small firms. This has included work with the Director of the Business Growth and Office for Artificial Intelligence, the Deputy Director, for Business and Local Growth Analysis and the Head of Future Economy Analysis. It has also involved access to the work of the Data Enabled Change Accelerator (DECA).[9] This work has provided the insight sought to help the Growth Hub and new Service that replaces it, to better target high growth potential firms more effectively. This includes new insight from HMRC on the key variables they studied within business tax and VAT returns that gave “reasonable predictive power from the algorithm developed by HMRC to predict which firms might have the potential high growth”

HMRC Scale-Up Algorithm - Key Variables

Variable	Source	Type of firm more likely to go onto be high growth
Company age (capped at 21 years)	FAME	Younger firms
High growth history	CT600	Firms with previous high growth episodes (across one or three years)
Annual investment allowance	CT600	Firms with higher annual investment allowance
VAT days (Days from end of VAT period and submission of return and payment)	VAT	Firms with fewer VAT days
Turnover	CT600	Firms with less turnover (smaller companies below 50 emp)
Profit	CT600	Firms with less profit (smaller companies below 50 emp)
Mean pay through PAYE	PAYE	Firms with higher mean pay

[9] https://datasciencecampus.ons.gov.uk/projects/understanding-the-characteristics-of-high-growth-companies-using-non-traditional-data-sources/#ManagementPracticesConclusion

BCR Project Inputs

Strategy for the Creation of The Growth Service Delivery Fund				
	Yr 1	Yr 2	Yr 3	Totals
LGF Capital Equity Investment by the Business Board	£5,407,000	£0	£0	£5,407,000
LGF Growth Investment Fund Administered by Growth Service	£2,000,000	£4,000,000	£3,500,000	£9,500,000
Total LGF Capital Investment by the Business Board	**£7,407,000**	**£4,000,000**	**£3,500,000**	**£14,907,000**
ERDF Funding	£900,000	£1,907,000	£2,484,601	£5,291,601
ESF Funding	£200,000	£800,000	£1,035,547	£2,035,547
Total ESIF Revenue Funding	**£1,100,000**	**£2,707,000**	**£3,520,148**	**£7,327,148**
CPCA budget for Growth Hub	£246,000	£246,000	£246,000	£738,000
CPCA Skills Strategy Implementation budget	£50,000	£50,000	£50,000	£150,000
Local Ind Strategy Implementation budget	£50,000	£50,000	£50,000	£150,000
CPCA contract with Careers Enterprise Company	£80,000	£80,000	£80,000	£240,000
CPCA Enterprise Zone businesses rates receipts	£110,000	£365,000	£452,000	£927,000
Total CPCA Revenue Allocation from the CPCA 2020/21-22/23	**£536,000**	**£791,000**	**£878,000**	**£2,205,000**
Total Public Sector Contributions to Costs	**£9,043,000**	**£7,498,000**	**£7,898,148**	**£24,439,148**
Total SME contributions acquired by the Procured Delivery Partners for the Business Growth Service	**£1,000,000**	**£1,500,000**	**£2,000,000**	**£4,500,000**
Total Growth Service Delivery Fund for Procurement of the Business Growth Service	**£10,043,000**	**£4,998,000**	**£6,398,148**	**£28,939,148**

Item	Fiscal Cost?	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Total Public Sector Contributions to Costs	Yes	£9,043,000	£7,498,000	£7,898,148	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£24,439,148**
Total Costs	Yes	£9,043,000	£7,498,000	£7,898,148	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£24,439,148**
Total Fiscal Costs	**Yes**	**£9,043,000**	**£7,498,000**	**£7,898,148**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£24,439,148**

BCR Project Outputs from LGF Application

PROJECT OUTPUTS 2020/21		
Employment		
Number of permanent jobs to be created	Number of indirect jobs to be created	Number of apprenticeships
47 (staff delivering the services)	1,267 (27% of 4692 over 3 full years) from Growth Service 324 (27% of 1200 over 3 years from Capital Growth Grant)	486 (27% of 1800 over 3 years) from growth service
Business & Enterprise		
Number of enterprises receiving grant support	Number of businesses receiving non-financial support	
243 (27% of 900 over 3 full years) from Growth Service 65 (27% of 240 forecast to receive Capital Growth Grants or equity investments (at an average of £50k over £12m)	1,350 (27% of 5,000 over 3 full years) from Growth Service	

PROJECT OUTPUTS 2021/22		
Employment		
Number of permanent jobs to be created	Number of indirect jobs to be created	Number of apprenticeships
	1,595 (34% of 4692 over 3 full years) from Growth Service 408 (34% of 1200 over 3 years from Capital Growth Grant)	612 (34% of 1800 over 3 years) from growth service
Business & Enterprise		
Number of enterprises receiving grant support	Number of businesses receiving non-financial support	
306 (34% of 900 over 3 full years) from Growth Service 82 (34% of 240 forecast to receive Capital Growth Grant assuming an average of £50k over £12m)	1,700 (34% of 5,000 over 3 full years) from Growth Service	

PROJECT OUTPUTS 2022/23		
Employment		
Number of permanent jobs to be created	Number of indirect jobs to be created	Number of apprenticeships
	1,830 (39% of 4692 over 3 full years) from Growth Service 468 (39% of 1200 over 3 years from Capital Growth Grant)	702 (39% of 1800 over 3 years) from growth service
Business & Enterprise		
Number of enterprises receiving grant support	Number of businesses receiving non-financial support	
351 (39% of 900 over 3 full years) from Growth Service 94 (39% of 240 forecast to receive Capital Growth Grant assuming an average of £50k over £12m)	1,950 (39% of 5,000 over 3 full years) from Growth Service	

BCR Project Outputs

Outcomes Generated from Growth Coaching				
Average GVA/employee for new job	£37,000	£37,000	£37,000	£37,000
Number of businesses supported	281	506	337	1124
Total new jobs generated	**100**	**1,650**	**1,748**	3498
Total GVA generated	£3,700,000	£61,050,000	£64,676,000	£129,426,000

Outcomes Generated from Inward Investment				
Average GVA/employee for new job	£37,000	£37,000	£37,000	£37,000
Number of businesses supported	30	40	55	125
Total new jobs generated	**285**	**379**	**664**	**1,328**
Total GVA generated	£10,545,000	£14,023,000	£24,568,000	£49,136,000

Outcomes Generated from Skills Brokerage				
Average GVA/employee for new job	£18,000	£18,000	£18,000	£18,000
Total number of apprentices	200	550	850	1,600
Total number of retained apprentices into all jobs	160	440	680	1,280
Number of businesses supported to fill a new job	120	330	510	960
Total retained apprentices into new jobs	**160**	**440**	**680**	**1,280**
Total GVA generated	£2,880,000	£7,920,000	£12,240,000	£23,040,000

Outcomes Generated from £12m Small Business Capital Growth Investment Fund				
Average GVA/employee for new job	£37,000	£37,000	£37,000	£37,000
Number of businesses supported	37	109	129	275
Total new jobs generated	**165**	**490**	**845**	**1,500**
Total GVA generated	£6,105,000	£18,130,000	£31,265,000	£55,500,000

Benefit Type	Outputs Year 1	Outputs Year 2	Outputs Year 3	Fiscal Benefits Per Annum	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Corporation tax from GVA growth	£23,230,000	£101,123,000	£132,749,000	0.00%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Tax from new jobs	710	2,959	3,937	£4,700	£3,337,000	£17,244,300	£35,748,200	£35,748,200	£35,748,200	£35,748,200	£35,748,200	£35,748,200	£35,748,200	£35,748,200	£306,566,900
NI contributions from new jobs	710	2,959	3,937	£4,287	£3,043,912	£15,729,737	£32,608,443	£32,608,443	£32,608,443	£32,608,443	£32,608,443	£32,608,443	£32,608,443	£32,608,443	£279,641,194
Total					£6,380,912	£32,974,037	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£586,208,094

Benefit Type	Outputs Year 1	Outputs Year 2	Outputs Year 3	Economic Benefits Per Annum	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
GVA A from higher-value job creation	550	2,519	3,257	£37,000	£20,350,000	£113,553,000	£234,062,000	£234,062,000	£234,062,000	£234,062,000	£234,062,000	£234,062,000	£234,062,000	£234,062,000	£2,006,436,000
GVA A from apprentices into new jobs	160	440	680	£18,000	£2,880,000	£10,800,000	£23,040,000	£23,040,000	£23,040,000	£23,040,000	£23,040,000	£23,040,000	£23,040,000	£23,040,000	£198,019,280
Total					£23,230,000	£124,353,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£2,204,455,280

Grand Total					**£29,610,912**	**£157,327,037**	**£325,458,643**	**£325,458,643**	**£325,458,643**	**£325,458,643**	**£325,458,643**	**£325,458,643**	**£325,458,643**	**£325,458,643**	**£2,790,607,094**

Net Present Benefits

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Total Costs	£9,043,000	£7,498,000	£7,898,148	£0	£0	£0	£0	£0	£0	£0	£24,439,148
Fiscal Costs	£9,043,000	£7,498,000	£7,898,148	£0	£0	£0	£0	£0	£0	£0	£24,439,148
Fiscal Benefits	£6,380,912	£32,974,037	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£68,356,643	£586,208,094
Public Benefits	£23,230,000	£124,353,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£2,204,455,280
Total Benefits	£29,610,912	£157,327,037	£325,458,643	£325,458,643	£325,458,643	£325,458,643	£325,458,643	£325,458,643	£325,458,643	£325,458,643	**£2,790,607,094**

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Net Value (Total Benefits - Total Costs)	£20,567,912	£149,829,037	£317,560,495	£325,458,643	£325,458,643	£325,458,643	£325,458,643	£325,458,643	£325,458,643	£325,458,643	£2,766,167,946
Net Present Value (Net Value x Discounting Ratio)	£20,567,912	£141,923,877	£284,934,756	£276,614,056	£262,019,566	£248,195,099	£235,100,028	£222,695,868	£210,946,166	£199,816,393	£2,102,813,722
GDP Deflator	1	0.980392157	0.961168781	0.942322335	0.923845426	0.90573081	0.887971382	0.870560179	0.853490371	0.836755266	
Discounting Ratio	1	0.966183575	0.9335107	0.901942706	0.871442228	0.841973167	0.813500644	0.785990961	0.759411556	0.733730972	
Net Budget Impact (Fiscal Costs - Fiscal Benefits)	£2,662,088	-£25,476,037	-£60,458,495	-£68,356,643	-£68,356,643	-£68,356,643	-£68,356,643	-£68,356,643	-£68,356,643	-£68,356,643	-£561,768,946
Net Present Budget Impact (Net Budget Impact x Discounting Ratio)	£2,662,088	-£24,131,890	-£54,247,071	-£58,097,730	-£55,032,424	-£52,128,847	-£49,378,466	-£46,773,199	-£44,305,389	-£41,967,784	-£423,400,712
Net Public Value (Public Benefits - Total Costs)	£14,187,000	£116,855,000	£249,203,852	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£257,102,000	£2,179,959,852
Net Present Public Value (Net Public Value x Discounting Ratio)	£14,187,000	£110,689,590	£223,600,983	£218,516,326	£206,987,142	£196,066,252	£185,721,561	£175,922,669	£166,640,777	£157,848,610	£1,656,180,910
Net Present Benefits (Total Benefits x Discounting Ratio)	**£29,610,912**	**£149,026,273**	**£292,021,459**	**£276,614,056**	**£262,019,566**	**£248,195,099**	**£235,100,028**	**£222,695,868**	**£210,946,166**	**£199,816,393**	**£2,126,045,821**
Net Present Fiscal Benefits (Fiscal Benefits x Discounting Ratio)	£6,380,912	£31,234,287	£61,333,773	£58,097,730	£55,032,424	£52,128,847	£49,378,466	£46,773,199	£44,305,389	£41,967,784	£446,632,812
Net Present Public Benefits (Public Benefits x Discounting Ratio)	£23,230,000	£117,791,986	£230,687,686	£218,516,326	£206,987,142	£196,066,252	£185,721,561	£175,922,669	£166,640,777	£157,848,610	£1,679,413,009
Net Present Total Costs (Total Costs x Discounting Ratio)	**£9,043,000**	**£7,102,397**	**£7,086,703**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£23,232,099**
Net Present Fiscal Costs (Fiscal Costs x Discounting Ratio)	£9,043,000	£7,102,397	£7,086,703	£0	£0	£0	£0	£0	£0	£0	£23,232,099

Total Growth Service (Growth Coaching, Inward Investment & Skills Brokerage Services)	Key Metrics
Net Present Value (Net Present Benefits - Net Present Total Costs)	£2,102,813,722
Payback (Point at which Net Present Fiscal Benefits > Net Present Fiscal Costs)	Year 1
Net Present Budget Impact (Net Present Fiscal Costs - Net Present Fiscal Benefits)	-£423,400,712
Financial Return on Investment (Net Present Fiscal Benefits / Net Present Fiscal Costs)	19.22
Net Present Public Value (Net Present Public Benefits - Net Present Fiscal Costs)	£1,656,180,910

Net Present Benefits	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cumulative Cost	£9,043,000	£16,145,397	£23,232,099	£23,232,099	£23,232,099	£23,232,099	£23,232,099	£23,232,099	£23,232,099	£23,232,099
Cumulative Net Present Fiscal Costs	£9,043,000	£16,145,397	£23,232,099	£23,232,099	£23,232,099	£23,232,099	£23,232,099	£23,232,099	£23,232,099	£23,232,099
Cumulative Net Present Fiscal Benefits	£6,380,912	£37,615,199	£98,948,972	£157,046,702	£212,079,126	£264,207,973	£313,586,440	£360,359,639	£404,665,028	£446,632,812
Cumulative Total Benefit	**£29,610,912**	**£178,637,185**	**£470,658,644**	**£747,272,700**	**£1,009,292,267**	**£1,257,487,366**	**£1,492,587,394**	**£1,715,283,261**	**£1,926,229,428**	**£2,126,045,821**

BCR = Cumulative Net Present Fiscal Benefits / Cumulative Net Present Fiscal Costs

£446,632,812 divided by £23,232,099 = 19

COMMERCIAL CASE

Current Arrangements: The CPCA Growth Hub

The CPCA Growth Hub is delivered under a contract for grant from BEIS to the CPCA. The value of the grant is £246,000 pa, with which we employ three full time staff as telephone-based growth advisors. BEIS require the CPCA to report quarterly on performance but monitor only the activity and outputs of the service deliveries rather than outcomes of growth or jobs created. We report on the number of firms serviced and which levels of service they received; less than an hour, between an hour and three, or over three hours. LEP Growth Hubs were set up to deliver against targets based on the “volume” of customers serviced rather than the growth created in GVA. They deal disproportionately, with low potential, small and micro businesses rather than seeking out larger, high growth, high potential companies that the evidence shows are better placed to help grow GVA in the places we desire. Additionally, they spread resource thinly over a large population of small, low potential firms, reducing average service time to less than three hours per business. Whilst there are no reliable or robust data on the growth outcomes of Growth Hubs, either from the CPCA, BEIS or the LEP Network nationally, given the low level of service depth (80% of customers receive less than three hours of advice), the level of additionality that can be estimated is very low. Hence, the probable net impact on the growth of firms’ support is likely to be equally low.

Conclusion on The Need to Improve Current Arrangements

The CPCA Growth Hub does not align to the shift in policy generated by the Mayoral devolution commitments and the recent Local Industrial Strategy, in that it provides a ubiquitous service to all and any firm irrespective of their capacity to support the CPCA’s aims for growth that is more inclusive, productive and greener. BEIS are amenable to their Growth Hub grant being rolled into the deeper and more targeted Growth Service we propose. We have agreed that it is likely that the BEIS outputs performance currently achieved by the Growth Hub will be generated as a by-product of the new proposed service’s higher volume and deeper nature of engagement with firms.

Commercial Risk Assessment: Growth Coaching Service

Failure to Establish a Growth Coaching Pool of Sufficient Calibre

The establishment of the required pool of high calibre, private sector, growth coaches that will bring additional scale and specialism to our firms, is a key component of the Business Rebound & Growth Service. Through the procurement process for our delivery consortium, we have selected a Preferred Bidding Consortium, with an existing network of 40 extremely well qualified and experienced business coaches. CPCA officers, having previously commissioned and/or delivered growth coaching services, expect to more than double this cadre of entrepreneurs and consultants.

Failure to Quality Assess & Assure the Coaches

The Engage, Diagnose, Broker model is designed to open-up and grow private sector provision rather than regulate it or create a CPCA franchise or monopoly. However, it is recognised that some guidance and oversight of the quality of coaches will be required. Through the procurement process, officers have ensured that bidders have provided the necessary processes and quality assurance systems (validated to ISO standards and with an accompanying Operations Manual) to ensure that coaches:

1. **Possess the capacity and skills** to deliver the services diagnosed

2. **Understand the value proposition and coaching service lines**, based on our defined Service Specification in Appendix 6, and can provide them in a quality assured and consistent manner

3. **Provide transparency of fee rates and activity** so that the procured delivery consortium member, administering the 50% nudge grant to the customer after payment of the coach's invoice, can audit the services provided to confirm they have been delivered in full and to the customers satisfaction

4. **Are quality rated and ranked** by customers to inform future customer comparisons of the potential value for money and performance of each provider within the pool.

All of the above is enshrined within the contract and operating manual, agreed with the Preferred Bidding Consortium.

Failure to Achieve Market Take-Up by firms in our Economy

The market failure amongst SMEs in taking up professional advice for growth and productivity improvement is well documented by both national and local government. The causes are various, but the main themes have been researched and concluded as:

1. A low level of ambition to grow or improve; especially the case with the smaller firms below 5 employees, which can perceive growth as negative and risky.

2. An over-estimation of personal and internal management capabilities in the area of leadership, management, change and growth strategy

3. Low levels of awareness of the internal and external barriers to growth, either current or future, within a firms growth plans.

4. Poor visibility of reliable and assured sources of professional and especially sector or market specialist advice.

5. A lack of trust in the service providers capability to deliver tangible results against agreed objectives

6. A high price sensitivity on professional service provider day rates, leading to a low perception of value for money.

Previous pilots on the use of a co-investment grant, offered to firms to nudge them to take-up professional and commercially provided advice has been extensively undertaken by BEIS and DIT. Both Departments have run Random Control Tests on large SME populations to study the effectiveness of using co-investment grants to nudge smaller firms to increase the take-up rates on professional business advice.

BEIS ran a very large-scale Random Control Test (RCT) between 2012-15 involving nearly 100,000 SMEs with some offered a 50% co-investment grant and some randomly selected to be asked to pay the full costs of the growth and productivity advice they received. This RCT found that 32% of firms were successfully nudged to take up the brokered services through the offer of a grant, whilst only 5% did so without the grant-nudge. Of the 64% of firms that did not take up services with the offer of a grant-nudge.

DIT ran more recent smaller RCT pilot in 2017/18, for co-investment grants to help SMEs access commercially available export advice. It involved 1,000 larger SMEs (50-500 employee firms) between and was set up to test:

1. The engage, diagnose and broker delivery model – like that proposed for this Service;

2. The feasibility of replacing shallow and narrow general advice, offered free of charge (like that of the Growth Hub) with deeper and broader sector and market specific advice, offered by the commercial marketplace, but with a 50% grant to the supported firm to reduce the cost of accessing that advice (like that of the proposed for the Growth Service);

3. The customer perceived value and utility of a formal and in-depth needs diagnostic – like that proposed for the Growth Service;

4. The willingness of firms to buy advisory services commercially and the impact on take-up on commercial services by size of company of a grant to nudge them to do so – like that proposed for Growth Service;

The results of the DIT Random Control Test were as follows

1. The customer perceived value and utility of a formal and in-depth needs diagnostic. Of all customers that completed an in-depth diagnostic with an advisor, nearly two thirds (62%) went on to co-develop a bespoke package of support to buy from the commercial marketplace, that would help them realise their export growth ambitions. Of all those firms that had been provided with the specification for a package of support, based on their needs for and barriers to success, almost all (92%) were recorded as proceeding to brokerage with a commercially sourced expert from the managed pool of alternative providers.

2. The willingness of firms to buy advisory services commercially and the impact of a co-investment grant. The RCT, specifically targeted MSBs, finding that these larger SMEs had little resistance to paying for advisory services, if provided with a 50% grant to lower the costs. In fact, the “sales funnel” shape, ie, the proportion of leads developing into prospects and prospects developing into customers was almost exactly the same shape as that of the free of charge advice that the DIT International Trade Advisors currently provide. Hence, the Pilot indicated that the MSBs that took part in the pilot had no more resistance to paying for services, if offered a grant nudge, than those currently provided with free of charge services. This allowed DIT to significantly deepen the level of service provided to firms and gain commensurate increases in export-win outcomes.

3. The additionality from the increased take-up of commercial services enabled through a grant-nudge, increased as size of company reduced. Evidence from the DIT Pilot indicated that the export grant scheme may be best focused on smaller businesses as it appears that these are the most likely to have higher perceptions of risk relating to their ability to successfully utilise professional advice to generate growth, productivity or more profit, and possess lower perceptions of VFM from private sector advice. The additionality of the grant was found to be especially high in terms of increasing the scale of growth-related export activities. This impact was prevalent amongst intermittent exporters who came to the pilot with less developed plans. The addition of co-investment in the support they could access, meant they were able to do more than they would otherwise have done and be more ambitious n their growth goals.

As a result, DIT have recently approved their own FBC for a coaching programme similar to the one proposed in this FBC and for £38m over three years. Called the DIT-ESIF (they too have leveraged ERSF funding) Internationalisation Fund it will provide co-investment funding to SMEs between £1,000 and £9,000 towards projects of between around £2,000 and £18,000 in value, with the remaining costs to be provided by the SMEs themselves. £250,000 of this fund has been ringfenced for firms in the CPCA area, and our Preferred Bidding Consortium has committed to coordinate and leverage this additional funding to increase growth in our local firms.

Current Arrangements: The Inward Investment Service

The current delivery arrangement for inward investment is represented by a modest contract to the value of £100k in the north of the economy with Opportunity Peterborough running a 12-month contract for the financial year 2019/20 that will deliver a small service for the Greater Peterborough sub-economy. Key objectives for this existing service are to; Modestly increase the number of inward investment enquiries that Opportunity Peterborough handles and therefore land 2 extra inward investor project successes; Increase the number of projects identified and supported with existing investors and capture 10 new project successes; Increase the number of jobs created as a result of inward investment and target 240 new jobs of which 22 are additional from the support of OP. The provision is not on a scale likely to register a significant or even measurable increase in the total FDI performance of the CPCA economy,and be lost in the variance year-on-year in naturally occurring inward investment project successes.

Conclusion on The Need to Improve Current Arrangements

The commercial case for the new Inward Investment Service is clear in that the current sub-contracted arrangements will not provide a meaningful or measurable impact on inward investment across the whole CPCA area.

Commercial Risk Assessment: Inward Investment Service

Global Macro Effects

Brexit uncertainty, technological advancement and global business environment factors are all areas where the UK as a whole might be affected enough to cause unavoidable barriers for businesses wanting to invest in the CPCA area. Mitigation of these risks is difficult, but bidders were asked to provide flexibility around target markets (non-EU), target sectors (sub-sectors) and types of investment deals businesses are seeking to complete based on Local and National intelligence currently being gathered as part of a £180,000 markets insight programme underway.

Failure To Achieve Pipeline Quality

Delivering the high value jobs from this programme that yield the projected GVA contribution is contingent on the pipeline of enquiries and prospects being made up of a high number of potential investment projects that are categorised as ‘High Value’. To ensure the CPCA service acquired high quality investor leads, our procurement specified and tested bidders on their ability to provide strong and effective access into DIT’s Investment services Team, that manage all investor leads and allocate them across DIT teams and local teams such as ours. In addition, our preferred Delivery consortium have offered an extensive network of agents, based in overseas market, able to work with UK Embassies and Consulates to identify investors in-market early and in time to focus them on Cambridgeshire and Peterborough, rather than other UK regions.

Failure To Achieve Inward Investment Outcomes

The analysis of last 10 years shows that there has been a naturally occurring level of inward investment that can be measured as generating 6331 new jobs created (and also 5207 safeguarded jobs) which means the average each year across that period has been 633 New Jobs (520 safeguarded). However, this belies the huge variability of activity and success that has happened across that timeframe: lowest year achieved 138 New Jobs and highest 1556 New Jobs.

To mitigate the risk of ailing to achieve the target outcomes of 1186 jobs over the course of this three-year service, Officers have ensured that bidders demonstrate experience in managing inward investment services to at least this level of successful performance. The Preferred Bidding Consortium Have a track record in delivering over 400 inward investment projects into the UK, creating or safeguarding over 20,00 jobs with equity investment of over £388m and infrastructure investments of over £3 billion.

Current Arrangements: The Skills Brokerage Service

There are currently four Skills Services operating within the Combined Authority area. They all work on different delivery models, some with different priorities and some that overlap geographically with each other. In addition, Careers and Enterprise Company (CEC) services are delivered in the area, under contract to the CPCA and sub-contracted on, to Opportunity Peterborough and Form the Future Ltd.

1. **The CPCA funded Skills Service delivered by Opportunity Peterborough** under contract from the CPCA, covers the geography of Peterborough, Huntingdonshire, Fenland and East Cambridgeshire. Their remit is to work directly with secondary students to prepare them for the world of work with activities such as CV writing, interview techniques and employer events.

2. **The GCP funded Skills Service delivered by Form the Future** covers the geography of Cambridge city and South Cambridgeshire. FTF deliver schools interventions in parts of East Cambs, un-funded. FTF deliver more than 300 events per year which are designed to give students a clear line of sight to different career pathways.

3. **Edge Brokerage for Jobs and Skills delivered by EDGE Partners** mainly covers the geography of Huntingdonshire although overlaps occur with both the other two service providers. The Partnership brings together local businesses, jobseekers, training providers and schools to support through one-to-ones, group sessions and larger events such as their Annual Careers Fair for Huntingdonshire schools. The service was recently extended with funding from CITB for a new Edge Construction Hub that will be run out of the core Brokerage Service.

Conclusion on The Need to Improve Current Arrangements

All four services have a focus on Apprenticeships to some extent, but not all have targets. There is no common approach, sharing of resources or best practice. The total resources, and related ambitions to increase apprenticeships are modest in comparison to the need set out by the CPIER, LIS and Skills Strategy. There is no attempt to address or manage the levy under-utilisation. There is moderate effort applied to stimulate progression of learners going into higher and degree Apprenticeships, as well as FE and HE. There is no connectivity with the AEB funding to create career progression pathways.

Commercial Risk Assessment: The Skills Brokerage Service

Failure to Achieve Market Take-up

Evidence clearly shows that despite the clear cost savings and benefits of taking on an apprentice, the take-up of apprenticeships has dropped significantly over the last two years, even before the impact of COVID 19. The proposed Skills Brokerage addresses the barriers to taking on apprentices that have cause this decline by:

1. **Providing much more funding** through the creation of a £10m apprenticeship level pot, to feed funding to SMEs that cannot currently access it.

2. **Providing much greater visibility** for employers of the talent that fits their needs and the skills providers that can deliver the right skills at the right time for the business.

3. **Providing a much more effective approach** to help employers quantify the benefits of an apprenticeship and other training, using a Maturity Index, that allows Skills Brokers to focus resource on those companies that are most likely to engage and invest in strategic talent development, such as apprenticeship, re-training, work placements and traineeships.

4. **Providing much more accurate targeting** of employers most likely to benefit from training their workforce more effectively. Specifically through data driven targeting using tools such as Emsi data that can identify a high potential employers.

5. **Providing much greater clarity** in the market for the offerings and services available by reducing the confusion created in the marketplace by multiple offers that differ widely.

6. **Increasing the "bounce-back" growth rate** in apprenticeships from a forecast naturally occurring 7% to 10% over the 21/22 academic year, to generate just a further 200 apprenticeships (to 2,100) on the temporarily depressed 20/21 forecast of around 1,900. Then stimulate a medium-term recovery in 22/23 of 550 further apprentices to achieve a rebound of 26% to achieve 2,450 and finally to recover apprenticeship back to a modest 50% of their 18/19 levels of 5,447, to achieve 2,750 in 23/24.

7. **Accepting that we may need to compromise** with the Preferred Bidding Consortium on our ambitious targets for the additionally apprenticeships the CPCA can generate over the contract period.

The Strategy Implemented for Assembling the Funds

In 2019 officers devised a strategy to build a Growth Service Delivery Fund of just under £19.5m to deliver the Business Growth Service. However, it was important to the CPCA, and the Mayor, that the Business Board's focus remains that of policy and strategy, acting as a catalyst and funding provider to facilitate and enable others to achieve economic growth outcomes. Hence, it was the Business Board's decision to utilise this fund to procure delivery of the Business Growth Service from the private sector, under contract to the Business Board, via a subsidiary company of its Accountable Body, the CPCA.

The Business Board's commercial strategy consisted of the following steps:

1. To request that the CPCA, as the Business Board's Accountable Body and legal personality, establish a **Growth Service Management Company (Growth Co)**, on behalf of the Business Board, as a subsidiary to the Combined Authority Trading Company Limited ("CATC"), with an initial allocation of 100 shares in favour of CATC. The purpose of the Company, being to manage the Growth Service Delivery Fund, and with it, procure the delivery of the Growth Service itself from the private sector.

2. To accept an application from the CPCA, to the LGF capital fund administered by the Business Board, for a capital equity investment from the LGF into the Growth Service Management Company. Growth Co will initially be wholly owned by Angle Holdings Ltd. via an initial allocation of 100 shares of £1 each issued to Angle Holdings Ltd on incorporation. Once the conditions on the LGF investment are met, specifically that the EU funding has been confirmed, the Growth Co will issue £5.407m additional shares to the CPCA in return for the £5.407m LGF investment. At this point, the CPCA will become the majority shareholder and will operate control directly rather than through Angle Holdings Ltd. Through this investment, working capital within the Growth Service Management Company, will be generated as revenue which can then be used to part fund the procurement of the delivery of the Business Rebound & Growth Service.

3. To request that the CPCA, as the Business Board's Accountable Body and legal personality, apply for funding on behalf of the Business Board, from the European Regional Development Fund (ERDF) and European Social Fund (ESF) and to allocate this external funding, through its 2020/21-22/23 MTFP, to the Growth Service Management Company to part fund the procurement of the delivery of the Business Rebound & Growth Service.

4. To request that the CPCA to allocate funding from Business Board 2020/21-22/23 MTFP, to the Growth Service Management Company to part fund the procurement of the delivery of the Business Rebound & Growth Service.

5. To task the procured delivery partners for the Business Rebound & Growth Service with the acquisition of SME customer contributions to the costs of delivering the Growth Service. This being through business payments of 50% of the costs of the Growth Coaching they receive as part of the Growth Service.

This innovative approach was validated through legal opinion as being both State Aid Rules compliant and legally achievable within the rules of the LGF and CPCA's Assurance framework. See Appendix 4. It was subsequently executed and has been entirely successful in assembling all the funds targeted, including the ERDF and ESF funding, see Appendix 2.

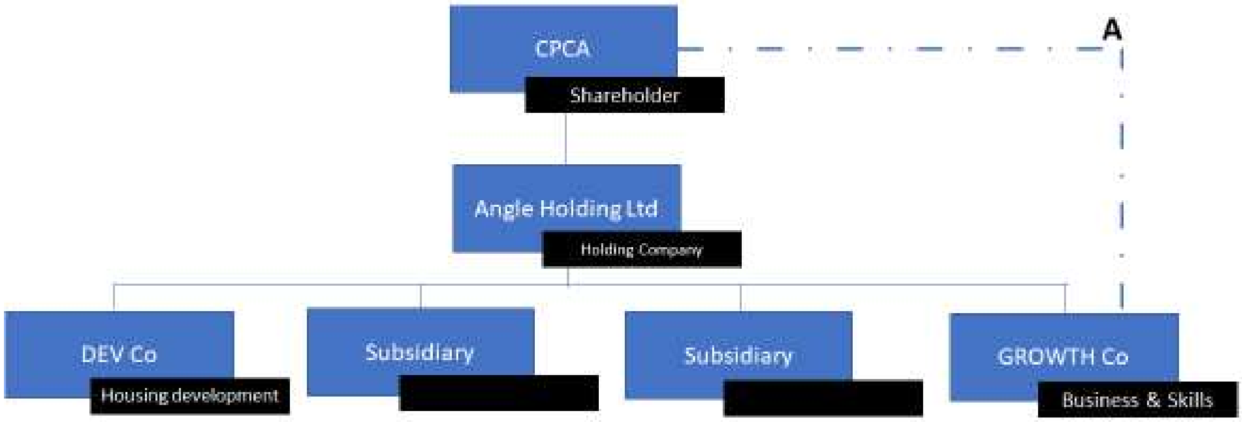
The Business Case for Establishing Growth Co

The Business Board, Skills Committee and CA Board have all also approved, in July 2020, the business case for setting up the Growth Co as a subsidiary of Angle Holdings Ltd and the CPCA. However, for completeness it is outlined in the FBC. Reasons For Establishing A Wholly Owned Company are:

1. The provision of a single focused vehicle with the single focus on delivering jobs growth as set out in this FBC.
2. The provision of a vehicle that is able to develop and deploy more efficiently and more effectively new and innovative forms of growth support.
3. The provision of a vehicle that can be sold for profit in the future: Having separate vehicles means that the CPCA has the flexibility to sell its ownership (wholly or partly), of any vehicle to a third party, hopefully for a profit, if it no longer wishes to engage in the activities or just realise the value that has been created within a vehicle. As the Growth Co will be making equity investments in local firms, there is a realistic potential that it will acquire value and might be sold – offering an opportunity to recycle the £5.407m of Local Growth funds invested into it.

Growth Co will initially be wholly owned by Angle Holdings Ltd. via an initial allocation of 100 shares of £1 each issued to Angle Holdings Ltd on incorporation. Once the conditions on the LGF investment are met, specifically that the EU funding has been confirmed, the Growth Co will issue £5.407m additional shares to the CPCA in return for the £5.407m LGF investment. At this point, the CPCA will become the majority shareholder and will operate control directly rather than through Angle Holdings Ltd. Consent to the appointment of directors of Growth Co is reserved to the Combined Authority. The Growth Co Board of Directors will be responsible for the strategic direction and success of the company. Growth Co will seek to enhance CPCA's reputation and brand for high standards. It will establish and maintain an effective service and financial performance management reporting system which will include reports to Angle Holding Ltd and the CPCA Board. Growth Co will be subject to any audit and inspection requirements of the CPCA.

CPCA – Proposed structure of subsidiaries



A = As per Board paper & Business case - Growth Co which will be initially wholly owned by Angle Holdings Ltd. Subsequently CPCA will invest further funds and become the majority shareholder

The directors will consist of an Independent Chairperson, the Deputy Chief Officer of the Business Board and the Chief Finance Officer for the Combined Authority. The Independent Chairperson would bring the specialist knowledge while removing the risk of conflict and will be recruited following an open and transparent recruitment process. No less than 3 directors will be sufficient for quoracy of Board decisions.

Set Up Costs

There will be initial set up costs, prior to incorporation and the date when the Growth Co commences trading, potentially September 2020. It is proposed that the CPCA funds the work which includes, but may not be limited to, Incorporation (£1,300), Article of Association for growth Co (£7,000), Shareholder Agreement for Growth Co (£10,250) and report on duties of directors, indemnity agreements and presentation to the directors (1,500). This totals approximately £20,050. Costs already included and accounted for in the Pinsent Masons legal costs which are being met by CPCA budgets within the 20/21 MTFP. The costs are divided across two budget lines and they are Skills Strategy Implementation and LIS Implementation

Operating Costs

Table 2 – Proposed operating costs of the Growth Co

PCA Seconded/Recharged Staff	20/21	20/21	21/22	21/22	22/23	22/23	23/24	23/24
Role	**FTE**	**£ Cost**	**FTE**	**£ Cost**	**FTE**	**£ Cost**	**FTE**	**£ Cost**
Director	0.5	£28,107	0.5	£57,315	0.5	£58,418	0.5	£29,760
Independent Chair	1	£5,738	1	£11,700	1	£11,925	1	£6,075
Company Secretary	1	£1,594	1	£3,250	1	£3,313	1	£1,688
LGF Management	0.2	£10,209	0.2	£20,819	0.2	£21,219	0.2	£10,810
Finance Manager	0.3	£9,511	0.3	£19,395	0.3	£19,768	0.3	£10,071
CFO Director	1	£1,594	1	£3,250	1	£3,313	1	£1,688
Programme Manager - ESF	0.6	£22,821	0.6	£46,536	0.6	£47,431	0.6	£24,163
Project Co-ordinator- ESF	0.5	£8,291	0.5	£16,907	0.5	£17,232	0.5	£8,779
Programme Manager	0.5	£21,675	0.5	£44,200	0.5	£45,050	0.5	£22,950
HR Administrator	0.2	£3,316	0.2	£6,763	0.2	£6,893	0.2	£3,512
		£112,855		**£230,136**		**£234,562**		**£119,494**
Growth Company Staff	20/21	20/21	21/22	21/22	22/23	22/23	23/24	23/24
Role	**FTE**	**£ Cost**	**FTE**	**£ Cost**	**FTE**	**£ Cost**	**FTE**	**£ Cost**
Programme Manager - ERDF	1	£38,034	1	£77,560	1	£79,052	1	£40,272
Project Co-ordinator - ERDF	1	£16,582	1	£33,815	1	£34,465	1	£17,558
ERDF Contribution @ 50%		-£23,163		-£47,234		-£48,142		-£24,525
ERDF Contribution @36.61%		-£16,960		-£34,585		-£35,250		-£17,957
ERDF Staffing Costs		**£14,494**		**£29,556**		**£30,125**		**£15,347**
Combined Staffing Costs		**£127,349**		**£259,693**		**£264,687**		**£134,840**
Operational Overheads CPCA Staff only = 20%		**£22,571**		**£46,027**		**£46,912**		**£23,899**

This table details the proposed costs including overhead recharge from Growth Co to CPCA

Table 3 – Proposed operating costs of the Growth Co

Title	FY 20/21	FY 21/22	FY 22/23	FY 23/24	Totals
Insurance	£ 3,000	£ 6,000	£ 6,000	£ 3,000	£ 18,000
Audit	£ 10,000	£ 20,000	£ 20,000	£ 10,000	£ 60,000
Banking	£ 2,000	£ 4,000	£ 4,000	£ 2,000	£ 12,000
Payroll Processing	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 4,000
Citrus HR	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 4,000
IT Services/Equipment	£ 40,000	£ 15,000	£ 15,000	£ 15,000	£ 85,000
Legal	£ 15,000	£ 5,000	£ 5,000	£ 5,000	£ 30,000
Phones	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 4,000
Marketing	£ 15,000	£ 15,000	£ 8,000	£ 8,000	£ 46,000
Comms	£ 5,000	£ 2,000	£ 1,000	£ 1,000	£ 9,000
Travel Expenses	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 4,000
Procurement (Potential)	£ -	£ 2,000	£ 2,000	£ -	£ 4,000
Central Overheads	£ 22,571.24	£ 46,027.42	£ 46,912.56	£ 23,898.96	£ 139,410
TUPE Costs	£ 40,000	£ -	£ -	£ -	£ 40,000
Totals	**£ 156,571**	**£ 119,027**	**£ 111,913**	**£ 71,899**	**£ 459,410**

Please note that the Growth Co staff and many of the other costs within the operating costs in the tables above will be incurred by the CPCA in any event, whether or not Growth Co is set up. Those costs are effectively being allocated away from the CPCA overhead and into Growth o as a cost.

Property and Assets

Growth Co will operate from the Mayor's Office, 72 Market Street, Ely, Cambridgeshire. CB7 4LS and a reasonable rent will be charged by the CPCA to Growth Co for space it occupies. To be flexible, office accommodation arrangements will be reviewed annually.

Freedom of Information

Growth Co will be subject to requests for the disclosure of information under the Freedom of Information Act 2000 (FOI) in its own right. As such, Growth Co will maintain a record management system that complies with the relevant guidance concerning the maintenance and management of records. Growth Co will liaise with CPCA as appropriate to ensure consistency in answering FOI requests and provide such information to CPCA as it may require answering requests it has received

Establishing the Growth Service Management Company

Growth Co will act as a fund management and contracting vehicle to procure and contract the Preferred Bidding Consortium to deliver growth coaching, skills brokering and inward investment promotion as well as managing an allocated amount of Local Growth Fund finance which may be used as grant or equity investment in businesses in the area. The Local Government Act 2003 restricts local authorities from making a profit from its services, although they are able to offset on costs. However, the Localism Act 2011 enables local authorities to undertake activities to make a profit but only if delivered within a company

Core Purpose

Under the CPCA's ownership and control, the purpose of the Company (Growth Co), will be to manage the Growth Service, its Delivery Fund and with it, procure the delivery of the Growth Service itself from the private sector.

Strategic Objectives

The Business Board does not have significant revenue funding at its disposal to finance the procurement of the Business Growth service, in addition to its Core LEP activities between 2020/21 and 2022/23. Hence, the strategy set by the Business Board was to free-up and leverage a proportion of its MTFP, to create a revenue fund to enable it to procure the Business Growth Service. To achieve this, the Business Board devised a strategy to build a Growth Service Delivery Fund of £19.5m to deliver the Business Growth Service. This strategy required the creation of a Growth Co and seeks to deliver; value for money; activities compatible with CPCA's overall vision and values and corporate objectives; and sustainable and inclusive business growth.

Financial Summary

The Business Growth Service is a three-year contract, spread over four financial years. The table below shows the projected funding and expenditure profile relative to the funding assembled and detailed in the financial Case.

Table 1 – Projected income & expenditure

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Total**
Funding	£5.78	£7.22m	£8.17m	£3.21m	£24.38m
Expenditure	£2.66m	£8.59m	£9.05m	£3.13m	£23.43m

Please see Appendix 7 for full cashflow details as requested.

Procurement by Competitive Procedure with Negotiation (CPN)

The CPCA decided to use the Competitive Procedure with Negotiation (CPN) in accordance with Regulation 29 of the Public Contract Regulations 2015. This procedure is designed to facilitate a procurement where the desired outcome cannot be achieved without some innovation and the solution cannot be agreed without the ability to negotiate on the legal and/ or financial make-up (and delivery risks) of the procurement. Specifically, the project team needed to be able to negotiate on:

1. The leading indicators and their financial implications and the associated delivery risks whilst still achieving the fixed (minimum) requirements of total contract spend. The risk assignment regarding liabilities and indemnities, GDPR requirements, IPR and termination in consideration of performance or other failures

2. The reasonable profit margin for the preferred bidding Consortium and a proportion of that to be retained as an incentive payment, made only upon delivery of the jobs and skills outcomes laid down in the Procurement Specification in Appendix 6.

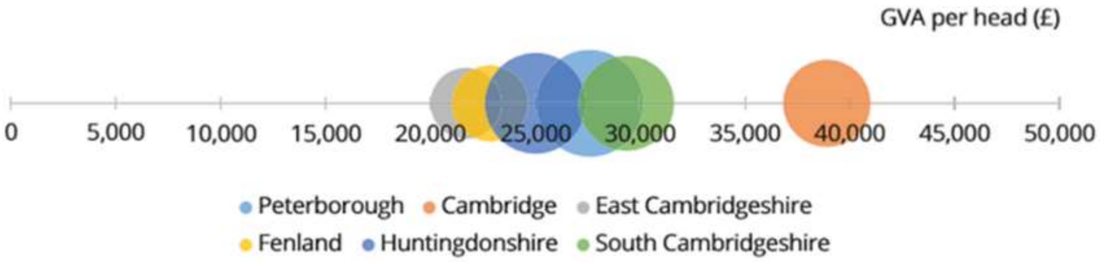
Given the payment on outcomes approach of the procurement and the innovative nature of some of the services specified, failure to allow for such negotiations could possibly have restricted market interest and the likelihood of achieving both a competitive outcome and optimising value for money. Ultimately by using this process we have been able to ensure project understanding, optimise the possible solution and de-risk the chance of future contract animosity through parties having an unsatisfactory contract foisted on them. The CPCA contracted with Pinsent Mason to provide legal support for both the establishment of the Growth Company and the procurement and appointment of a Service Provider, including the development of a comprehensive contract. The Contract used is based on a boiler plate services contract that has been adapted to support the peculiarities of the Growth Service requirements; specifically the option for consortia or prime/ subconsultant structure, the provision of both advisory services and the distribution of financial support, the handling of various forms of data, the management of complex financial modelling and the TUPE of existing CPCA and subcontractor staff. The contract was evolved to meet the Growth Company's need through a series of meeting with the relevant CPCA teams, namely; procurement, legal with regards to governance and policies, the project team with regards to how the various elements function individually and the aspiration for their holistic integration. As this work progress additional advice was sought around TUPE, pensions, GDPR, state aid and VAT with this information being fed into the final document shared as part of the tender pack. The contract further evolved following information received from tenderers during the negotiation period and the agreed amendments will be reflected in the final version that will be signed by the Growth Company and the successful tender.

Five consortia entered the procurement process, submitted Supplier Qualifying Questionnaires (SQQs). Following two bidder briefings, two finally submitted an initial and then a final bid. From these, a panel of evaluators have selected a Preferred Bidding Consortium.

FINANCIAL CASE

Minimum Viable Product

The Growth Service is a key intervention within a range, designed to meet the requirements set out in the LIS to; Sustain business growth in Greater Cambridge; and Increase business growth and productivity in Greater Peterborough and the Fens. To do this in a measurable and meaningful way, the Business Rebound & Growth Service must show it can deliver a jobs growth impact to support the doubling of the economy, in a way that is more inclusive of greater Peterborough and The Fens, whilst also addressing the much lower productivity levels in those sub-economies. To achieve the goal of doubling the economy in 25 years, jobs growth needs to increase from current growth levels of 2.5% pa (1998-2018), by 0.3% to the 2.8%. With around 418,000[10] jobs in the economy this means the Growth Service needs to nudge an additional 0.3% growth in jobs, above and beyond that which is naturally occurring without the Business Board's intervention. This equates to at least 1,254 pa, with substantially more of these jobs being in Peterborough and the Fens, than naturally occur, and in relation to higher-value jobs in those areas, so as to increase productivity, where it is currently much lower than in Cambridge, as shown below.



To meet this challenge, the Business Rebound & Growth Service, in combination with the Small Business Capital Growth Investment Fund, will aim to stimulate business growth in firms to generate an additional 6,326 jobs, measured over the 3 years the Growth Service will run and a following 3 to capture the delayed effects between intervention and jobs growth realisation. This will produce a net-impacts on additional jobs growth of 982pa, substantially contributing to the LIS and growth ambition goal of 1,254pa. The targeting of firms to be supported, and the place-based resourcing of the advisors in the service and will ensure that at least 66% of the jobs growth targeted will be in Peterborough and the Fens. By focusing the Growth Service on higher value firms, with products and services that can command higher prices and margins, the Growth Service will grow the proportion of higher value (GVA/employee) jobs in the communities it focusses on. This will in turn raise productivity in those areas. The principle being that, instead of attempting to grow productivity in ALL firms, the Business Rebound & Growth Service will grow the proportion of higher productivity firms in the broader population, to achieve a productivity lift at much lower cost. At OBC the cost assumptions for the minimum viable product were set out as overleaf.

[10] Overview of Economy and Employment in Cambridgeshire Report: 03 2019 https://cambridgeshireinsight.org.uk/economy/

OBC Costs Assumptions for Minimum Viable Product

Costs of Growth Coaching Business Engagement team				
Engage - Diagnose - Broker : Service Sales Team of 6 staff	£438,000	£438,000	£438,000	£1,314,000
Service Manager/Director	£95,000	£95,000	£95,000	£285,000
Telesales & Target Company Research Team of 2 staff	£70,000	£70,000	£70,000	£210,000
Account Manager Team of 2 staff	£104,000	£104,000	£104,000	£312,000
Events and marketing	£50,000	£50,000	£50,000	£150,000
Admin support of 2 staff	£50,000	£50,000	£50,000	£150,000
Subcontractor Management Overhead (13%)	£104,910.00	£104,910.00	£104,910.00	£314,730
Diagnostic Software	£48,216	£0	£0	£0
Total costs of business engagement team	**£960,126**	**£911,910**	**£911,910**	**£2,735,730**
Costs of Growth Coaching Delivery				
ERDF sourced Nudge Grant	£666,667	£1,000,000	£1,333,333	£3,000,000
LGF sourced Nudge Grant	£333,333	£500,000	£666,667	£1,500,000
Fees from SMEs suppoerted	£1,000,000	£1,500,000	£2,000,000	£4,500,000
Yotal Costs of Growth Coaching Delivery	£2,000,000	£3,000,000	£4,000,000	£8,999,999
Total Cost of Growth Coaching Service	**£2,960,126**	**£3,911,910**	**£4,911,910**	**£11,783,945**

Operational Costs: Inward Investment Service				
Sector Specialists (4 rising to 5)	£310,000	£387,500	£387,500	£1,085,000
Place Specialist (GP and Fens)x2	£66,000	£132,000	£132,000	£330,000
Place Specialist (Greater Cambridge)x2	£66,000	£132,000	£132,000	£330,000
Service Manager/Director	£100,000	£100,000	£100,000	£300,000
Account Managers x2	£66,000	£198,000	£198,000	£462,000
Events and marketing Manager x1	£50,000	£50,000	£50,000	£150,000
Collateral Materials	£80,000	£25,000	£10,000	£115,000
Lead Generation Liaison into DIT	£66,000	£66,000	£66,000	£198,000
International Travel	£60,000	£60,000	£59,600	£179,600
Admin support	£40,000	£40,000	£40,000	£120,000
Subcontractor Management Overhead (13%)	£90,740	£135,135	£135,135	£361,010
Total Operational Costs: Inward Investment	**£994,740**	**£1,325,635**	**£1,310,235**	**£3,630,610**

Operational Costs: Skills Brokerage Service				
Service Manager/Director	£100,000	£100,000	£100,000	£300,000
Broker Team of 8 staff for Greater P'boro & The Fens	£520,000	£520,000	£520,000	£1,560,000
Broker Team of 3 for Greater Cambridge	£0	£195,000	£195,000	£390,000
Telesales Team x 2	£80,000	£80,000	£80,000	£240,000
College & ITP Network Coordinator x 1	£50,000	£50,000	£50,000	£150,000
Schools career advisors team of 3	£150,000	£150,000	£150,000	£450,000
Events and marketing	£50,000	£50,000	£50,000	£150,000
Admin support	£80,000	£80,000	£80,000	£240,000
Subcontractor Management Overhead (13%)	£206,000.00	£245,000.00	£245,000.00	£696,000
Skills Portal Development	£150,000	£0	£50,000	£200,000
Total Operational Costs: Skills Brokerage	**£1,286,000**	**£1,370,000**	**£1,420,000**	**£4,076,000**

Total Costs: All Growth Services	**£5,240,866**	**£6,607,545**	**£7,642,145**	**£19,490,555**

Actual Preferred Bidder Costs at Point of FBC

The cost calculations below, are taken direct from the Preferred Bidding consortium bid.

	Assumed Cost at OBC	Actual Cost at FBC	Variance
Growth Coaching	£2,735,730	£2,689,727	£46,003
Inward Investment	£3,630,610	£3,444,462	£186,148
Skills Brokerage	£4,076,000	£2,822,310	£1,253,690

The total variance to the OBC estimate is £1,485,841, however, of this amount £1,301,905 is the cost of the Prime Contractor.

Affordability & Investment Required

The Business Board does not have significant revenue funding at its disposal to finance the procurement of the Business Rebound & Growth Service, in addition to its Core LEP activities, between 2020/21 and 2022/23. Current revenue funding available to the Business Board between those dates from the CPCA's Mid-Term Financial Plan (MTFP) is:

1. £927,000 forecast as Enterprise Zone business rate receipts to 2022/23

2. £2,357,700 provisioned to 2022/23 for specific projects and services, including; BEIS funding for delivery of the Growth Hub; Skills Strategy Implementation; Market Towns Masterplans Implementation; and Local Industrial Strategy Implementation

Hence, the aim of the Business Board is to free-up and leverage a proportion of the above funding available from the CPCA's MTFP, to create a revenue fund to enable it to procure the Business Rebound & Growth Service. To achieve this, the Business Board has devised a strategy to build a **Growth Service Delivery Fund** of £19.5m, to deliver the Business Rebound & Growth Service. The Business Board's strategy consists of the following steps:

6. To request that the CPCA, as the Business Board's Accountable Body and legal personality, establish a **Growth Service Management Company**, on behalf of the Business Board, as a subsidiary to the Combined Authority Trading Company Limited ("CATC"), with an initial allocation of 100 shares in favour of CATC. The purpose of the Company, being to manage the Growth Service Delivery Fund, and with it, procure the delivery of the Growth Service itself from the private sector.

7. To accept an application from the CPCA, to the LGF capital fund administered by the Business Board, for a **£5,407,000 capital equity investment from the LGF** into the Growth Service Management Company (Growth Co). Growth Co will initially be wholly owned by Angle Holdings Ltd. via an initial allocation of 100 shares of £1 each issued to Angle Holdings Ltd on incorporation. Once the conditions on the LGF investment are met, specifically that the EU funding has been confirmed, the Growth Co will issue £5.407m additional shares to the CPCA in return for the £5.407m LGF investment. At this point, the CPCA will become the majority shareholder and will operate control directly rather than through Angle Holdings Ltd. Through this investment, working capital within the Growth Service Management Company, will be generated as revenue which can then be used to part fund the procurement of the delivery of the Business Rebound & Growth Service.

8. To request that the CPCA, as the Business Board's Accountable Body and legal personality, apply for funding on behalf of the Business Board, from the European Regional Development Fund (ERDF) and European Social Fund (ESF) for the amount of **£7,327,148 of revenue from ERDF & ESF,** and resolve through a key decision informed by this OBC, to allocate this sum, through its 2020/21-22/23 MTFP, to the Growth Service Management Company to part fund the procurement of the delivery of the Business Rebound & Growth Service.

9. To request that the CPCA resolve, through a key decision informed by this OBC, to allocate **£2,265,000 of the £3,284,700 revenue** from Business Board allocations, as outlined in point 2 from its 2020/21-22/23 MTFP, to the Growth Service Management Company to part fund the procurement of the delivery of the Service.

10. To task the **procured delivery partners for the Business Rebound & Growth Service** with the acquisition of **£4,500,000 of small business contributions** to the costs of delivering the Growth Service. This being through business payments of 50% of the costs of the Growth Coaching they receive as part of the Growth Service.

This strategy is summarised in the table below

Strategy for the Creation of The Growth Service Delivery Fund	
Total LGF Capital Equity Investment by the Business Board	£5,407,000
ERDF Funding	£5,291,601
ESF Funding	£2,035,547
Total ESIF Revenue Funding, Applied for by CPCA	£7,327,148
CPCA budget for Growth Hub	£738,000
CPCA Skills Strategy Implementation budget	£150,000
Local Ind Strategy Implementation budget	£150,000
CPCA contract with Careers Enterprise Company	£240,000
CPCA Enterprise Zone businesses rates receipts	£927,000
Total CPCA Revenue Allocation from the CPCA 2020/21-22/23 MTFP	£2,205,000
Total SME contributions to the growth coaching service	£4,500,000
Total Growth Service Delivery Fund for Procurement of the Service	£19,439,148

In addition, to delivering growth coaching, skills brokering and inward investment promotion, the Business Board intends to task the Growth Service with the administration of the **Small Business Capital Growth Investment Fund**. Inclusive of a provision for £500k for the Innovation & Relocation Grants (see page 12), this fund was approved and ringfenced, within the LGF budget, in September 2019 by both the Business Board and CPCA Board. It is currently being piloted with an initial £3m allocation, but the main tranche of £9m will be allocated by the Business Board, in the form of a grant, to the Growth Service Management Company, to enable it to be administered by the procured Growth Service.

The cost of administering this Small Business Capital Growth Investment Fund will be met by a provision, of approximately of 5% of the £9m Fund and be subject to competitive tender through the OJEU compliant procurement of the Growth Service as a whole, to gain maximum VFM and minimum administration fees.

The Small Business Capital Growth Investment Fund will consist of a mixed portfolio of lower level funding, down to £20,000 administered as a 50%-80% match-grant, and up to £250,000 administered as an equity investment. The actual mix is to be determined through market engagement over the first year of the Growth Service. However, officers' initial forecast is that this will be around 50;50 between smaller grants and larger equity investments. Whilst the private sector angel investment market, concentrated in and around Cambridge in the life science and digital sectors, will meet the needs of some high-tech growth businesses, and bank borrowing will meet the needs of other, more traditional growth firms, evidence[11] shows that there is a substantial market failure at £20k to £250k, especially for the more traditional firms and those without sufficiently strong balance sheets. It is this gap in the market that the Small Business Capital Growth Investment Fund seeks to fill.

The benefit sought by the Business Board, by transferring the £9m Small Business Capital Growth Investment Fund, to the Growth Service to invest on its behalf is to optimise the impact of the grants/investments on place-based economic growth, and to maximise the potential return on investment for the LGF itself. This is important to maximise the opportunity to recycle as much of the £9m LGF Investment Fund back into new projects and investments as possible. The Business Board aims to achieve this through The Growth Service's engagement with approximately 12,000 firms over 3 years, and its provision of in-depth growth potential analysis to 3,000 of these, leading to the identification of at least 900 of our economy's highest potential growth firms, as indigenous companies or national and global firms attracted to locate here.

The Growth Service will also support these firms to acquire the skills they need to support their growth as well as provide the highest potential firms with growth capital via equity investment in them. The value added through the Growth Service to the £9m Small Business Capital Growth Investment Fund, will be to optimise the LGF equity investments into the highest potential growth firms in C&P, outside the segment (primarily in Cambridge and in life sciences) already serviced by the private sector as business angels or accelerator funds. Of the £9m available, at least £6m is forecast to be invested in growth firms as equity. The firms themselves, based on evidence from previous BEIS growth coaching programmes, are likely to grow their revenues at greater than 20% pa over the three-year programme, indicating a high potential rate of capital growth on the equity invested in them by the LGF. All equity holdings will include a 3 year buy-back option clause to enable the LGF to realise its investments and repatriate its cash back to recycle into new projects, at a forecast level of at least 3.5%pa compound growth. Hence the point of return of the £5,407,000 to the LGF will be phased between 2023 and 2026.

[11] https://www.british-business-bank.co.uk/midlands-engine-investment-fund-launches-100million-sme-equity-fund/

Risk Analysis

The primary risk within the funding strategy relates to the prospective failure to successfully secure the following funding, outside the control of the CPCA or the Business Board, notably:

1. The possibility of the Enterprise Zone developers' forecasts being over optimistic, particularly following on from the COVID-19 pandemic. Mitigations include;

    a. **Factoring down forecasts for optimism**. The factor used on developer forecasts for each of the five Enterprise Zones varied depending on its maturity and track record in attracting new tenants over time.

    b. **Utilising the surplus cash at end of programme.** The cashflow for the total Service, shown in appendix 7, is now, as a result of improvements made during the competitive negotiation procurement process, showing a surplus at the end of the contract, of £450k. This is nearly 50% of the projected Enterprise Zone receipts we had allocated to the Service budget, and creates a safety factor of 2, on our assumption of £927k of contributions from Enterprise Zones.

2. The possibility of losing the current contract to the CPCA from the Department for Education's Careers Enterprise Company. However, we have mitigated this risk by securing a rolling contract for 3 years.

3. The possibility of the CPCA's application for European Regional Development and European Social Funding being rejected the managing authorities, MHCLG and DWP respectively. However, we now have a grant offer letter from DWP and a letter of comfort from MHCLG. See Appendix 2.

4. The possibility of failing to secure 50% contributions towards the costs of growth coaching, from the firms benefiting from it. However, we have mitigated this risk by designing the Service upon the previous coaching programme delivered by BEIS, which successfully secured 50% funding from all 26,000 of the firms provided with coaching between 2012 and 2016.

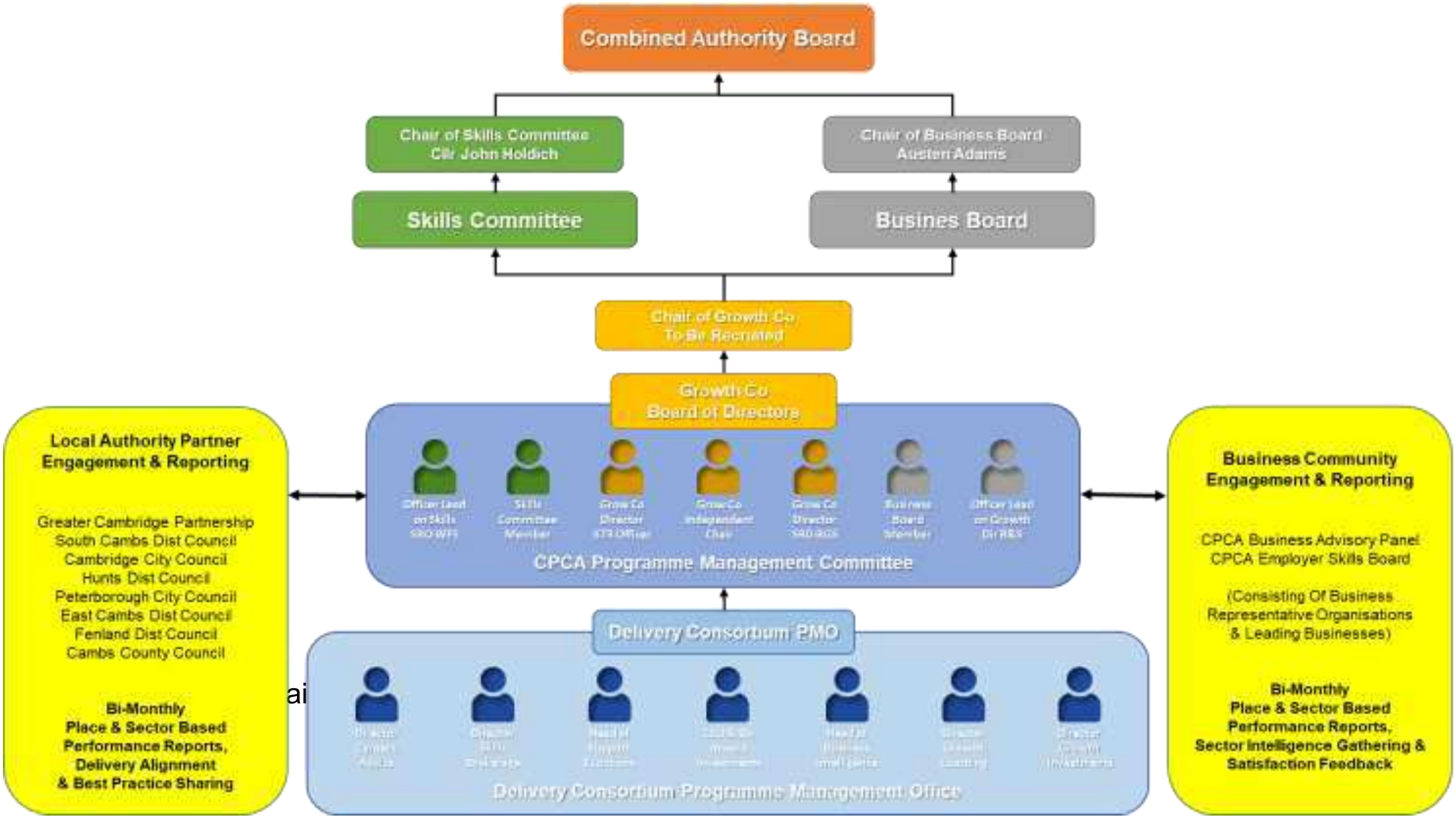
5. The possibility of failing to negotiate an agreed contract with the Preferred delivery Partner. This risk has been mitigated by securing their agreement to, and negotiation of, the contract as part of the Competitive Procedure with Negotiation (CPN) has already been secured.

6. The possibility of failing to negotiate the outcomes specified within this FBC. This risk has been mitigated through the Competitive Procedure with Negotiation (CPN) and the outcomes within the final bid of the Preferred bidding consortium, are the same job creation outcomes target that have been used in this FBC. Noting that they are 7.5% higher than those specified in the procurement specification.

MANAGEMENT CASE

Management Structure

The management of the Service will be layered by levels of detail, but ultimately it will be the directors of Growth Co who will be accountable to CA Board, through the Business Board and Skills Committee for successful delivery of the Service to the specification in Appendix 6 and to the satisfaction of customers and local authority partners.



Governance

The Board of Directors of Growth Co are accountable to the CPCA as their shareholder. At an annual general meeting with their shareholders, the Directors will report on delivery of Growth Co against this FBC. The Growth Co Board consists of an independent chair, the CPCAs Senior Responsible Officer for the Business Rebound & Growth Service and the CPCAs Section 73 Officer.

The Chair of Growth Co will report more frequently and in more detail in the form of Board Update Reports, to the Business Board and Skills Committee. This will be on a bi-monthly basis, through a presentation from the Chair of Growth Co, followed by questions from the Committee / Board members. Those update reports will

The Chair of Growth Co will report to the CA Board twice annually.

Programme Management

All three directors of Growth Co will sit on a Programme Management Committee designed to hold the Delivery Consortium to account against the contract to deliver the Service. The Directors will be supported by subject matter experts and a Lead Member from each of the Business Board and Skills Committee. These include;

- A Member of the Skills Committee, with responsibility for Workforce Skills and Schools Careers Advice, to act as a Champion of the Service within the Skills Committee and be responsible for oversight in regard to the effectiveness and efficiency of the management processes for the Programme Management Committee.

- A Member of the Business Board, with responsibility for Business Growth and Inward Investment, to act as a Champion of the Service within the Business Board and be responsible for oversight in regard to the effectiveness and efficiency of the management processes for the Programme Management Committee

- A growth and inward investment subject matter expert, in the form of the Chief Officer of the Business Board, with two decades experience in managing RDA /BIS growth support services and UKTI/DIT inward investment services.

- A work force skills and careers advice subject matter expert, in the form of the new Senior responsible Officer for Workforce Skills, with two decades experience in managing the delivery of apprenticeships, skills development, further and higher education.

From the suppliers side, the Programme Management Committee will be joined by the representatives from the Delivery Consortium, forming the Service Programme Management Office. The Delivery Consortium PMO consists of the consortium CEO, Head of Support Functions, Head of Business Intelligence, alongside three heads of service for Careers Advice, Skills Brokerage, Growth Coaching and Growth Investments. The CEO is also head of inward investment.

Local Authority & Business Community Partnerships

All three directors of The CPCA’s Lead Officer for the Service, Brian Hyland, who is one of the three Growth Co Directors and also the CPCA’s Senior Responsible Officer for Business Growth Services, will be responsible for briefing and collaborating both the Local Authority Partners of the CPCA and its Business Community Partners. This will take the form of bi-monthly place & sector-based performance reports, plus delivery alignment & best practice sharing with LA economic development officers, as well as sector intelligence gathering & satisfaction feedback from business organisations and individual leaders.

Delivery Consortium PMO

The PMO provides the day-to-day management of the Service. It will provide all necessary infrastructure, skills development, finance, compliance, IT, procurement and HR resources needed to run the Service. These resources have already been secured through the procurement process. The PMO will operate upon the four pillars of good governance and programme management, namely the:

1. Definition of accountability
2. Effective decision making and assigning authority
3. Alignment between objectives and those delivering the outcomes
4. Disclosure of information required to assure stakeholders

The CPCA-PMO will hold the Preferred Bidding Consortium to account across each of the four service lines for performance on outcomes, quality, cost, compliance, and customer satisfaction. It will require the Preferred Bidding Consortium to perform, on a weekly basis, a management deep dive across the programme as a performance snap-shot, to be reported by email to the CPCA-PMO.

It will deliver value to the CPCA and its Boards on three levels:

1. **Recording:** providing clear metrics on what has happened, in engagement, costs and outcomes (showing the numbers as they are)

2. **Forecasting**: the future using predictive forecasting on engagement, and success rates (developing insight about what was and where we see existing patterns of activity moving)

3. **Hypothesis:** optimise outcomes by running scenarios and potential impacts to the programme. This will provide flex to COVID 19 and Brexit economic scenarios as they arise.

The PMO as a unit will serve four functions, providing not just a service but an insight generation facility, for feeding intelligence into broader CPCA decision making. These will be as:

1. **Scorekeeper**: providing data collection and reporting.
2. **Commentato**r: providing context for decisions aligned to the CPCA's vision
3. **Custodian**: Protecting the CPCA by holding the delivery partners to account
4. **Advisor**: sharing insights and advising on future trends and policy impacts

.
As a two-way information flow, the CPCA-PMO will be data intensive and focus on a central Intelligence Hub accumulating data from all four service lines, providing centralised data, publications and statistics.

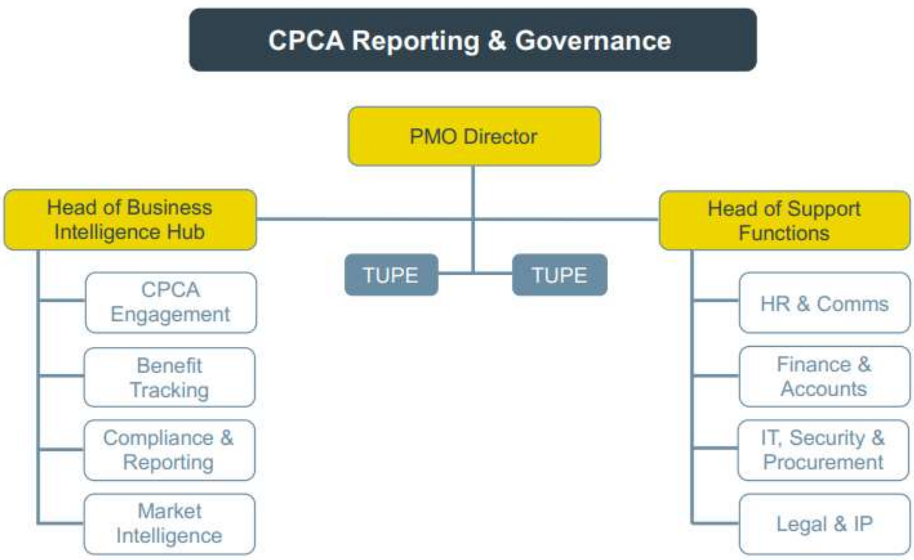
In receiving mode, the Intelligence Hub will capture inputs from the four service lines including benefit tracking, business intelligence, industrial and competitive insights, pipeline performance and financial forecasts. The Intelligence Hub will be the accumulator of data leading to strategic and operational insight for decision intelligence. Its data and information rich approach will enable delivery agility where flexibility will be key post-Covid.

In delivery mode the Intelligence Hub will provide the core platform of infrastructure and systems for efficient delivery of each of the four service lines.

A key feature of the CPCA-PMO will be "**The CPCA One Rule**". We will operate the service lines of the broader business rebound & Growth Service, under one "Playbook" that is the Operating Model and "Glossary" for all four service lines and the PMO team. All delivery partners within the Preferred Bidding Consortium, as well as their constituent staff, will use one language with an alignment of "one way of doing things around here". Within this "One Rule" approach we will use a matrix that enables the four customer service lines to feed directly into the single PMO enabling:

1. Implementation of "one way" of working across four service lines
2. Identification of operational synergy and financial efficiencies
3. Report standardisation for compliance and Board(s) reporting requirements
4. Synchronisation of customer and account management
5. Optimisation of Commercial Partnership outcomes
6. Promotion of cross-referral and insight across the four services lines
7. Innovation from benchmarking, shared learnings and smart failures
8. Insights for integration into decision making and delivery
9. Integration of other CPCA services, funded learning and investments

The structure below the CPCA PMO, shown here in black, is illustrated below:



Appendix 1

Business Board's LGF Investments & Impacts

LGF Project	Project Description	Primary Sector	Lead Organisation	Region Authority	LGF Amount	Direct Job Creation	Indirect Job Creation	TOTAL Job Creation
Accelerating Start-Ups, Scale-Ups & Set-Ups – Through Start-up & Growth Finance & Advice								
The Business Growth Service	GROWTH COACHING, EQUITY INVESTMENTS, SKILLS & FDI	All	CPCA	Huntingdonshire District Council	£5,407,000	47	5890	5937
Illumina Genomics Accelerator	START-UP TECH ACCERATOR EQUITY INVESTMENTS	Life Science	Illumina Cambridge Ltd	South Cambridgeshire District Council	£1,000,000	1033		1033
Startcodon Life Science Accelerator	START-UP TECH ACCERATOR EQUITY INVESTMENTS	Life Science	Start Codon Ltd	South Cambridgeshire District Council	£3,342,250	1730	3460	5190
Ascendal Transport Accelerator	START-UP TECH ACCERATOR EQUITY INVESTMENTS	Transport	Ascendal Ltd	South Cambridgeshire District Council	£965,000	2	200	202
Medtech Accelerator	START-UP TECH ACCERATOR EQUITY INVESTMENTS	Life Science	Health Enterprise East	South Cambridgeshire District Council	£500,000	0	0	0
Peterborough & Fens Manufacturing Association	EQUITY INVESTMENT IN START-UP BUSINESS NETWORK	Business Growth	Opportunity Peterborough	Peterborough City Council	£715,000	113	191	304
Terraview Company Expansion	GROWTH GRANT	Advanced Manufacturing	Terraview	South Cambridgeshire District Council	£120,000	15	Not available	15
Aerotron Company Expansion	GROWTH GRANT	Advanced Manufacturing	Aerotron Ltd	Fenland District Council	£1,400,000	140	15	155
Agri-Tech Growth Initiative	GROWTH GRANTS	AgriTech	CPCA	CPCA Wide projects	£3,036,252	300	0	300
Growing Places Fund Extension	GROWTH GRANTS	All	CPCA	CPCA Wide projects	£65,000	320	0	320
Signpost to Grant - CPCA Growth Hub	GROWTH GRANTS	All	CPCA	CPCA Wide projects	£120,000	0	0	0
COVID Capital Growth Grant Scheme	GROWTH GRANTS	All	CPCA	CPCA Wide projects	£3,000,000	287	Not available	287
				TOTAL	**£19,670,502**	**3,987**	**9,756**	**13,743**

Accelerating Hi-Tech Jobs Growth – Through Innovation & Incubation Centres								
Hauxton House Incubation Centre	INCUBATOR	Life Science	o2h Ltd	South Cambs District	£438,000	192	138	330
South Fenland Enterprise Park	INCUBATOR	Business Growth	Fenland District Council	Fenland District	£997,032	30	46	76
Photocentric 3D Centre of Excellence	INNOVATION CENTRE	Business Growth	Photocentric Ltd	Peterborough City	£1,875,000	1078	106	1184
Cambridge Biomedical Campus	INNOVATION CENTRE & INCUBATOR	Life Science	Cambridge University Health Partnership	Cambridge City	£3,000,000	880	2204	3084
NIAB - AgriTech Start Up Incubator	INNOVATION CENTRE & INCUBATOR	AgriTech	NIAB	Huntingdonshire District	£2,484,000	990	805	1795
NIAB - Agri-Gate Hasse Fen extension	INNOVATION CENTRE & INCUBATOR	AgriTech	NIAB	East Cambridge District	£599,850	65	510	575
TWI Engineering Centre	INNOVATION CENTRE	Advanced Manufacturing	TWI Ltd	South Cambs District	£2,100,000	104	0	104
Biomedical Innovation Centre	INNOVATION CENTRE & INCUBATOR	Life Science	Cambridge University	Cambridge City	£1,000,000	880	2204	3084
Haverhill Epicentre - Jaynic	INCUBATOR	Life Science	Jaynic Investment LLP	West Suffolk District	£2,600,000	300	1600	1900
TWI Ecosystem Innovation Centre	INNOVATION CENTRE & INCUBATOR	Advanced Manufacturing	TWI Ltd	South Cambs District	£1,230,000	4	150	154
West Cambs Innovation Park	INCUBATOR	Life Science	Uni of Cambridge	Cambridge City	£3,000,000	380	150	530
TTP Life Sciences Incubator	INCUBATOR	Life Science	TTP	South Cambs District	£2,300,000	236	10	246
University of Peterborough Phase 2	INNOVATION CENTRE & INCUBATOR	INNOVATION CENTRE & INCUBATOR	Photocentric Ltd	Peterborough City	£14,600,000	871	1325	2196
Aracaris Capital Living Cell Centre	INNOVATION CENTRE	Life Science	Aracaris Ltd	South Cambs District	£1,350,000	200	0	200
				TOTAL	**£37,573,882**	**20757**	**17920**	**38677**

Accelerating Recovery in Construction - Through Transport Infrastructure Improvements									
Whittlesey King's Dyke Crossing	ROAD IMPROVEMENT	Transport		Peterborough City Council	£8,000,000	315	0	315
Bourges Boulevard Phase 1	ROAD IMPROVEMENT	Transport	Peterborough City	Peterborough City Council	£2,100,000	240	0	240
Bourges Boulevard Phase 2	ROAD IMPROVEMENT	Transport	Peterborough City	Peterborough City Council	£9,200,000	100	0	100
A47/A15 Junction 20	ROAD IMPROVEMENT	Transport	Peterborough City	Peterborough City Council	£6,300,000	228	0	228
Wisbech Access Stategy	ROAD IMPROVEMENT	Transport	Cambridgeshire County	Fenland District Council	£6,000,000	1600	0	1600
Lancaster Way Phase 1 Loan	ROAD IMPROVEMENT	Business Growth	Grovemere	East Cambridge District	£1,000,000	540	0	540
Lancaster way Phase 2 Loan	ROAD IMPROVEMENT	Transport	Grovemere	East Cambridge District	£3,680,000		0	0
Lancaster way Phase 2 Grant	ROAD IMPROVEMENT	Transport	Grovemere	East Cambridge District	£1,455,000		Not available	0
Ely Southern Bypass	ROAD IMPROVEMENT	Transport	Cambridgeshire County	East Cambridge District	£22,000,000	1950	0	1950
Manea & Whittlesea Stations	RAIL IMPROVEMENT	Transport	Cambridgeshire County	Fenland District Council	£395,000	0	0	0
CAM Promotion Company	METRO SYSTEM	Transport	CPCA	CPCA	£999,000	60	33	93
Soham Station	RAIL IMPROVEMENT	Transport	Cambridgeshire County	East Cambridge District	£1,000,000	125	TBC	125
				TOTAL	**£62,129,000**	**5158**	**33**	**5191**

Accelerating Upskilling & Retraining – Through Improved Education Capacity & Provision								
Metalcraft Adv Man Centre	APPRENTICESHIP ACADEMY & INCUBATOR	Advanced Manufacturing	Metalcraft	Fenland District	£3,160,000	14	30	44
University of Peterborough Phase 1	UNIVERSITY	Multi-Sector	CPCA	Peterborough City	£12,500,000	2195	19000	21195
March Adult Education Centre	SKILLS TRAINING CENTRE	Multi-Sector	Cambridgeshire Skills	Fenland District	£400,000	141	0	141
PRC Food Manufacturing Centre	APPRENTICESHIP ACADEMY	Food Processing	Peterborough City Council	Peterborough City	£586,000	53	0	53
Endurance Skills Training Centre	APPRENTICESHIP ACADEMY	Transport	Endurance Estates Ltd	Huntingdonshire District	£2,400,000	94	575	669
iMET Skills Training Centre	APPRENTICESHIP ACADEMY	Advanced Manufacturing	Camb Regional College	Huntingdonshire District I	£10,500,000	1	0	1
CITB Construction Academy	APPRENTICESHIP ACADEMY	Construction	CITB	Kings Lynn & West Norfolk	£450,000	1	0	1
CRC Construction Skills Hub	APPRENTICESHIP ACADEMY	Construction	Camb Regional College	Huntingdonshire District	£2,500,000	18	20	38
AEB Innovation Grant	SKILLS TRAINING GRANTS	Multi-Sector	CPCA	CPCA Wide	£323,720	0	0	0
				TOTAL	£32,819,720	2517	19625	22142

GRAND TOTAL	***£152,193,104***	***17872***	***38662***	***56534***

APPENDIX 2
CONFIRMATION OF ESIF FINANCING

Date:

Department for Work and Pensions
Finance Group
European Social Fund Division
Ground Floor
1 Hartshead Square
Sheffield
South Yorkshire
S1 2FD

Dear Andy Luff,

SUBJECT TO CONTRACT

Project Name: Skills Talent Apprenticeship and Recruitment (STAR) Hub

Project Ref: 13S20P03478

I am pleased to inform you that, subject to the conditions set out below, on behalf of the Secretary of State the ESF England Programme Managing Authority, the Department for Work and Pensions has decided to approve an investment of £2,035,547.00 (two million, thirty five thousand, five hundred and forty seven pounds) ESF grant funding in the Project ("Funding").

The proposed Funding is conditional upon you entering into a written and detailed funding agreement with the Secretary of State ("Funding Agreement"), prepared by the Secretary of State, and setting out the terms and conditions on which the Funding will be granted.

Your Funding Agreement for the above project has been uploaded into ECLAIMS. An accompanying Funding Agreement Acceptance Document has also been uploaded into ECLAIMS – both documents are now ready for you to save electronically and action as described below.

You should check the Funding Agreement document itself thoroughly to ensure the details about your project are correct. You should then arrange for a suitable representative from your organisation to sign the accompanying Funding Agreement Acceptance Document on behalf of your organisation

The Managing Authority are currently unable to process Funding Agreement/Memorandum of Understanding with a wet signature. Therefore, can I please direct you to Annex A of this document which sets out the process for signing electronically. As or when this changes the Managing Authority will provide an update.
For the purposes of the ESF Funding Agreement, MOU and Variation processes an electronic signature must be:

- an electronic copy of an actual handwritten signature. Typewritten signatures will not be acceptable.

Other than completing the Grant Recipient Acceptance section of the relevant acceptance document, neither document should be amended in any other way.

Electronic Signature

Once the suitably authorised representative has signed the Funding Agreement Acceptance Document on behalf of your Grant Recipient organisation and ESF Project, they will need to email a copy of **both** the Funding Agreement itself **and** a copy of the Funding Agreement Acceptance Document to **ESF1420.CONTRACTANDBANKQUERIES@DWP.GOV.UK**.

NOTE: If the email does not contain both documents or if it is not sent from the same person who has signed the Funding Agreement Acceptance Document, your Funding Agreement will not be valid and will be rejected.

You should also retain your own, electronic signature copy of your Funding Agreement for your records.

For the avoidance of doubt, notwithstanding the above, the Secretary of State shall not be required to enter into any Funding Agreement that is not in a form that they find acceptable, and nothing in this letter will constitute either a binding commitment on the Secretary of State to provide all or any part of the Funding or any representation that the Funding (or any part of it) will be provided by the Secretary of State.

The Funding Agreement contains the Department's offered terms of funding.

Electronic signature

Please indicate your acceptance of these by signing and returning copies of **both** the Funding Agreement itself **and** the accompanying Funding Agreement Acceptance Document to the ESF Managing Authority email account above **within 30 days of the date of this letter**.

No contract will be formed between you and the Secretary of State unless and until the Funding Agreement has (i) been executed by you and the Secretary of State and (ii) taken effect pursuant to its terms. Accordingly, any decision by you to take or to omit to take any action in reliance upon the contents of this letter prior to such execution and completion will be entirely at your own risk and expense.

Bank Details Form:

Separate to your Funding Agreement action, please can you also save electronically and complete the "Blank Bank Details Form – Contingency Version" document which has been uploaded into ECLAIMS for your ESF Project.

You should then complete the Bank Details form and ensure that all Mandatory sections are completed and that both Signatories and the Authoriser have all signed in the appropriate places with their own electronic signatures. The use of electronic signatures is part of a contingency arrangement in place as a result of the current Covid-19 government advice. For the purposes of this contingency process, an electronic signature is defined as:

- an electronic copy of an actual handwritten signature. Typewritten signatures will not be acceptable.

Once completed the Bank Details form should be returned by email to mailto:esfbankdetailscovid19.esfbankdetails-covid19@dwp.gsi.gov.uk

The email containing the final, fully completed Bank Details form **must** be password encrypted;

The relevant password **must** be emailed separately to the same, specific designated bank details;
The email containing the final, fully completed Bank Details form must also include as attachments confirmation emails from each of the 3 authorised signatories named in the form;
Each individual confirmation email must include a statement from the relevant authorised signatory certifying that the signature in the Bank Details form is their own signature;
Each individual confirmation email must come from the authorised signatory themselves.

These requirements are to ensure that the ESF Managing Authority has sufficient assurance about the validity of each signature, can see that the nominated signatories are aware of their inclusion in the form and each has confirmed they have the authority to act in that capacity for the relevant Grant Recipient organisation and ESF Project.

NOTE: COMPLETED BANK DETAILS FORMS MUST NOT BE UPLOADED INTO ECLAIMS AS THESE ARE SENSITIVE AND CONFIDENTIAL DOCUMENTS.

ESF Evaluation Annex:

Finally, please find attached to this letter a separate Annex for your completion. This annex is to enable the ESF Evaluation team to complete necessary evaluation work following implementation of your ESF Funding Agreement.

Please complete this form and return the **form only** to **esf.evaluations@dwp.gov.uk**. This form only needs completing if your ESF Project will be supporting individual ESF participants and is therefore not applicable for ESF Technical Assistance Projects.

Should you have any queries in relation to the above, please do not hesitate to contact me.

Once your Funding Agreement has been fully executed, your Contract Manager will contact you in due course to agree arrangements for the Project Inception Visit (PIV). Please do not contact your Contract Manager regarding this in the meantime.

We also advise that you sign up to receive bulletins issued by the Managing Authority to help in the delivery of your project. You can find information on how to sign up in the **'Keep In Touch'** section of the **Useful Resources** page on GOV.UK. Please note: the bulletins/options entitled ERDF on that page are not relevant to the ESF Programme.

I wish you success with the delivery of your project.

Yours sincerely,

Danielle Dawson
Department for Work and Pensions
Enc.

LETTER OF COMFORT FROM MHCLG

Ministry of Housing,
Communities &
Local Government

European Union
European Regional
Development Fund

Andy Luff
EU Funding Consultant
Cambridgeshire and Peterborough Combined Authority
72 Market Street
Ely
CB7 4LS

27 August 2020

Dear Andy,

Many thanks for your enquiry.

We can confirm that the ERDF Full Applications from CPCA for both the Growth Coaching Service and Inward Investment Service are currently moving through the ERDF appraisal process. Initial points of clarification have been issued and responses received, and the projects are undergoing further appraisal.

It is anticipated that this process will move to completion during September 2020 subject to satisfactory responses to any other questions or issues that arise.

If you have any further questions please feel free to contact me directly,

Kind Regards

Emily Wright
ESIF Delivery and Appraisal Manager

APPENDIX 3
SUB-ECONOMY DELIVERY PLANS

The Greater Peterborough Economy
Peterborough is one of the youngest and fastest growing cities (by population) in the UK. It has grown rapidly since the arrival of the East Coast main line, firstly as a centre of the brickmaking industry, and more latterly, a centre for high-end engineering. It has also developed specialisms in professional services, agri-tech, logistics and distribution (complemented by its strong road and rail connectivity) and environmental sectors, such as water management. Peterborough is a centre of clean growth and as an Environmental Capital is an exemplar for the future sustainable growth of the whole economy, with best practice being rolled out. It was named World Smart City in 2015 (beating Moscow and Dubai) and has since further invested in pioneering approaches to a circular economy which the Local Industrial Strategy will look to support and spread across the whole region.

The Fens Economy
The Fens is an area with a history rich in innovation, developed over generations through necessity of creating success in demanding natural conditions. The very land itself is a testimony to the ingenuity of engineers and the calculated risk taking of funders, who recognised the potential that use of pumping technology and water management techniques could have to create an area of fertile farmland. The Fens contain much of the UK’s best farmland, and an associated industry of agriculture, Agri-tech, and food manufacturing has grown up as a result – carrying the legacy of ingenuity into modern-day industry. There is a high rate of ‘high employment, low productivity’ business, which manifests itself in low skill rates and reduced wages. There are few interactions between businesses, and a lack of open engagement between firms, which reduces the scope for innovation. In addition to these economic challenges, there are also environmental risks, including water management risks for agri-food businesses.

The Greater Cambridge Economy
Greater Cambridge is a jewel in the crown of the UK economy. It extends out beyond the city to the rural towns and villages which surround it, and over time they’ve become more and more connected to the city. This economy is generally prosperous, with high skills and wage levels. With its prestigious university at its core, it generates many new indigenous businesses and attracts many international firms to operate in the area, eager to capitalise on the wealth of talent and innovative potential. Similarly, it is home to Anglia Ruskin University which has a strong reputation attracting many students to the city. Through various waves of innovation-based growth, Greater Cambridge has cemented its position as one of the top Innovation Growth Clusters in the world, with multiple sector based sub-clusters and networks some also with a global profile. It is the centre of this area’s life sciences, digital and technology, education and visitor economies. The Greater Cambridge economy extends out in a number of directions across strategic corridors, such as the life sciences sector which extends south through the M11/A1 innovation corridor to London and westwards to Huntingdon – which also plays a significant role in the sector – and out across the Oxford-Cambridge Arc. It will continue to be a local centre of inward investment, high quality apprenticeships, jobs and infrastructure investment, Science parks and incubators have largely been subject to excess demand. The city is a high performer in measures of innovation, such as patents per head.

The city has also developed a globally pre-eminent and rich business networking culture, which brings together entrepreneurs from different disciplines and backgrounds. This has led to types of knowledge spill-overs and cross-sector collaboration that drives business growth. Many of the big tech businesses (such as Amazon, Apple, Google, and Microsoft) have located in the city centre, in a clear sign of its appeal to world-leading companies.

After consultations with the Local Economic Development teams the suggested tailoring of the Global Growth Services across the three sub-economies is below:

Greater Peterborough

Growth Coaching Service:
The customer targeting focus needs to be towards a mix of firms split by size in the following way:
70% of clients at the 10 to 49 employee level
20% of clients at the 50 to 249 employee level
10% of clients at the 250 employees and above
Sector targeting focus should include:
Logistics,
Construction,
Food and drink,
Business Services,
Digital,
Environmental.
Connectivity must be included with the proposed new Manufacturing Network for improved access to firms
The business support consultancy market will need developing in Greater Peterborough and the procured delivery partners must have strong coach connections, sales processes growth barrier diagnostic software

Inward Investment Service:
The service will refine local propositions for Greater Peterborough with a Sector targeting focus on the following:
Logistics companies who may be ready for relocation from Midlands and adjoining areas or regions of the UK,
Professional Services firms, Digital and Consumer led businesses, Corporate back office functions of large companies, HMG and Non-Government Organisations from London,
Global foreign direct investors from the key markets, in particular the US & EU

Skills Brokerage:
The new service will need to have connectivity with the local networks and services which currently operate across the Greater Peterborough area such as Opportunity Peterborough,
The Sector focus for the new skills brokerage in the Greater Peterborough geographic area would need to include as target priorities:
Food and Drink,
Logistics,
Engineering and Manufacturing

Development of new Industry shared sector academies with the Launchpad concepts utilising LGF and potentially the new capital grants scheme

A need to support the Levy marketplace becoming efficient and encouraging apprenticeships across the priority sector clusters and supply chains, using strategic FE and independent providers.
The Skills needs which require strong focus in partnership with Providers, AEB and new University of Peterborough are:
Sales,
Business management,
Social media marketing,
Digital

Capital Growth Grant:
The primary audience should be business customers who will be supported by the Growth Coaching with advisory, coaching and skills services with most likely grant sizes expected in the range of £50-£150k grant size

Innovation & Relocation grants:
Better linking Peterborough manufacturers with Cambridge-based new product development consultants, using new and innovation grants to support collaborations.
Target contract manufacturers for first own-product development, and traditional firms needing next generation offers.
Connectivity must be included with the proposed new Manufacturing Network for improved access to firms

The Fens

Growth Coaching Service:
Customer focus; Consider adopting a lower growth threshold for firms in the Fens
Emphasise network building amongst firms and better connecting them into District Councils and Growth Services to share knowledge and clients.
The sector focus should not be limited, but will need to take account of fewer larger companies in most of the sectors apart from Agri-food and Manufacturing. There would specifically be a strong desire to focus on Agri-Food and Manufacturing Sector Supply Chains.

Inward Investment Service:
The Fenland proposition for Inward Investment would be required to focus on the following:
Targeted Scale-Up relocation packages that includes property offer, funding and skills/recruitment support to firms that can be attracted from contiguous sub-regional economies,
Cambridge firms looking to scale-up, where cost of space and labour is becoming a key issue to operational efficiency.
Key sectors should include Agri-Food, Advanced Manufacturing, Construction and Advanced logistics

Creation of bespoke packages of support for firms relocating into the Fens, including partnerships with developers to support expansion of business space availability in the area.

Skills Brokerage:
Development of apprenticeship courses to better meet business needs, both now and into the future, including STEM, which is critically required to retain and attract the higher value businesses.
Develop stronger links with CITB and Construction businesses on modern methods of construction, which is a key opportunity
The Growth Service provider will need to navigate and be able to support the business demand; current and future needs against the current lower level educational attainment. This will require stronger working between local partners, FE/HE Providers.
A need to support the Levy marketplace becoming efficient and encouraging apprenticeships across the priority sector clusters and supply chains, using strategic FE and independent providers.

Capital Growth Grant:
Integrate with development and finance partners like for example CBRE to scale employment space investment in key locations across the sub-economy.
Coordinate individual investments to agglomerate into potential higher impact employment sites such as Wisbech Innovation District and Charteris Enterprise Park Projects.
There is a lack of employment space of particular types across this economy so a focus onto move-on accommodation particularly in Market towns such as Wisbech, Littleport and March is required

Innovation & Relocation grants:
Create Off-Plan demand through customer engagement activities allied to providing a grant to look at relocation which links with Property Developers and new sites

Greater Cambridge

Growth Coaching Service:
The service will address several growth sectors in the Greater Cambridge area, but the priority Sector focus will need to be on:
Life Sciences and Healthcare
Digital and ICT
Advanced Manufacturing and Materials
The customer targeting needs to have a strong emphasis on micro businesses which make up a large component of the growth opportunity for the area, prioritising local entrepreneurs, who have a vital role in the local eco-system due to the nature of ideas generation in Greater Cambridge.
The targeting does need to also consider the needs of mid-size companies who may have grown rapidly already from a high-tech/High-growth start-up but reaching constraints around access to talent, skills, affordable property and funding.
Recognition has to be noted of the different needs between city based and the rural hinterland firms, especially on accessibility to networks, people and funding.
Requirement to dovetail into existing business networks inside Cambridge, with clarity for the customer on what is already available and what value the proposed services add to existing support.
Careful monitoring of take-up will be required in this sub-economy with potential to flex and adapt the services to the growth ambition thresholds of customers.
As a highly dynamic area needs continually to improve and evolve the delivery of growth services to support business growth and development in Greater Cambridge.
There is a need for innovative supply chain growth models such as those used in collaborative R&D, AMSCI Sharing in Growth programme and proven accelerator models.
Create 1000 Global Growth Champions, from within the Knowledge Engine of Cambridge

Inward Investment Service:
Actively supporting the development of outward promotional activity, to attract new businesses and investment into Greater Cambridge in order to support an increase in local business growth.
Connect the new service with the key local networks, stakeholders, sector cluster bodies and services such as the newly launched Cambridge & Investment Promotional Agency.
Linking the wider scale-up support elements of the Growth service, or other providers scale-up programmes with inward bound locating firms and connecting them into the eco-system of clusters and networks
Need to operate relationship links with Dept for International Trade with single front door for coordinated pipeline management

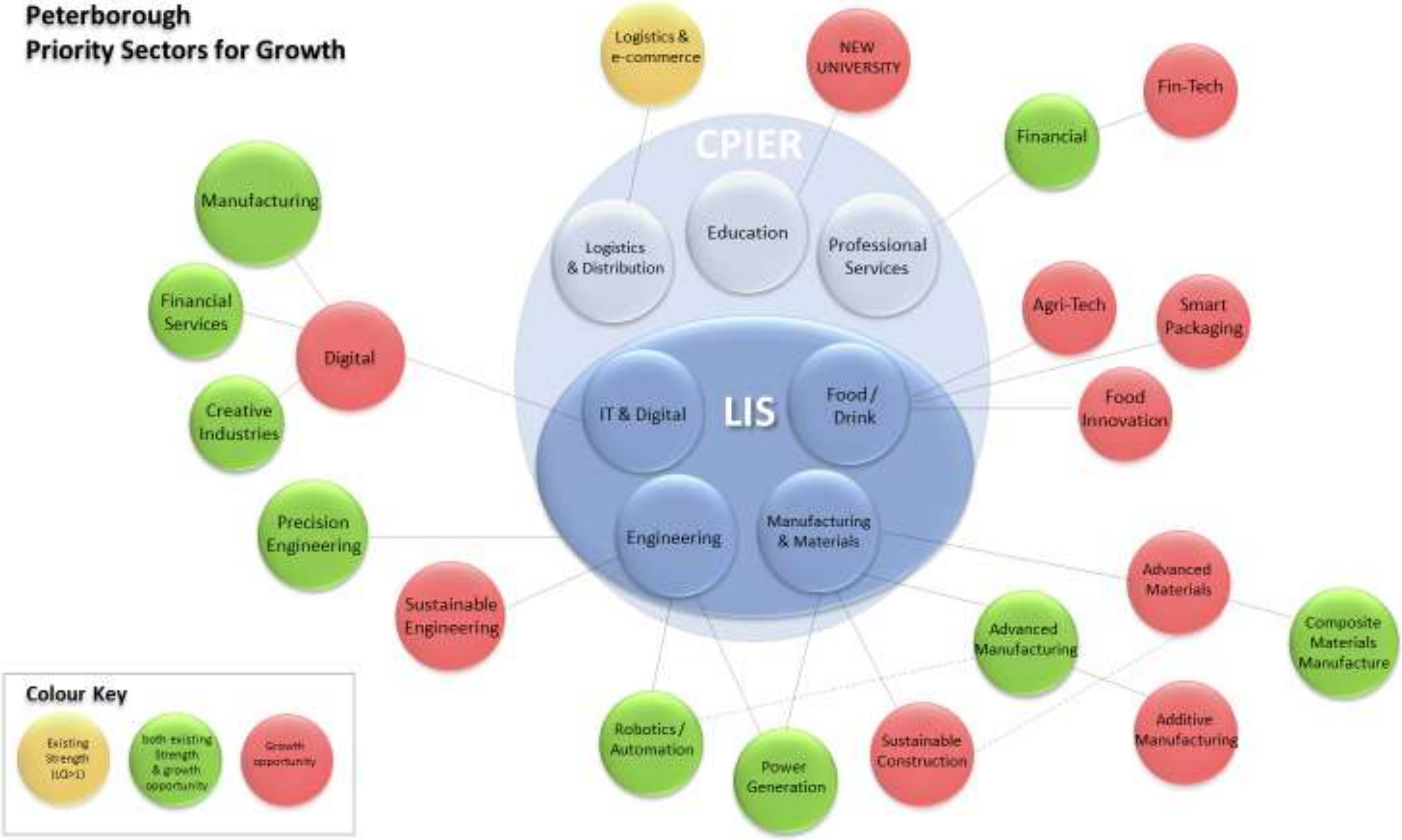
Proposition development for Greater Cambridge would comprise the following:
Target investors on to Cambridge Compass enterprise zones, into the new towns sites and new employment sites and the periphery of the city
Distinct bespoke packages to promote investors towards South Cambs sites targeting new to area but also businesses moving out of Cambridge
Support to the proposition of Cambridge & on its global targeting of key sectors
R&D intensive propositions to include University of Cambridge Enterprise Zone
Capital investment opportunities in development projects the GC area from investment funds, wealth funds, developers and pension funds

Skills Brokerage:
The new services will connect with existing local services such as the current GCP-contracted skills brokerage
Continuous support for the development of apprenticeship courses, both new and existing based on the CPIER, Rand & Regeneris research plus business sector engagement.
A need to support the Levy marketplace becoming efficient and encouraging apprenticeships across the priority sector clusters and supply chains, using strategic FE and independent providers.
Focus on SMEs, especially those in Life Sciences in their second cycle of growth as this is usually where they struggle to find the talent and skills required to maximise that growth potential.

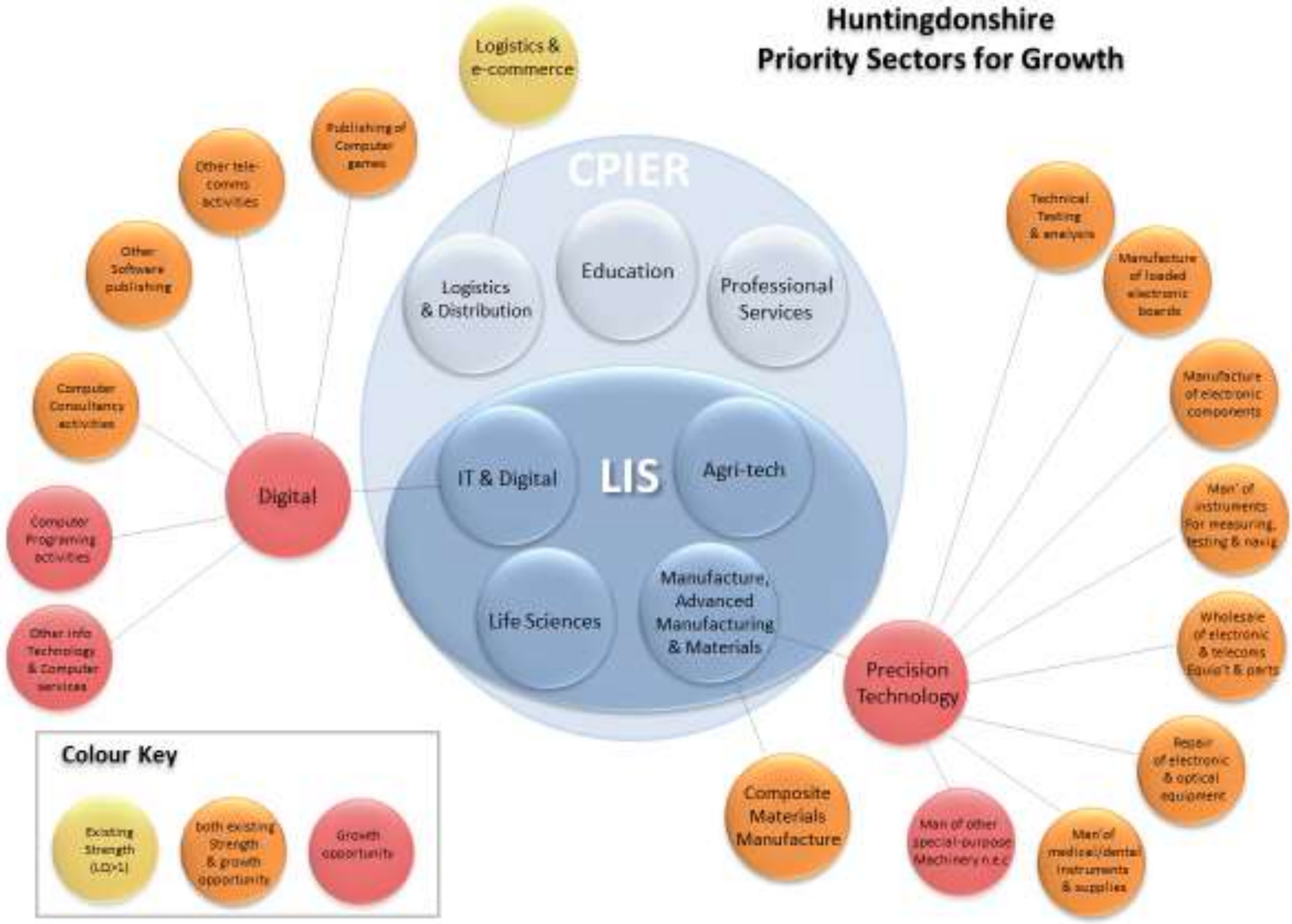
Capital Growth Grant:
Create evaluation process that focus the grant investment onto firms caught up in a market failure, acting as an investor/lender of last resort, to avoid duplication with a currently buoyant angel equity and venture investor market.
Connect capital growth grants to firms supported by the four new Innovation Launchpads, Enterprise Zones and especially those in or moving to the new towns and sites outside of Cambridge City.

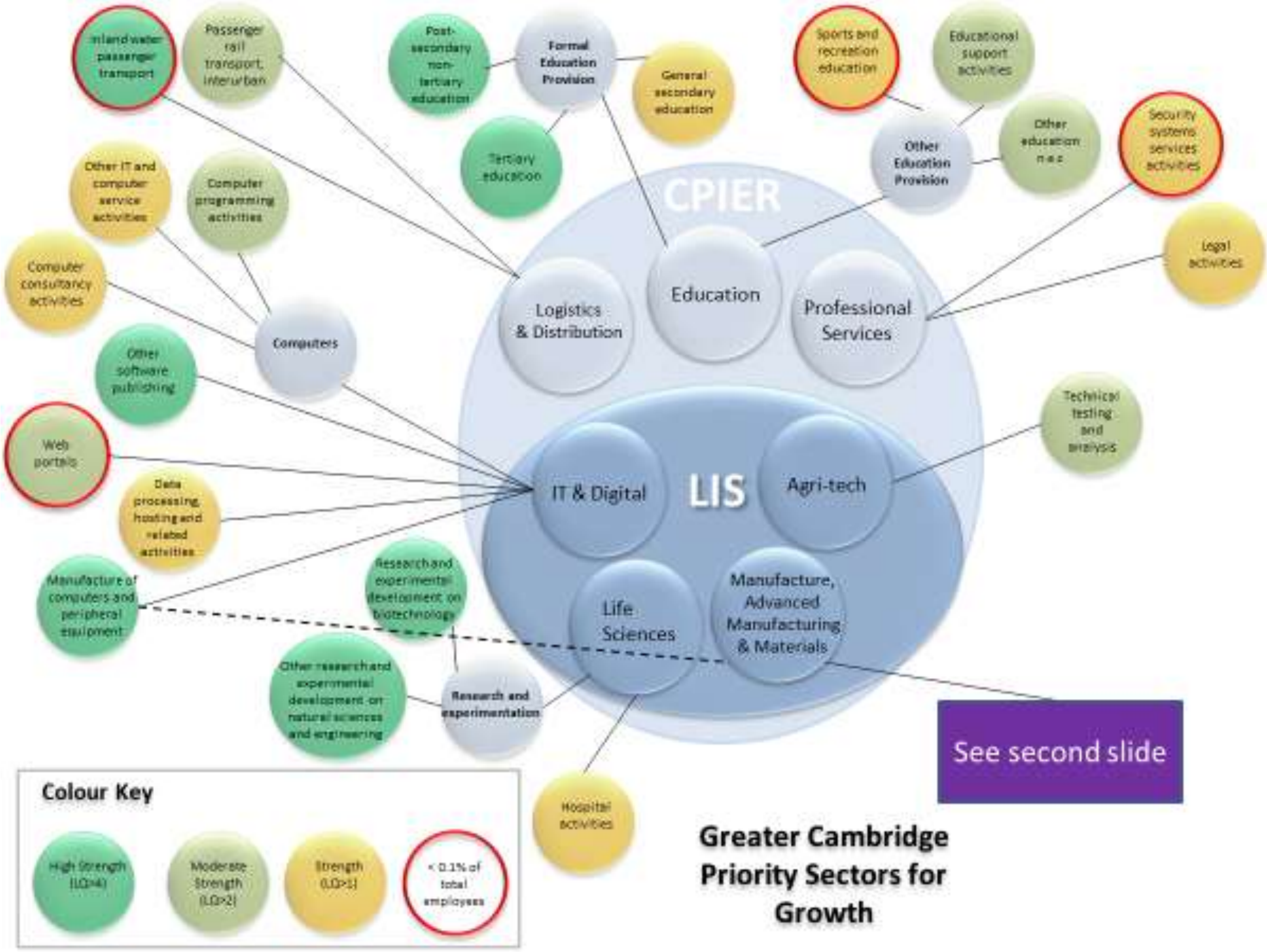
Innovation & Relocation grants:
Link firms requiring innovation grants with R&D grant proposal authoring experts in local partner organisations such as TWI, ARU, IFM, UoC and Make UK to maximise their chances of securing larger amounts of innovation funding.
Support businesses, universities and other partners to collaborate to maximise public and private investment in priority areas
Need to ensure the Growth Service can provide additional support in the GC area around proposal writing at high success levels in both UK and EU

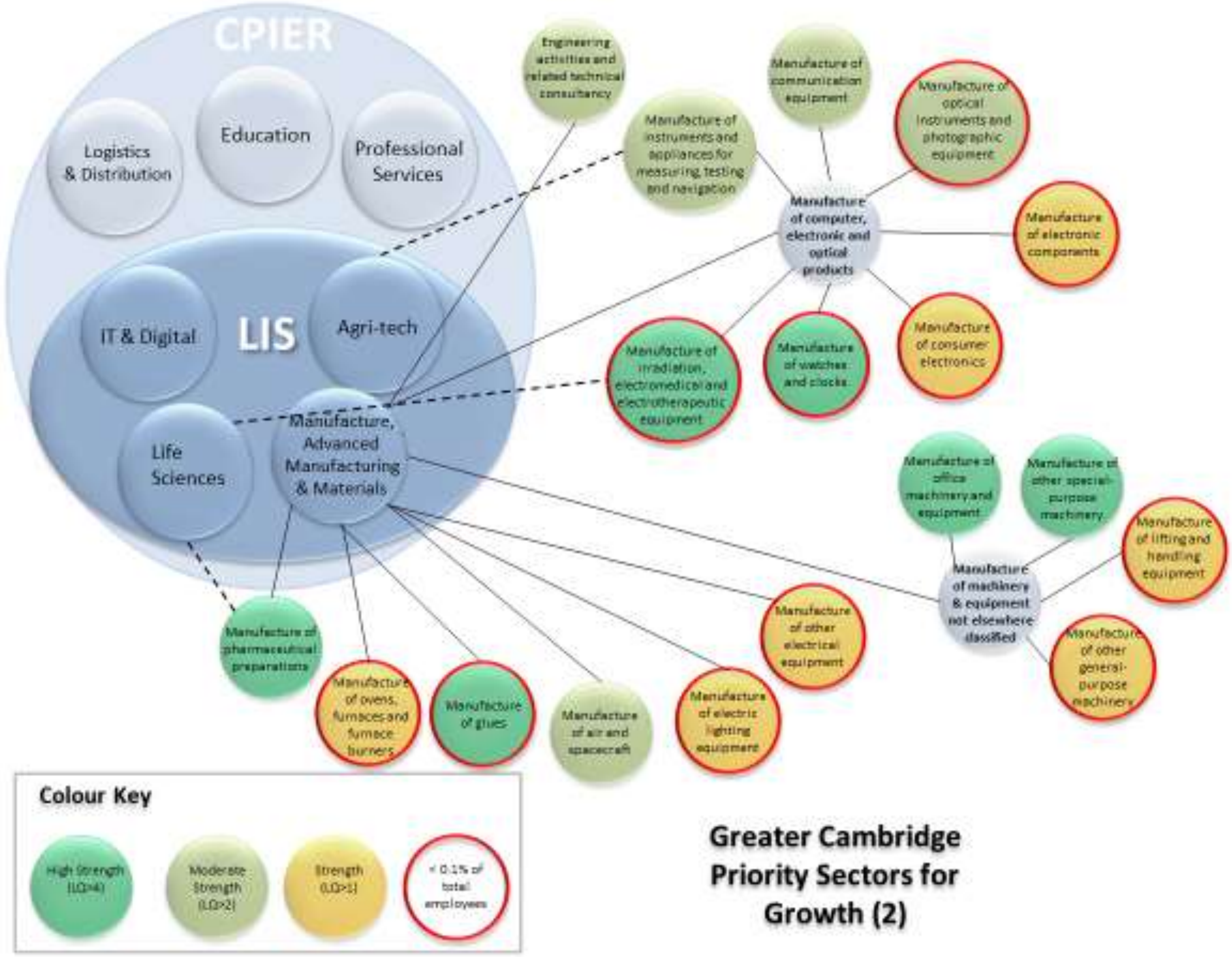
Peterborough
Priority Sectors for Growth



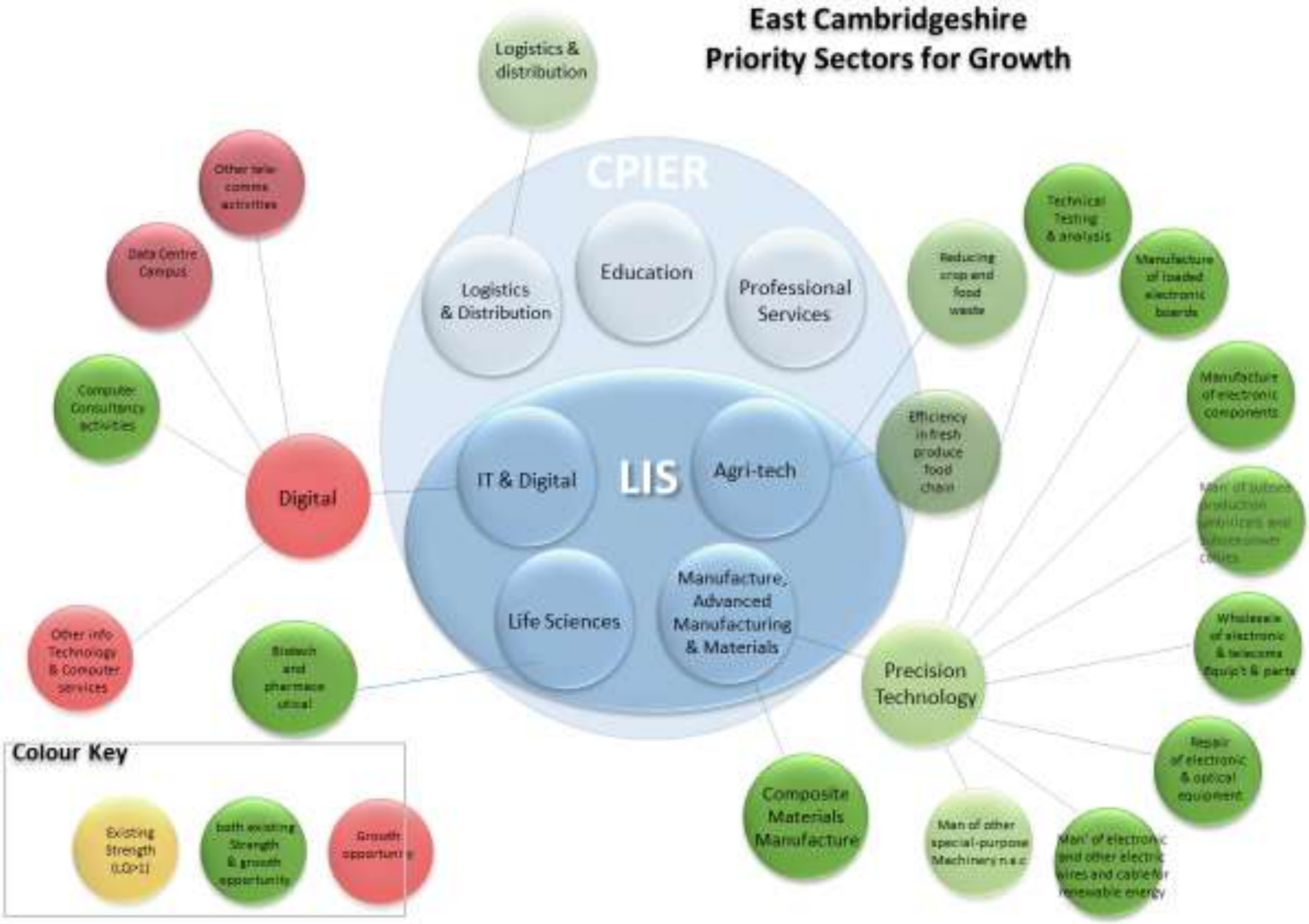
Huntingdonshire
Priority Sectors for Growth




CPIER
Logistics & Distribution
Education
Professional Services
LIS
IT & Digital
Agri-tech
Life Sciences
Manufacture, Advanced Manufacturing & Materials
Inland water passenger transport
Passenger rail transport, interurban
Post-secondary non-tertiary education
Formal Education Provision
General secondary education
Tertiary education
Sports and recreation education
Educational support activities
Other Education Provision
Other education n.e.c
Security systems services activities
Legal activities
Other IT and computer service activities
Computer programming activities
Computer consultancy activities
Computers
Other software publishing
Web portals
Data processing, hosting and related activities
Manufacture of computers and peripheral equipment
Research and experimental development on biotechnology
Other research and experimental development on natural sciences and engineering
Research and experimentation
Hospital activities
Technical testing and analysis
See second slide
Colour Key
High Strength (LQ>4)
Moderate Strength (LQ>2)
Strength (LQ>1)
< 0.1% of total employees
Greater Cambridge Priority Sectors for Growth


CPIER
Logistics & Distribution
Education
Professional Services
LIS
IT & Digital
Agri-tech
Life Sciences
Manufacture, Advanced Manufacturing & Materials
Engineering activities and related technical consultancy
Manufacture of instruments and appliances for measuring, testing and navigation
Manufacture of communication equipment
Manufacture of optical instruments and photographic equipment
Manufacture of computer, electronic and optical products
Manufacture of electronic components
Manufacture of consumer electronics
Manufacture of watches and clocks
Manufacture of irradiation, electromedical and electrotherapeutic equipment
Manufacture of office machinery and equipment
Manufacture of other special-purpose machinery
Manufacture of lifting and handling equipment
Manufacture of machinery & equipment not elsewhere classified
Manufacture of other general-purpose machinery
Manufacture of other electrical equipment
Manufacture of electric lighting equipment
Manufacture of air and spacecraft
Manufacture of glues
Manufacture of ovens, furnaces and furnace burners
Manufacture of pharmaceutical preparations
Colour Key
High Strength (LQ>4)
Moderate Strength (LQ>2)
Strength (LQ>1)
< 0.1% of total employees
Greater Cambridge Priority Sectors for Growth (2)

The Fens - East Cambs



Appendix 3
Support from Local Economic Development Areas

We are working closely with those on the Economic Recovery Strategy Group and the initial responses from the local economic development areas has been very positive, supportive and discussions are ongoing.

In addition, we are hoping the successful private sector supplier(s) for BGS will offer reciprocal facilities locally.

Support from Local Economic Development Areas			
Local Economic Development Areas	Signpost local businesses to BGS	Desks / office space for our Growth Advisors and Skills Brokers to meet businesses in your district?	Other comments
Cambridge	Want to assist and want to discuss further	Currently reviewing this and want to discuss further	Discussion set up with Strategic Director
Fenland	Yes	To be determined	Further discussion required
Huntingdonshire	Yes	To be determined	Further discussion required
Peterborough	Yes	To be determined	Further discussion required
East Cambridgeshire	Yes	To be determined	Further discussion required
East Cambridgeshire	Yes	To be determined	Further discussion required

APPENDIX 4
INDEPENDENT STATE AID REPORT

PETERBOROUGH AND CAMBRIDGESHIRE COMBINED AUTHORITY ("THE AUTHORITY")

PROPOSED FUNDING MAYOR'S BUSINESS GROWTH COMPANY

LEGAL ADVICE

1. **EXECUTIVE SUMMARY**

1.1 The Authority is proposing to establish arrangements to support local business growth and development. These arrangements would include the establishment of a new growth company to deliver business growth and development in the area.

1.2 As part of the Authority's consideration of these proposals, Pinsent Masons has been asked to advise on a number of key legal questions. This sections sets out the key questions and a summary of the detailed analysis contained in the rest of the note. Definitions of any defined terms used in this summary will be in the detailed sections below.

1.3 This note is designed to set out some key advice at the outset of the project, but it will be important to ensure that the actual implementation including all legal agreements are set up appropriately to reflect the advice given and the Authority will need to keep the operation and structure under review to ensure it remains compliant. We would be happy to support and provide further advice as this develops.

1.4 The advice set out here covers:

1.4.1 whether the proposed investment structure and the Proposed Arrangements overall would be state aid compliant;

Please see sections 3 to 6 below for the full analysis. Overall, the conclusions are:

(a) Subject to the discussion below in relation to Part 3 (selective advantage), our preliminary view is that the Four Part Test will be satisfied in relation to the Proposed Arrangements, which means that State Aid may be present. The next step is to identify whether potential State Aid may be lawful or avoided due to various exemptions or the application of suitable processes, as outlined below;

(b) To avoid possible State Aid to CATC, the level of control it exercises over Growth Co should reflect the level of its capital contribution to Growth Co relative to the LGF;

(c) State Aid to Growth Co itself will be avoided if it acts merely as a conduit for providing finance to Investee Companies, as set out in section 4 below;

(d) Investments in Investee Companies are likely to be State Aid but may be brought within one of the applicable GBER exemptions; and

(e) State Aid to Service Providers will be avoided if they are selected via suitable procurement processes.

1.4.2 whether the proposed investment structure is otherwise legally compliant;

Please see sections 8 – 10, 12 – 15 below for the full analysis, which covers both the incorporation of the Growth Co and the application for LGF from the Business Board but please also note the areas which are not covered in detail by this advice note. Overall, the conclusions based on the information available to us are:

(a) it appears that the Authority can rely on its general power of competence to incorporate the Growth Co;

(b) we are not aware of anything that would restrict the Authority applying for LGF money provided that the process complies with the CPCA Assurance Framework;

(c) we are not aware of any prohibition on LGF funding being used to purchase shares in a wholly owned subsidiary entity but we recommend that the Authority review the application and decision making process and the terms of the arrangement to ensure compliance with the relevant general public law duties and with the CPCA Assurance Framework;

(d) the terms of any investment or funding also need to align with the terms of other funding with third parties and ensure there are appropriate protections and meet the requirements of the CPCA Assurance Framework;

1.4.3 the issue of separation between the Authority as applicant for funding and the Business Board as decision-maker on the funding;

Please see section 11 below for the full analysis. Overall, the conclusion is that provided the process complies with general public law duties as well as the CPCA Assurance Framework, there is sufficient separation between the two functions of the Authority.

1.4.4 whether there would be any difference to the advice if the Growth Co was owned by one of the constituent authorities rather than the Authority itself.

Please see section 16 below for the full analysis. Overall, the conclusion is that there may be advantages for audit purposes but it is not necessary for the Growth Co to be owned by one of the constituent authorities.

2. **BACKGROUND**

2.1 The Business Board of the Authority is required to support local business growth and development and has developed the following proposition with a view of delivering business growth and development in its area. The proposal is:

2.1.1 the Business Board shall ask the Authority as its accountable body to incorporate a new company limited by shares which will be called the Growth Service Management Company ("**Growth Co**").

2.1.2 Growth Co will be owned 100% by a company called the Combined Authority Trading Company Limited ("**CATC**") which is a trading subsidiary owned entirely by the Authority. Growth Co will have 100 shares of £1 each issued to CATC on incorporation.

2.1.3 The directors of Growth Co will be appointed by the Mayor and the purpose of the company will be to manage growth service delivery funds and procure the delivery of services from the private sector to support business growth and development in the area.

2.1.4 Growth Co will deliver growth coaching, skills brokering and inward investment promotion as well as managing an allocated amount of Local Growth Fund ("**LGF**") finance which may be used as grant or equity investment in businesses in the area. The services will be provided through subcontracts with third party providers rather than internal resource. Its operations will be financed as follows:

(a) The Authority will apply to the Business Board for £5,407,000 capital investment from the LGF to be made into the Growth Co. If this application is successful, the Authority will use this sum to purchase shares to be issued by the Growth Co for this value making it the majority shareholder. CATC will retain a minority interest.

(b) The shares in Growth Co held by the Authority will be managed by the Authority and the Authority will exercise all shareholder voting rights. The value of the shares and any dividend will be ringfenced for the objectives of the Business Board as part of the Single Pot approach to the LGF.

(c) Subsequently, the Authority will apply for £7,248,556 of revenue funding from European Structural and Investment Funds ("**ESIF**") including both European Regional Development Fund ("**ERDF**") and European Social Fund ("**ESF**") programmes, which it shall provide as grant to the Growth Co.

(d) The Authority shall itself allocate £2,335,000 of revenue from its own budget to be paid to the Growth Co.

(e) £4,500,000 of the funds (a & c) will be used by the Growth Co to provide grants to fund growth coaching services delivered by third party coaches during a three year pilot from April 2020 to March 2023. This will be matchfunded by service users, so that the services delivered by third party coaches will be funded 50% by the grants from the Growth Co and 50% from fees paid to the third party coaches by the service users.

(f) One of the funds that the Growth Co will be charged with managing is the Small Business Capital Growth Investment Fund from the LGF. This is a pot of £12,000,000 which the Growth Co will use to provide grant to businesses and to make equity investments into businesses of between £150,000 and £250,000 in return for a commensurate amount of equity in those businesses. We understand that the Growth Co will exercise all shareholder rights for these shares acquired in equity investments but the value and any dividend received will be ringfenced for Business Board objectives as with the equity investment into the Growth Co itself.

2.2 In this note, we refer to these proposals collectively as the **"Proposed Arrangements"**.

2.3 We are asked to advise on the following questions:

2.3.1 whether investing £5.4 million of LGF monies into equity in the Growth Co would be State aid compliant; and

2.3.2 as we consider that there is no material distinction to be drawn (from the State aid perspective) between the proposed LGF funding and that from the Authority itself or from ESIF hence this note considers the compatibility with State aid law of the Proposed Arrangements as a whole;

2.3.3 whether the investment of the £5.4 million of LGF into the Growth Co is legally compliant;

2.3.4 what processes need to be in place to ensure that there is a sufficient separation between the application from the Authority and the assessment of the bid by the Business Board; and

2.3.5 whether it would change the answer to any of the above questions if Growth Co was owned by one of the constituent authorities rather than by the Authority itself.

2.4 Please note that this advice may only be relied upon by the Authority as our client and not by any other party.

2.5 We have dealt with the questions as follows:

2.5.1 Part One – State Aid Analysis; and

2.5.2 Part Two – Legal Powers and Structure questions.

PART ONE – STATE AID ANALYSIS

3. IDENTIFYING IF STATE AID PRESENT

3.1 EU State aid law is governed by Article 107(1) of the Treaty on the Functioning of the European Union (**"TFEU"**) which provides as follows:

> *Save as otherwise provided in the Treaties, any aid granted by a Member State or through **State resources** in any form whatsoever **which distorts or threatens** to distort competition by **favouring** certain **undertakings** or the production of certain goods shall, in so far as it **affects trade** between Member States, be incompatible with the internal market.*

3.2 Article 107(1) therefore gives rise to a "**Four Part Test**" for State aid. State aid will only exist if all four parts of this test are met, i.e.:

1. Aid is granted by a Member State or through <u>State resources</u>;
2. To a certain <u>undertaking</u>;
3. Thereby creating a <u>selective advantage</u>; and
4. The transfer of resources <u>distorts or has the potential to distort competition</u> and trade between Member States.

3.3 Put simply, State aid is any advantage or benefit provided by a public body or using state resources to any undertaking. This therefore extends beyond grants and can include (but is not limited to) loans, financial guarantees and selling assets/land at an undervalue.

3.4 The European Commission has powers to monitor, control and restrict the forms and levels of aid provided by Member States. Where State aid has been provided unlawfully, it must be paid back with interest.

3.5 However, aid that would otherwise be unlawful under Article 107(1) may benefit from an exemption under Article 107(3) TFEU if, broadly, it brings about benefits that outweigh any detrimental distortion of competition. Such exemption may be obtained either on an individual basis on application to the Commission in Brussels or via a block exemption regulation, such as the General Block Exemption Regulation (**"the GBER"**).[12]

3.6 In this case, there would appear to be four potential recipients, or categories of recipient, of public funds and hence State aid:

1. The Authority/CATC;[13]

2. Growth Co;

3. companies in which Growth Co will invest (**"Investee Companies"**); and

4. companies providing services to Growth Co (**"Service Providers"**).

3.7 **Part 1 – State Resources**

3.7.1 Article 107(1) refers to aid granted "*by a Member State or through State resources*". This includes central and all local governments together with public or private bodies which use State resources or are controlled by the State.

3.7.2 A "transfer of resources" can be positive (e.g. a grant as in this case) or negative (e.g. a tax rebate or loan at less than market rates of interest). If the transfer improves the beneficiary's net financial position, or prevents it from deteriorating, then it is likely to constitute a transfer of State resources.

3.7.3 As the funds to be invested Growth Co, whether from the Authority itself, the LGF or ESIF are all derive from, or are under the control of, the State, Part 1 of the Four Part Test would be met.

3.7.4 Furthermore, since Growth Co will be controlled by the Mayor, our current assumption is that any investment by Growth Co in Investee Companies or

[12] Regulation 651/2014.

[13] This point arises by virtue of the fact that it appears that the Authority will be the legal owner of shares in Growth Co paid for by the proposed LGF investment – see para **Error! Reference source not found.** above and it and/or CATC will control Growth Co.

payments to Service Providers will be attributable to the State and hence Part 1 of the Four Part Test would be satisfied in respect of those entities also.

3.8 **Part 2 – To An Undertaking**

3.8.1 This element of the Four Part Test requires an assessment of whether the recipient of State aid is an "undertaking" within the meaning of EU law.

3.8.2 Under EU law, an undertaking is an entity in *any legal form whatsoever* which is engaged in an economic activity i.e. an activity consisting of offering goods or services on a given market. It is irrelevant that the recipient of aid is a publicly owned company (which will be the case here in respect of CATC and Growth Co), a non-profit making company or even a charity, so long as it carries on an economic activity in competition with other operators.

3.8.3 In our view, all of CATC, Growth Co, Investee Companies and Service Providers will meet the definition of undertaking hence Part 2 of the Four Part Test will be satisfied.

3.8.4 The Authority itself will also be an undertaking to the extent that it carries on an economic activity, notwithstanding its primary function as a public authority.

3.9 **Part 3 – Selective Advantage**

3.9.1 In order to establish whether any undertaking will derive an "advantage" under the Proposed Arrangements, it is necessary to consider whether any would be in receipt of an economic advantage *which could not have been obtained under normal market conditions.*

3.9.2 There are two elements to this part of the test: (i) is the measure selective; and (ii) does it provide an advantage?

3.9.3 A measure is selective where it is limited to a particular beneficiary or class of beneficiaries. The alternative is a general measure, which is applicable in the same manner to all undertakings, across all sectors in a Member State.

3.9.4 Any benefits accruing to CATC and/or Growth Co in this instance would be selective since only those undertakings would benefit from it.

3.9.5 Similarly, any investments by Growth Co in Investee Companies or payments by it to Service Providers will also be selective, since again not all companies will benefit. The first element of Part 3 of the Four Part Test will therefore be met.

3.9.6 To establish whether CATC or Growth Co would derive an "advantage" from the Proposed Arrangements, it is necessary to consider whether there will be an improvement in their economic and/or financial position which could not have been obtained under normal market conditions.

3.9.7 On the face of it, this part of the Four Part Test will be satisfied. However, if the Authority can evidence that the provision of the funds is on market terms, there will be no selective advantage to Growth Co.

3.9.8 This is known as the **"Market Economy Operator Principle"** or **"MEOP"** and we have set out further details of this in Section 4 below.

3.9.9 We analyse the position of Investee Companies and Service Providers in under Part 3 of the Four Part Test in sections 5 and 6 respectively.

3.10 **Part 4 – Potential To Distort Competition**

3.10.1 The key aspect of this last part of the Four Part Test is whether the selective advantage conferred on the undertaking has the *potential* to distort competition. There is no requirement for an actual distortion to be evidenced. As a general rule therefore, this part of the Four Part Test is easy to satisfy and, more often than not, the selective advantage will be found to have the potential to distort competition.

3.10.2 If aid is found to have an appreciable effect on trade, it is inevitably found to distort or threaten to distort competition[14]. The ECJ stated in the *Philip Morris* v *Commission* judgement that, when State financial aid strengthens the position of an undertaking compared with other undertakings competing in intra-community trade, the latter *must* be regarded as affected by that aid[15].

3.10.3 As the investment management activities to be carried out by Growth Co are undertaken by commercial entities across the EU we are of the view that Part 4 of the Four Part Test would be satisfied in relation to Growth Co.

3.10.4 Likewise it seems prudent to assume that the activities carried on by Investee Companies and Service Providers will also be carried on commercially across the EU, hence we assume that Part 4 of the Four Part Test would also be satisfied in relation to those entities.

4. THE MARKET ECONOMY OPERATOR PRINCIPLE

4.1 Not every investment into a commercial operator by a public sector body such as the Authority is State aid. The TFEU does not distinguish between public and private sector ownership of property and transactions by public bodies that conform to market conditions (i.e. satisfy the MEOP) do not confer a selective advantage on the counterparty and are therefore not State aid.

4.2 Applying the MEOP involves asking the hypothetical question: *"Would a private investor in comparable circumstances have provided such sums or support to the recipient if it were operating under normal market economy conditions?"*

4.3 The European Commission's Notice on the Notion of State aid (**"the State aid Notice"**)[16] sets out guidance on parameters for applying the MEOP. In particular:

4.3.1 The hypothetical private investor under the MEOP would not provide an advantage to another without demanding compensation for the value that its actions generated for the beneficiary.

4.3.2 Similarly, a private investor in normal market conditions is motivated solely by the possibility of making a return on investment and the assessment under the MEOP requires a public sector investor to behave in the same way. Wider social policy concerns, such as regional growth, are not relevant to the MEOP assessment and cannot be relied upon as a justification for an investment under the MEOP.

4.3.3 However, the hypothetical private investor does not need to pursue the most profitable investment. It is sufficient for the investment to give normal returns.

4.3.4 MEOP assessments are not carried out retrospectively and the analysis is applied to the facts which were available at the time the relevant public body made the decision to invest. The measure will not be assessed with the

[14] *T-288/97, Regione Autonoma Friuli Venezia Giulia* v *Commission,* 2001 ECR II-1169

[15] *730/79, 1980 ECR 2671 at Para 11*

[16] Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the EU, published on 19 July 2016.

benefit of hindsight and it is irrelevant if it subsequently turns out to be profitable if at the outset there was no realistic prospect of benefit for the public body.

4.4 The application of the MEOP to any given circumstances entails a complex economic assessment and will turn on its own facts which are specific to the market in which the proposed transaction exists.

4.5 The European Commission's Guidelines on State aid to promote risk finance investments (**"the Risk Finance Guidelines"**)[17] provide guidance on the application of the MEOP in the context of equity and quasi equity financing of "eligible undertakings".[18]

4.6 The Risk Finance Guidelines envisage three possible beneficiaries in a risk finance transaction in which both public and private sector investors provide finance:[19]

1. investors;[20]

2. investee companies; and

3. any intermediary appointed to manage the investment process.

4.7 We consider each category in turn below.

Possible aid to investors

4.8 In paragraph 31 of the Risk Finance Guidelines, the Commission states that:

> "In general, the Commission will consider an investment to be in line with the market economy operator test, and thus not to constitute State aid, if it is effected *pari passu* between public and private investors. An investment is considered *pari passu* when it is made under the same terms and conditions by public and private investors, where both categories of operators intervene simultaneously and where the intervention of the private investor is of real economic significance."

4.9 Accordingly, there is a presumption that a private sector investor will not be receiving State aid where its investment is made on *pari passu* terms with a public sector investor.

4.10 In this case, we understand that all of the funds to be invested by Growth Co have their origin in the public sector, whether from the Authority's own budget, that of the LGF or the ERDF.

4.11 We understand that CATC will be a minority shareholder and it will be important to ensure that the shareholding and governance of Growth Co when incorporated reflects the proportionate investments made by each of CATC and CPCA, because if CATC is receiving greater control or benefit than is proportionate to its investment then it can amount to State Aid.

4.12 Note that the fact that CATC is 100% owned by the Authority will not prevent it from being a beneficiary of State aid if it carries on an economic activity.

4.13 Under the Proposed Arrangements, CATC will potentially benefit from any investment growth in Growth Co as a result of its investment in Growth Co which has been funded

[17] Issued on 22 January 2014.
[18] 'Defined as SMEs, small mid-caps and innovative mid-caps (all terms as defined in the Risk Finance Guidelines).
[19] See also paragraph **Error! Reference source not found.** above.
[20] But only those investors that are undertakings, as defined above.

from the public purse (i.e. LGF). This on its face appears to be State aid to CATC however there are options the Authority can consider to ensure compliance.

4.14 It may be possible to argue that, by analogy with Growth Co, State Aid could be avoided if CATC acted as a mere "pass through" entity and any income and capital growth were invested in, for example, the Authority's (non–economic) public service mission, rather than retained by CATC. The Authority may also consider a structure where CATC has a different class of shares which carries no right to dividends and that capital value will be reflected by respective shareholding.

4.15 The Authority has confirmed that the investee companies will all be SMEs, as such Article 21 of the General Block Exemption Regulation (**"GBER"**) may be applicable and could, subject to satisfaction of various conditions set out in the GBER, provide a State aid solution.

4.16 We can work with the Authority to develop this and we recommend that that this is an area where we can provide further advice to help manage the risk.

<u>Possible aid to Investee Companies</u>

4.17 Paragraph 35 of the Risk Finance Guidelines states that:

> "Where the investment is in line with the market economy operator test, the Commission considers that the investee undertakings are not beneficiaries of State aid, because the investments they receive are considered to be made on market terms."

4.18 Where investments are made in companies but both public and private sector investors the MEOP will be satisfied if those investments are made *pari passu*.

4.19 However, we understand that all of the funds to be invested under the Proposed Arrangements will have their origin in the public sector hence it will not be possible to demonstrate *pari passu* investment between public and private sector investors. In fact, paragraph 23 of the Risk Finance Guidelines states that:

> "Risk finance aid measures in the total absence of private investors will not be declared compatible. In such cases, the Member State must consider alternative policy options which may be more appropriate to achieve the same objectives and results, such as regional investment aid or start-up aid provided for by the General Block Exemption Regulation."

4.20 Of course, it is not the case that there is a "total absence of private investors" in the relevant Investee Companies because these will have existing shareholdings and the proposal is only for Growth Co to take relatively modest holdings. Accordingly, the application of MEOP could not in principle be excluded.

4.21 Nevertheless, our suspicion is that it will not be practical or cost effective to conduct a full MEOP assessment every time Growth Co makes an investment and that, accordingly, some other State aid solution will be required as set out in the above quotation. Possible solutions are explored in section 5 below.

<u>Possible aid to Growth Co</u>

4.22 Paragraph 39 of the Risk Finance Guidelines states that:

"Where the risk finance measure is managed by an *entrusted entity*,[21] without that entity co-investing with the Member State, the entrusted entity is considered as a vehicle to channel the financing and not a beneficiary of aid, as long as it is not overcompensated. However, where the entrusted entity provides funding to the measure or co-invests with the Member State in a manner similar to financial intermediaries, the Commission will have to assess whether the entrusted entity receives State aid."

4.23 If Growth Co were given a "public service emission" it would qualify as an *entrusted entity* and could therefore, in line with paragraph 39 of the Risk Finance Guidelines, be seen merely as a conduit for aid and not a beneficiary of it.

4.24 However, the second sentence of this paragraph could pose a difficulty since, as we understand it, under the Proposed Arrangements, Growth Co will be making the investments in its own right and presumably benefitting from any upside. However we note that paragraph 41 of the Risk Finance Guidelines states that:

"Where the financial intermediary and its manager are public entities and were not chosen through an open, transparent, non-discriminatory and objective selection procedure, they will not be considered recipients of aid if their management fee is capped and their overall remuneration reflects normal market conditions and is linked to performance. In addition, the public financial intermediaries must be managed commercially and their managers shall take investment decisions in a profit-oriented manner at arm's-length from the State. Furthermore, the private investors must be selected through an open, transparent, non-discriminatory and objective selection process, on a deal-by-deal basis. Appropriate mechanisms must be in place to exclude any possible interference by the State in the day-to-day management of the public fund."

4.25 Provided the conditions set out above are respected, there should be no State aid to Growth Co.

4.26 In relation to any fund manager appointed by Growth Co, paragraph 40 of the Risk Finance Guidelines states that:

"Where the manager of the financial intermediary or the management company (hereafter referred to as 'manager') are chosen through an open, transparent, non-discriminatory and objective selection procedure or the manager's remuneration fully reflects the current market levels in comparable situations, it will be presumed that the manager does not receive State aid."

4.27 Accordingly, provided that any fund manager is appointed via an open tender process (i.e. under the Public Contracts Regulations 2015), there should be no State aid to it.

5. POTENTIAL STATE AID SOLUTIONS FOR INVESTEE COMPANIES

5.1 As set out in the extract from the Risk Finance Guidelines quoted in paragraph **Error! Reference source not found.** above it is unlikely to be practical to rely upon the MEOP in relation to Investee Companies hence one of the permitted aid categories under the GBER will probably need to be relied upon.

[21] Defined as: "the European Investment Bank, the European Investment Fund, an international financial institution in which a Member State is a shareholder, or a financial institution established in a Member State aiming at the achievement of public interest under the control of a public authority, a public law body, <u>or a private law body with a public service mission</u>: the entrusted entity can be selected or directly appointed in accordance with the provisions of Directive 2004/18/EC (31) or any subsequent legislation replacing that Directive in full or in part" (emphasis added).

5.2 The particular exemption would depend upon the nature of the investment and of the Investee Company, but likely candidates would be:

- Article 21 - Risk Finance Aid
- Article 22 – Aid for Start-ups

5.3 Each of these exemptions has specific conditions and there are general conditions set out in the GBER that must be complied with. However, this is a point upon which we can provide further guidance in due course, if required.

6. POTENTIAL STATE AID SOLUTION FOR SERVICE PROVIDERS

6.1 As set out in paragraph **Error! Reference source not found.** above, although Service Providers will be receiving monies from Growth Co that have their origin in the State, there will be no State aid to them if they are paid merely the market rate for the services they provide – i.e. are selected vi an open procurement process.

6.2 The State aid Notice describes the circumstances in which a procurement process will be considered likely to deliver a market-reflective outcome, as follows:

6.2.1 the procedure must be transparent to allow all interested tenderers to be equally and duly informed at each stage of the tender procedure (i.e. accessibility of information, sufficient time for interested tenderers to participate in the process and must incorporate the use of clear selection and award criteria);

6.2.2 the opportunity must be sufficiently well-publicised, so that all potential bidders can take note of it;

6.2.3 the Authority/Growth Co must observe the principle of non-discrimination with respect to all bidders (this includes ensuring that non-UK based bidders are not disadvantaged as a result of the selection and/or award criteria used. Such instances can occur whereby the procuring authority specifies a preference for the use of local contractors/supply chain and/or the employment of local apprentices);

6.2.4 objective selection and award criteria must be specified in advance of the process;

6.2.5 to guarantee equal treatment, the criteria for the award of the contract should enable tenders to be compared and assessed objectively.

6.3 As long as this approach is followed, there should be no State aid to Service Providers.

PART TWO – LEGAL POWERS AND STRUCTURE QUESTIONS

7. GENERAL

7.1 In terms of wider legal considerations we would like to look at each of the proposed steps in the Proposed Arrangements and associated legal issues we have been asked to consider:

7.1.1 Incorporation of the Growth Co;

7.1.2 Application by the Authority to the LGF for £5.4m;

7.1.3 Investment of £5.4m in equity of LGF;

7.1.4 Application for EFS and ERDF;

7.1.5 Allocation of £2.335m from the Authority's budget;

7.1.6 Management of £12m fund allocated from LGF; and

7.1.7 Alternative structures using constituent authorities.

7.2 It is anticipated that the Proposed Arrangements will require a number of different legal agreements, as outlined in the draft structure set out in Appendix 1. This draft structure is for discussion only and would need to be developed in more detail. Pinsent Masons can provide further support both in terms of designing the overall contract structure and drafting or reviewing any agreements as required.

7.3 We have not undertaken any detailed analysis of procurement or fund management issues but can look at these elements separately if this is required.

8. INCORPORATION OF GROWTH COMPANY

8.1 We understand that the Business Board will ask the Authority to incorporate a subsidiary company to deliver the business growth and development services to align with the objectives of the Business Board.

8.2 The Authority is constituted under the Cambridgeshire and Peterborough Combined Authority Order 2017. Paragraph 11 of that Order states that the Authority has a general power of competence in the same manner as local authorities and that Chapter 1 of Part 1 of the 2011 Act shall have effect in relation to the Authority as it currently applies to local authorities.

8.3 The General Power of Competence contained in Section 1 of the Localism Act 2011 states that a Local Authority is permitted to do anything which an individual may do. This is a far reaching power although there are a number of associated restrictions which include a requirement that anything that is done is for a commercial purpose must be done through a company.

8.4 It would seem based on the information provided to us that the Authority can rely on its general power of competence to incorporate the Growth Co.

9. THE AUTHORITY'S APPLICATION FOR LOCAL GROWTH FUND FROM BUSINESS BOARD

9.1 We understand that it is proposed that the Authority will apply for £5.4m of LGF from the Business Board.

9.2 The terms of the LGF are managed through the following legal requirements:

9.2.1 general principles of public law which apply to the Authority and the Business Board as Local Economic Partnership ("**LEP**");

9.2.2 the terms of the LGF for 2019-2020 are set out in the letter dated 15th April 2019;

9.2.3 the Cambridgeshire and Peterborough Combined Authority Assurance Framework dated May 2019 (the "**CPCA Assurance Framework**") which must comply with the National Assurance Framework dated January 2019.

9.3 The letter agreement makes it clear that funding must be used to deliver the agreed growth deal and meet the objectives that have been agreed. We have not looked at this requirement in detail as we understand that this is being monitored by the Authority.

9.4 The letter agreement also sets out the relevant conditions which are that it may only be used for the purposes that a capital receipt may be used for in accordance with the regulations under s.11 Local Government Act 2003.

9.5 Section 11 of the Local Government Act 2003 states: "The Secretary of State may by regulations make provision about the use of capital receipts by a local authority". The regulations made were the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003/3146 as amended. Regulation 23 refers to use of capital receipts and the purposes for which they may be used as capital expenditure.

9.6 Reg 25. provides details of expenditure which are capital expenditure as:

(1) For the purposes of Chapter 1 of Part 1 [of the LGA 2003, which includes s11 above] the following expenditure of a local authority, incurred on or after 1st April 2004, shall be treated as being capital expenditure insofar as it is not capital expenditure by virtue of s16(1)[of the LGA 2003 which refers to expenditure which is capitalised in line with proper practices but does not specify anything about equity investments]-
…..
(d) subject to paragraph (3),the acquisition of share capital in any body corporate; …

[Paragraph (3) refers to investments in money market funds, a real estate investment trust and local authority investment schemes, none of which are capital expenditure]

9.7 The letter agreement also makes it clear that any use of this grant must be in accordance with the assurance framework which sets out the process for considering and determining applications and the appropriate delivery methodology including terms of funding and reporting/ monitoring requirements.

9.8 We are unaware of anything that would restrict the Authority from applying for LGF money from the Business Board providing the processes specified in the CPCA Assurance Framework are followed and on the basis of the spending being for capital expenditure and it is clear that the purchase of shares is capital expenditure for these purposes.

10. SEPARATION BETWEEN APPLICATION BY THE AUTHORITY AND DECISION MAKING BY THE BUSINESS BOARD

10.1 **We believe that this process is managed through the CPCA Assurance Framework which sets out decision making processes, conflict management provisions and also allows for independent review of any application for finance. Providing the terms of the assurance framework are followed along with general public law duties including transparency and achieving best value then there is sufficient separation between the Authority and the Business Board to manage the application.**

10.2 **The CPCA Assurance Framework does talk about the terms of funding agreements for LGF and to show the appropriate management process the audit trail and terms of the finance will be important to clarify. As the Business Board does not have a legal personality to allow it to contract with the Authority and the**

Authority is the accountable body it will be necessary to consider how best to document the investment into Growth Co and the controls around this.

11. THE AUTHORITY SPENDING LOCAL GROWTH FUND ON ACQUIRING SHARES IN GROWTH CO

11.1 As set out at 10 above, the LGF finance must be used for capital expenditure and it is clear that the purchase of shares is capital expenditure.

11.2 We are not aware of LGF being used elsewhere by the accountable body to purchase shares in a wholly owned subsidiary entity. It is apparent that other LGF funds have been placed with third party fund managers to manage the administration and investment of those funds but not that the funds have been used to purchase an equity interest in the entity managing the funds as part of this arrangement.

11.3 That being said, we cannot see any prohibition on this but the following points will need to be considered:

11.3.1 managing the application and decision process as set out above to demonstrate independent decision making and alignment with the terms and processes used for other applicants for LGF finance;

11.3.2 the terms of the arrangement - the CPCA Assurance Framework makes clear that it expects that funding will be committed under a funding agreement, that clawback provisions will be included, payments made quarterly in arrears and that there will be ongoing monitoring against delivery of the agreed objectives. The CPCA Assurance Framework does create flexibility around these requirements but it will need to be on the basis of complying with general duties. Taking the points in turn:

(a) funding agreement – a contract between the Authority and Growth Co will need to be in place to show delivery of objectives, reporting and terms although this will not be a traditional funding agreement;

(b) clawback will not be appropriate - as discussed clawback means that there is a risk that shares have not been paid for in cash as the money can be withdrawn at any time which raises corporate law issues. Clawback is about ensuring delivery of objectives and proper use of funds so as Growth Co is under the corporate control of the Authority we would suggest that the corporate documents show that this can be managed appropriately as an alternative to clawback; and

(c) payments made quarterly in arrears - as with clawback this is not appropriate but terms can be shown which manage the way in which money in Growth Co is approved by the Authority through corporate governance.

12. ESF AND ERDF APPLICATION AND UTILISATION

12.1 We have not examined any of the legal terms around use of this finance as this was beyond the scope of our instructions but please confirm if further advice on this funding stream is required.

13. ALLOCATION OF £2.335M OF THE AUTHORITY'S BUDGET TO GROWTH CO

13.1 We are currently unclear on the terms of this arrangement and whether this is payment for services, intra public sector body transfers under statutory provision or grant funding. This can be reviewed in further detail if required.

14. **MANAGEMENT OF £12M FUND ALLOCATED FROM LGF BY GROWTH CO**

14.1 This arrangement differs to the LGF funding which is to be contributed as equity investment. We understand that this will be an LGF fund which Growth Co will manage on behalf of the Business Board. The appropriate contractual arrangements will need to be put in place to show the terms of this arrangement and the appropriate management of the fund.

15. **ALTERNATIVE STRUCTURES THROUGH CHANGING OWNERSHIP OF GROWTH CO FROM THE AUTHORITY ITSELF TO ONE OF ITS CONSTITUENT LOCAL AUTHORITIES**

15.1 We do not believe that an alternative corporate structure would produce any benefit to the above structure save that it would mean that the constituent authority could contract with the Authority for the funding which it would invest in the equity of Growth Co which is not possible between the Business Board and the Authority. This may be beneficial from an audit perspective or if it is felt it allows for greater management of conflicts of interest for any individuals involved in delivery but it does not appear to be necessary based on our analysis.

16. **CONCLUSION**

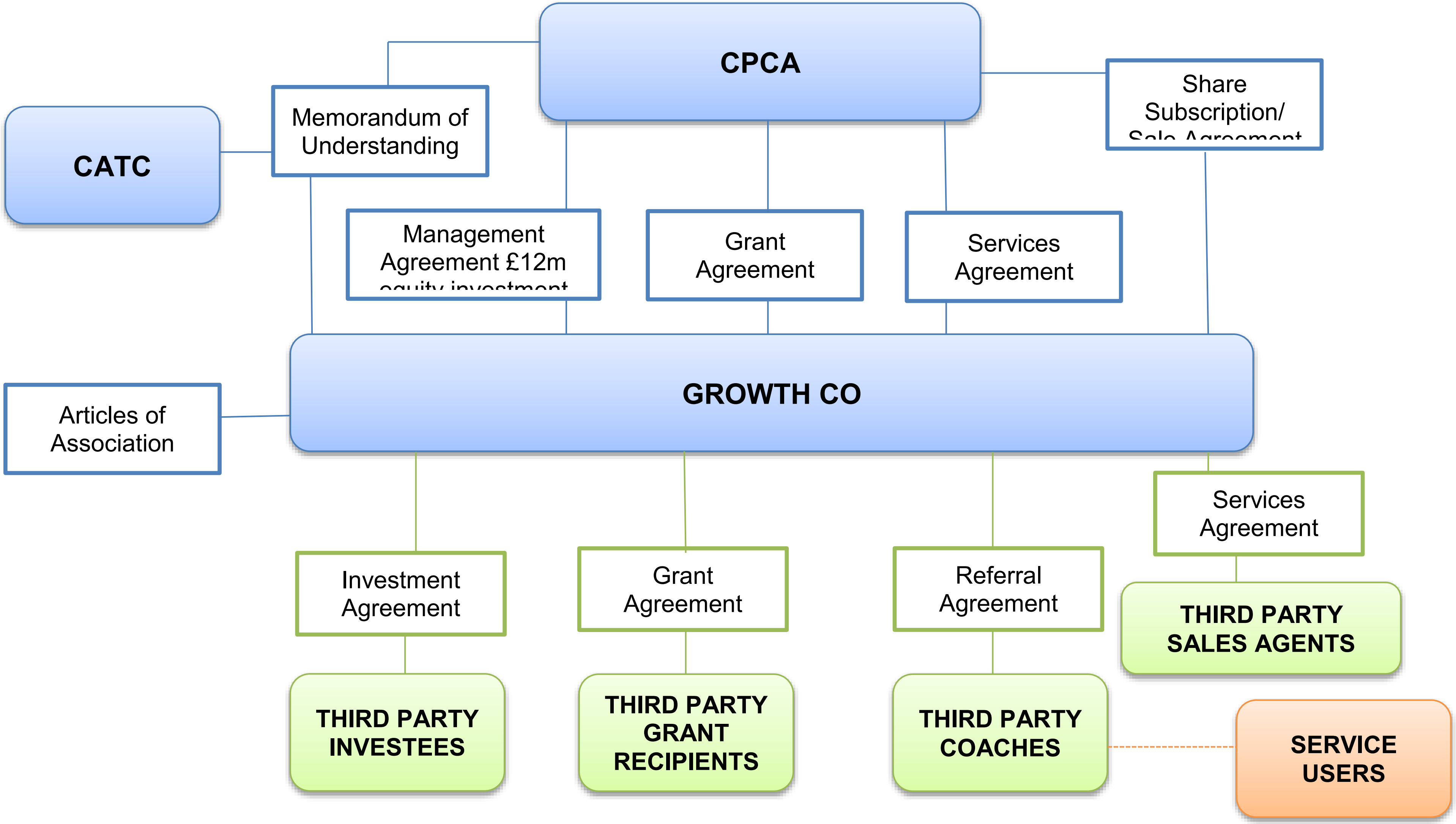
16.1 We unable to say that the current proposal is commonplace or that there is no risk associated with the current proposals but we can see no prohibition and it is clear that the incorporation of the company and the investment of LGF in company shares is permitted within the legislative framework and the CPCA Assurance Framework allows for a route to manage the issues around separation of duties and a baseline for the terms which are expected for funding arrangements. Careful audit and documentation of the arrangements to show proper consideration of the proposals, best value and transparency duties and appropriate controls to show that funding is being used in compliance with the assurance framework and to deliver the objectives is fundamentally important.

Pinsent Masons LLP

5th November 2019

APPENDIX 1

DRAFT CONTRACT STRUCTURE FOR THE PROPOSED ARRANGEMENTS



The table below sets out the proposed contracts in the contracts structure above, with details of what each agreement would do, and a high level outline of terms to be included in each agreement

Name of proposed contract	**Parties**	**What the contract would do**	**Key terms**
Articles of Association	Growth Co	Sets up the Growth Co and how the Growth Co will operate as a company. This is required for registration as a Company under the Companies Act 2006	Sets out the rules for how the company will be run, including how many shares there are, how shareholders can vote, how the Board of Directors is set up, how Directors can be appointed and removed etc
Memorandum of Understanding	CPCA CATC Growth Co	Governs the relationship between the two shareholders (CPCA and CATC) and the Growth Co itself.	Includes any specific agreement about how the shares will be held, how any dividends will be paid and what happens if the Growth Co is sold.
Share Subscription/ Sale Agreement	CPCA Growth Co	Depending on how the investment is structured, either: Share subscription for CPCA to subscribe for shares for its equity investment, or Sale agreement for CPCA's purchase of shares from CATC as the sole shareholder at the point of investment	Agrees the price to be paid for the shares, any decision-making rights that these shares carry and any other payment or sale terms Can agree an enhanced level of corporate governance of CPCA as a shareholder in the Growth Co covering delivery of objectives, decision-making, control over Board appointments and delegations etc

Name of proposed contract	Parties	What the contract would do	Key terms
Management Agreement (£12m equity fund)	CPCA Growth Co	Governs the way that the Growth Co will deliver the £12m equity fund for CPCA	Will include restrictions on how the funding can be used, provisions for clawback for unauthorised use, any performance metrics for what the fund is to achieve, decision-making and reporting requirements etc Will also include any requirements about how the equity is to be held on behalf of the CPCA and any ring-fencing requirements for dividends or other profits received If ESIF-funded, will need to pass down any relevant provisions from CPCA's own arrangements with the Government under the ESIF programme.
Grant Agreement	CPCA Growth Co	Governs grant funding being used to fund the activities of the Growth Co, including any core costs and services to be delivered under the ERDF and ESF-funded programmes	Will include restrictions on how the funding can be used, provisions for clawback for unauthorised use, any performance metrics for what the fund is to achieve, decision-making and reporting requirements etc Will need to mirror any requirements for reporting, clawback, authorised use or other terms included in CPCA's own arrangements with the Government under the ESIF programme
Services Agreement	CPCA Growth Co	Governs how the Growth Co will deliver the growth services for CPCA	Agrees what services will be delivered, any price and payment provisions, performance metrics etc

Name of proposed contract	Parties	What the contract would do	Key terms
Investment Agreement	Growth Co Third party investee (i.e. the companies into which Growth Co will be investing equity to encourage growth)	Governs how the investment will be made from the Growth Co into the third party company	Will include any restrictions on transfer or sale of shares, what rights the shares will carry, how decisions will be made Will need to pass down any relevant provisions from the Management Agreement (£12m equity fund) to ensure that the Growth Co can comply with the requirements of this agreement with CPCA
Grant Agreement	Growth Co Third party grant recipient	Governs the grant funding which the third party grant recipient will receive from the Growth Co	Will include restrictions on how the funding can be used, provisions for clawback for unauthorised use, any performance metrics for what the fund is to achieve, decision-making and reporting requirements etc Will need to mirror any requirements for reporting, clawback, authorised use or other terms included in the Grant Agreement between CPCA and the Growth Co
Services Agreement	Growth Co Third party sales agent	Governs how the Third Party Sales Agents will deliver the growth service that will facilitate the access of coaching services by target businesses	Agrees what services will be delivered, any price and payment provisions, performance metrics etc Will need to pass down any relevant provisions of the Services Agreement between CPCA and the Growth Co

Name of proposed contract	Parties	What the contract would do	Key terms
Referral Agreement	Growth Co Third Party Coaches	Governs how the Third Party Coaches will deliver coaching services to target businesses	Agrees what services will be delivered, any price and payment provisions, performance metrics etc Will also need to reflect the 50% matchfunding being provided by service users Will need to pass down any relevant provisions of the Services Agreement between CPCA and the Growth Co

Appendix 5

Sustainability and Environmental Policy for the Growth Service Management Company Ltd

Peterborough & Cambridgeshire Business Growth Company Ltd is a subsidiary of Cambridgeshire & Peterborough Combined Authority (CPCA) and we are committed to minimising the impact of our activities on the environment.
It is our policy to:

- Minimise waste by evaluating operations and ensuring they are as efficient as possible.
- Minimise toxic emissions through the selection and the source of our power requirement.
- Actively promote recycling both internally and amongst its customers and suppliers.
- Meet or exceed all the environmental legislation that relates to the Company
- Use an accredited program to offset the greenhouse gas emissions generated by our activities.
- Recycle as much waste material as possible
- Avoid the use of paper wherever possible. For example, sending invoices and quotes via email as PDF files.
- Recycling equipment that is no longer of use to the company. For example, giving away items such as computers and printers that we no longer use.
- Keep energy usage low. For example, making use of low energy light bulbs throughout and ensuring that computers are shut down after work.
- Reuse wastepaper (from the printer) where possible, making use of the blank side for notes etc.
- Purchase products made with recycled paper. For example, paper towels, printer paper, pens, etc
- Purchase products with a lower environmental impact. For example environmentally safe soaps and detergents.
- Use low impact transport for travel to and from work and travel for business. For example, we use public transport to attend meetings and offer a Cycle Scheme to encourage staff to cycle to work or to carpool.
- Avoid unnecessary travel by making use of instant messaging, video and audio conferencing, telephone and email.
- Promote the CPCA's agile working policy by seeking for employees to work from home at least 2 days a week.

The above will be reviewed by employees and reviewed and updated quarterly by the Board.

Signed by ___________________

Brian Hyland

Deputy Chief Officer Business & Skills - Director

Date:__________________

Appendix 6

The Business Rebound & Growth Service Procurement Specification

1. Summary of Intent for the Growth Service as a Whole

It is proposed to establish **four new business support services**, approved recently as part of the Local Industrial Strategy. These include:

- **An Inclusive Growth Service**, to engage our highest potential growth firms to better support them to accelerate their growth, increase their capacity and capability for growth, sustain their period within growth, or all three. The service will be delivered in each of our three sub-economies in a tailored manner to better spread growth more evenly across our total economy.

- **An Inward Investment Service**, to extend our reach into key global markets, to engage and persuade overseas firms to locate into our economy or invest in our strategic projects to increase our employment space, develop our transport infrastructure or establish a new university.

- **A Skills Service**, to provide an effective brokerage between young talent and those retraining or progressing in a career, our employers and our skills providers, to improve the supply of skills to enable growth.

- **Grant & Investment Service** for the following:

  • Growth Capital Grants and Investment to fund all businesses, especially traditional firms to grow through organic expansion, paying for equipment and expanded premises

  • An Innovation & Re-Location Grant to co-invest with small firms in the cost of contracting experts to help;
    1. Access R&D funding from UK and EU agencies for new product growth and increased productivity
    2. Access fast-track planning, partners and investment for new build employment space

Our economy is already home to a high concentration of high-growth firms, a highly skilled and entrepreneurial workforce and a dynamic business base. Crucially, there is potential to scale-up the operations of such firms given the right support and investment. We propose working across the specificities of our three sub-economies as an integrated one-stop-shop service for businesses, to provide the advice, access to skills and investment for firms to overcome their barriers to growth. It is important that collaboration between the consortium members and the CPCA's team is effective at the delivery level and that staff across both work as one integrated team. To enable this, bidders will be expected to provide a shared workspace as a single hub location (on a site in Cambridgeshire to be agreed with the CPCA) for up to 20 consortium and CPCA staff to collaborate and work within. The premises will also be used to meet with partners, customers and investors, hence should be branded in line with the Business Growth Service brand developed and agreed between the CPCA and the Prime Contractor and also include meeting facilities for up to 12 delegates.

2. The Specification for Managing the Growth Service as a Whole

2.1. By joining business growth, global market access, productivity, skills and inward investment with grants, loans, loan notes and equity investment to fund growth, prospective bidders should show how they are able to better connect our places and business clusters. They should provide across them, a **quality and connectivity of growth support** that reflects and has the potential to develop towards, the support eco-system developed over decades within Greater Cambridge. These include; dense business networks, the right balance of competition and collaboration, access to finance, and the provision of high-quality business growth, productivity, innovation and global market access support.

2.2. We expect prospective bidders to do this by ensuring that we **expand and build on the growth support networks that are already present** in and around Cambridge. It is our vision that, over time, these new and innovative forms of growth support will encourage individual business leaders, sectors, and places to join to build an economy-wide business support eco-system to enable one another.

2.3. To be **sustainable and scalable**, it is important that the delivery mechanism includes the development of a commercial marketplace for growth, global market access, productivity, leadership, access to finance and strategy coaching, harnessing the expertise, typically residing in Cambridge and other fast-growing cities. This should lead-on to a mentoring culture amongst supported entrepreneurs and small business leaders, willing to offer technical or subject matter mentoring and secondments between and from one business to another.

2.4. We have the opportunity of better **connecting and networking firms and growth support** expertise with the most exciting firms across the wider economy. We envision that, going forward, bidders ensure all firms with growth potential have networked access, through clusters, sectors and place, to a growth support eco-system to help them maximize their opportunities and overcome leadership, organisation, or market access challenges to faster, greater and more sustainable growth.

2.5. However, it is crucial to ensure growth is inclusive, and important for us to set out clearly **what inclusive growth means.** This means delivering the benefits of economic growth to everyone across our economy. Currently, areas have high levels of disparity, with pockets of both urban and rural deprivation. The Local Industrial Strategy and its delivery is an opportunity to address the inequalities that are undermining economic growth. We will ensure that new growth in the future promotes an inclusive and diverse economy, with good jobs and greater earning power for all; across all three of our sub-economies.

2.6. Both the Service as a whole and the consortium should be able to present a **clear value proposition** that positions as pioneering and innovative in approach, has a depth of high growth, inward investment and skills needs insight, understands local businesses in each of the sub-economies, has delivery credibility (staffed by real business people advising business people).

2.7. The consortium should demonstrate a clear approach to **contract mobilisation** and the key features and milestones to deliver contract and sub-contract finalisation, recruitment/TUPE of employed resource and acquisition of associate resource, through logical charts and plans. Key to this will be a Balanced Framework across people, infrastructure, stakeholders and market engagement, that is milestone driven to deliver a fast ramp-up to steady state. Bidders are required to separate out mobilisation costs from the delivery of the service, to allow evaluation of the actual costs of the service and VFM, exclusive of mobilisation.

2.8. There should be an equally clear approach to **service operationalisation** in terms of on-line, ICT, finance and systems robustness, as well as stakeholder, referral and delivery partner development for business engagement and ramp-up.

2.9. An outline draft **Service Level Agreement** should be offered, including for programme delivery and implementation, ICT systems, CRM, Web-presence, social-media, invoicing, grant admin, coach pool management, customer engagement, diagnostic tools, client service levels, reporting and financial record keeping.

2.10. The **branding of the Growth Service** and how it is promoted within the C&P market place of businesses and among the general public will also be key to success. Bidders will be expected to offer brand ideas for a single, strong brand that elicits an aspirational emotion to attract learners, investors and high-growth into the Service and is consistent across the component service-lines as well as at top-level

2.11. It is important that there is an **approach to marketing** that successfully leads to the attraction of high-value clients with ways to manage potential rejection from service entry as a client. One that also has the ability to create alumni communities such as mentors and service champions.

2.12. The organisational capability, capacity and track record of **the Prime Contractor** will be key to the success of the Service as a whole. This will include a track record in delivering successful government programmes of this scale (£32m) and complexity, especially through collaborative and consortium models. Candidates' will be able to demonstrate delivering GVA and job growth within Gov contracts that recruit SMEs at similar scale (engaging 15,000 firms converted to 1,000 clients) into business support. It is also expected that the Prime Contractor is adept at Performance Management of the Consortium and arresting any under-performance. It will also be necessary to demonstrate a capability and track record in administering ERDF and/or LGF grants, especially "nudge" grants like those which enable the growth coaching. Prime Contractors will be asked to identify their management costs of the consortium, working to a maximum of 7%.

2.13. However, ability of the prime contractor and consortium to demonstrate a capability and commitment to **collaborative working** across delivery teams is of equal importance. Bidders must be able to demonstrate how you will achieve single team working by integrating multiple service providers into one collaborative delivery and programme management structure that forms the main interface with the CPCA.

In particular, how decision making promotes innovation and consensus, whilst retaining Prime Contractor accountability, and how conflict resolution is handled.

2.14. It is very important that the consortium adopt also a process for **collaborative management** that enables the CPCA to get full access to the whole consortium as part of performance management meetings and is not restricted to dialogue with just the Prime Contractor. In such interfaces we will expect to see how ideas, best practice and peer-coaching flows between partners to achieve the highest common denominator performance and avoid partners falling behind.

2.15. However, in the end the greatest impact on delivery will be through the consortiums approach to delivering **effective management of day to day operations** through a matrix of five service lines and three sub-economy geographies. This should be demonstrated through a clear management structure across the partnership, giving transparency of performance and finances between partners through detailed MI and an open culture.

2.16. The presence of a **draft operations manual** would engender significant confidence in bidders' capability to manage delivery in a way that enables joined up working and consistency in delivery and quality standards between partners and across teams and individuals. This should be able to convey top level Service purpose, objectives, aims and values, benefits and modes of delivery, with customer journeys and key service-line roles.

2.17. As part of the embedded ERDF and ESF projects, bidders will be expected to manage and deliver these to meet the European commission's **ERDF/ESF requirements** and take on responsibility for establishing and maintaining appropriate programme management capabilities and systems, including checking and assuring eligibility of participants in accordance with ERDF/ESF Eligibility Rules[22]. This will further include adherence to all ERDF/ESF Publicity requirements and regulations and ensure all materials, communications (including emails and Social Media) plus marketing materials are branded in accordance with ERDF/ESF requirements. In addition, bidders will be required to retain documents in accordance with ERDF/ESF Document Retention Guidance[23]. Finally, this will also require bidders to report against both ERDF and ESF performance indicators (as specified later in this specification) and provide an audit trail of evidence to enable compliant claims[24] to be submitted.

2.18. The Service Delivery Contractor will be required to put in place systems that meet **DWP requirements** for Systematic Desktop Encryption or PGP software. This is necessary to ensure participant details for the Skills Brokerage Service can be submitted through a secure gateway to CPCA and for onward transmission to the DWP Managing Authority.

[22] https://www.gov.uk/government/publications/european-social-fund-eligibility-documents
[23] https://www.gov.uk/government/publications/european-social-fund-document-retention
[24] https://www.gov.uk/government/publications/european-social-fund-outputs-and-results

3. Summary of Intent for the Growth Coaching Service Line

The CPCA is seeking to deliver a service designed to engage our highest potential growth firms to better support them to accelerate their growth, increase their capacity and capability for growth, sustain their period within growth, or all three. The service will be delivered in each of our three sub-economies in a tailored manner to better spread growth more evenly across our total economy

The service to be tendered will be expected to **incorporate and transform the Growth Hub** from the current activity-based service, that typically engages firms at less than three hours of support and is measured only by the number of those engagements it makes. Instead, we wish to procure an outcome-based service capable of assessing the growth ambitions and barriers to growth success, of our most exciting 3,000 firms, diagnosing their needs for support and providing 1000 of them, with access to over £9m of growth coaching, productivity and export advice from the private sector to deliver the contractual outcomes of **£118m of GVA growth** and creation of **3,180 higher value jobs**, spread more evenly across our economy. A proportion of the total fee will be paid based on achievement of these outcomes. Based on a **CPCA contribution of £7,200,000** this procurement sets a benchmark of **£2,264 per job** for bidders to compete to beat.

Engagement with businesses requires a commercially focused and business credible service line delivery partner(s) to generate place-based growth, focused on the different needs of the three sub-economies within Cambridgeshire & Peterborough (see Appendix 1). This growth needs to be both more productive and international than current growth, as well as more inclusive, spreading prosperity. To achieve this, we propose that our procured partner(s) build a Growth Support Marketplace targeted at the places and firms that will have the most impact on inclusive growth across our economy. As part of a parallel procurement the CPCA will commission a **High Growth Observatory** to carry out a review of the current, but dispersed evidence base on the flags, characteristics and features within firms and their activities, that indicate the potential for high growth and scale-up. We will make this body of evidence available to the winning bidders, prior to commencement of the proposed service.

Based on this data and direct contact with firms, by the service line provider(s) during the contract period, the provider(s) is expected to profile key firms with growth potential. Provider(s) will target firms for support and engage them with a unique growth focused offer. They will diagnose barriers to growth in the firm's capacity to innovate, increase productivity and gain rapid and effective market access, going on to broker solutions to meet individual firm needs through defined packages of support to unlock productive and global growth opportunities. The proposed Growth Coaching Service Line, in the form of an RCT-Pilot, will retain the central role of the three current Growth Advisors, available as a free service for businesses across the CPCA area. Two of these advisors will be subject to TUPE. This will take the form of the telephone based and field staff, focused on engagement, diagnosis of need and brokering (EDB) to expert support, **providing the equivalent service to that currently provided by the Growth Hub**. The Growth Hub outcomes currently achieved, will in effect, be provided as a by-product of the EDB process upstream of the deeper and higher value growth coaching.

The Growth Hub outcomes currently achieved are as follows and it is expected that bidders will be able to show a significant increase in these, resulting from the larger resource being applied, relative to just three individuals currently employed. The Growth Hub outcomes for this small team are currently;

- 200 individuals that have received light touch triage, at less than 1 hour, including information and/or signposting support (excluding website traffic)

- 275 businesses receiving medium intensity support, at between 1 and 3 hours, including information, diagnostic and brokerage support.

- 25 businesses receiving high intensity support, at above 3 hours, including account management and specific growth advice directly provided by the Hub or partner organisation.

- 1 business event per month and 12,000 unique visitors to Growth Hub website

- 135 individuals who have been helped to start a business and 10 businesses referred to a mentoring programme (combined figure for ‘Medium’ and ‘High’ intensity interventions only)

- 65 businesses receiving ‘Medium’ and ‘High intensity’ support that, have the opportunity, ambition and greatest potential to grow (including Scale-Ups)

- 125 businesses referred to a skills or training programme (combined figure for ‘Medium’ and ‘High’ intensity interventions only)

- 55 businesses referred to a finance and/or funding programme (combined figure for ‘Medium’ and ‘High’ intensity interventions only)

- 6 businesses referred to an innovation and/or R&D programme (combined figure for ‘Medium’ and ‘High’ intensity interventions only).

- 17,300 combined employee numbers (FTE) of businesses receiving ‘High intensity’ support i.e. sustained support and using significant Growth Hub resource.

As part of the funding mix that the CPCA have created to finance this procurement, European Regional Development Funding (ERDF) has been used to part-finance the Growth Coaching Service. Hence, as outputs from the contracted service, leading to the outcomes already defined, bidders are expected to deliver and evidence the following as part of the ERDF project within the wider service, specifically:

- 900 enterprises receiving support
- 450 enterprises receiving grants
- 450 enterprises receiving non-financial support
- 90 new enterprises supported
- £3,000,000 of private investment matching ERDF grants
- 2520 new jobs in supported enterprises
- 1500 enterprises receiving Information, Diagnostic and Brokerage support

In delivering EDB, these staff will engage at least three times the firms taken into coaching services and provide them with the same broad advice and signposting services currently provided by phone to Growth Hub customers.
However, in addition, the key changes to the current Growth Hub Service will be:

- **Prospecting of high potential scale-ups** with the potential to increase productivity (measured in GVA/employee) and the volumes of exports in the towns and cities (especially outside Cambridge) in which the firms reside.

- **Positioning Growth Advisors as trusted and impartial brokers**, with a remit to help companies identify and overcome growth barriers, developing packages of advice and coaching for the business leaders, brokered to experts in the firms' sectors and markets to help them break down those barriers and better realise their full growth potential.

- **Focusing Growth Advisors' on 'only what government can do'**, by spending more time understanding needs, encouraging, informing & connecting firms to sources of commercial advice and support;

- **Developing long-term relationships** with the highest growth potential companies;

- **Leveraging the private sector advisory market** much more effectively through a pool of commercial exporting, business growth and productivity advisors and coaches, able to deliver deeper, broader and bespoke growth support services to each individual firm and its management team;

The provider(s) will be expected to recruit and train a cadre of Growth Advisors, all credible and experienced entrepreneurs in growing firms and able to gauge and rate other firms' ambition, capacity and capability for growth. These Growth Advisors will be expected to harness automated tools for diagnosing the key obstacles the supported firms will need to overcome, within and outside the company. They will then broker each firm to the best possible expert within the growth support marketplace, to coach the firm's leadership team through to growth success.

However, the service will also need to address the market failure in the commercial marketplace for professional services, coaching and advice to small firms. It is envisaged this will be done through a co-investment grant, to share with the supported firm, 50% of the costs of the coaching accessed, at point of purchase. Provider(s) will be expected to administer and provide to smaller firms, a Business Growth Grant, where it is needed to nudge them into taking up commercially available services from the private sector, which they would otherwise not normally use.

Provider(s) will be expected to build a private sector growth coaching marketplace including expertise such as exporting, business growth, change management, leadership and management skills and productivity. The service will concentrate high value, intensive support for start-ups, scale-ups and renaissance growers, and those with high potential to increase place-based growth and productivity. For instance, by growing businesses in specific towns that have higher value services, products and employment than the current average.

Growth Advisors will:

- Actively 'prospect' high potential companies and spend more time with them, understanding requirements better, giving support and advice and sourcing the services they need from the marketplace created;

- Provide a bespoke service tailored to the specific needs of our target growth locations, company segments and industry sectors, matched to their specific barriers to business growth, productivity growth and global market access.

- Provide a defined and distinctive Service Offer, broken out into coaching products covering all stages of the growth journey. Their role will be to draw on this collateral to fashion a bespoke programme of work for each customer individually, and then help businesses source support from the commercial marketplace for sector, market and growth coaching services.

The Service offer will embrace the four stages of the Business Change Cycle, namely:

- **Realisation:** Enabling businesses to understand their prospective capability for growth and performance and the opportunities to make changes to improve it. Before a business undertakes a change, it needs to acknowledge its current performance and identify an opportunity to enact a change and improve performance.

- **Assessment**: Appraising the cost, quality and value of change, and the business support to help deliver it, including assessing the costs and returns to the business of pursuing one option over another. Once a business has identified a change it wishes to make, it needs to assess its options, including being able to appraise the costs and returns to the business of pursuing one option over another.

- **Navigation:** Identifying the product or advice from the business support market. Where expertise is not held in house, or for new services or products they wish to incorporate into the business.

- **Embedding:** Developing the skills of managers and employees to implement and embed the change. Change must be embedded in order to realise the benefits, often requiring direction and backing from business managers and the appropriate training of staff to give them the confidence and skills to embrace new processes.

The firms supported will be encouraged to also "pass-on" the knowledge benefits they have received through the service, by offering free mentoring to at least five times as many firms as the Growth Service supports directly. These past customers, potentially branded as Growth Champions or Ambassadors will be encouraged, through the services and client management they receive, to provide free of charge leadership and management peer-to-peer mentoring. This peer to peer mentoring will integrate with the paid-for coaching from the advisory marketplace.

The envisaged staffing of this Service Line consists of:

- **A Service Director** with a successful track record in delivering growth coaching services at least of the volume of those proposed and achieving at least equivalent growth outcomes.

- **Growth Advisors** providing a free of charge “Engage, Diagnose & Broker Service to inspire and quantify growth ambitions, identify growth barriers and co-create a package of learning and coaching to overcome those barriers, brokering the firm to advisors to suit their needs.

- **Paid for expert coaches** accessed with the aid of a 50% co-investment grant to nudge firms to take up the advice; on growth strategies, access to growth finance, change management, organisational growth capacity building, new business development, business model, product and service innovation, operational productivity and new market entry and expansion advice.

    - This would be provided in the main, be a pool of independent commercial advisors, assembled and managed by the provider(s). This may include both individual (one-man-band) coaches and groups of coaches offered by strategic or preferred partners with specialist expertise. However, all will need to be OJEU procured onto a Framework, from which to be “pulled-down” as and when a match is found between them and a client.

    - Bidders for this Service Line are at liberty to propose commercial, efficacy or cost effectiveness benefits for additionally operating a team on “in-house” experts for a narrow range of commonly required advisory service lines for up to 1/3rd of clients.

- **Market analysts / lead generators** to provide a data driven lead generation service to the Growth Advisors, researching, identifying and making initial contact with potential high growth and scale-up firms in the area to generate appointments for the Growth Advisors.

- **Account Managers** to provide support services to the clients, ensuring that the selected coaches and advisors are delivering to the quality, time and value for money objectives, set out in the Growth Advisors “scope of support” produced for each client individually. These staff would also be responsible for administering the grants and collecting outcome data from customers. Additionally, Account managers will maintain ongoing contact with these clients to ensure they continue to be supported through other service lines.

The contracts for coaching will be based on standardised and mutually agreed terms between the coaches within the pool and the client firms, excluding either the CPCA or the bidders resulting from this procurement process, to protect both from liability of non-performance.

The Engage, Diagnose, Broker model is designed to open-up and grow private sector provision rather than regulate it or create a franchise or monopoly.

However, it is recognised that some guidance and oversight of the delivery of these services by third parties will be required, for example to ensure that providers in the pool have the capacity and skills to deliver the services diagnosed as the customers' need and that all coaches are aware of the overall proposition (based on the defined Service Lines) and can provide them in a consistent way. It is also important that clients are able to feedback satisfaction with services they have received from the brokered pool of coaches to inform future customer comparisons of the potential value for money of each coach within the pool.

In some cases, due to the complexity of the client's requirements and existing relationships held, it will be necessary to build Virtual Teams to ensure all interactions with these clients are properly coordinated. These Virtual Teams wixl comprise of Growth Service Personnel, Coaches brokered to these clients and other various Partners. This also includes adopting a practical approach relating to the client's existing relationships with local public sector colleagues and ensuring these colleagues are included in these Virtual Teams.

4. The Specification for the Growth Coaching Service Line

4.1. Bidders will be expected to demonstrate by sub-economy, how they will use their own resources to segment, target and filter **proactively engaged firms** into the sales pipeline as prospects to be engaged for entry into the growth ambition, capability, barriers and service needs diagnostic service. This should include reference to any credible data sources and/or networks used to acquire target firms and/or to analyse data to identify high-growth potential.

4.2. Additionally, and to complement bidder(s) resources and insight, the CPCA will commission the provision of a **High-Growth SME Observatory** (Growth Observatory) to carry out a review of the current, but dispersed evidence base on the flags, characteristics and features within firms and their activities, that indicate the potential within these businesses for high growth and scale-up. Bidders will be expected to demonstrate how they will utilise, add to, add value to and integrate the Growth Observatory activity and/or insight into delivery of the growth coaching service line.

4.3. **Direct links to referral partners** with potential high-growth customers that can act as a conduit of high-value prospects into the service will be important. Hence, bidders should explain how they will engage and convince such partners to support them and the service. These might include landlords, business angels, accountants, banks, lawyers, incubators, accelerators, technology centres, mentoring programmes such as Be the Business, universities, KTNs, ITAs, iUK etc.

4.4. Bidders will also be expected to demonstrate their approach to marketing and PR campaigns to generate market interest to segment and filter **reactively engaged firms** including how they will manage the quality of inward lead volumes and manage expectations and rejection from the pipeline. A strategy for handling rejected prospects should be made clear, along with how bidders will use adjacent mentoring and support programmes such as Be the Business to offer prospects as an alternative to coaching.

4.5. Bidders should demonstrate how both types of firms will be managed through the **complete customer acquisition process** using a flow diagram and a table/chart of activities. On the input side, this should include how bidders intend to use referral networks, and other alternative routes into the service. In process it should include the filters applied to each route and clear pathways from target identification, through prospect qualification, and AIDA conversion into a paying client or being signposted to other, external services.

4.6. The ultimate impact of a service such as this, is heavily related to the growth potential of the firms targeted, combined with the services success in convincing them that the service is able to tangibly add value to their prospects for growth. Hence, bidders will be expected to demonstrate the efficacy of their **sales process** and put forward a convincing and credible customer **value proposition** for this service line, in terms of how it meets the client's need or gives them access to a new or better opportunity for growth, through specific features that lead to measured benefits, backed up with evidence of the value derived by others.

4.7. A sales process and value proposition are only as good as the individual conveying it. Hence, bidders will be required to provide an example **profile of a Growth Advisor** in terms of business track record (credibility) growth coaching experience (capability) background and networks (capacity) and local knowledge (relevance).

4.8. It is important that firms are engaged into an intuitive, user friendly and value adding process to assess their growth ambition, realisable potential, the barriers they are likely to experience and the services most able to overcome them, without that process being overly complex, long or off-putting. Hence, bidders will be expected to demonstrate how they will develop or apply a proven and existing **diagnostics process**. The ability to engage multiple directors within the firm simultaneously and at low cost with on-line tools will be an advantage. So too will a process whereby Growth advisors might share and interpret data into insight with clients, giving them real added value in spotting previously unrecognised SWOT within their business.

4.9. The value, relevance and effectiveness of the **coaching themes and/or accompanying products** to be selected for each coaching journey and how these are combined, assembled and presented as a potential proposal for services will impact the speed and ease with which the service will achieve its client volume targets. Hence, bidders should be able to describe the range of coaching and accompanying offerings they are able to field. At minimum these should include; growth strategy development, business development, access to finance, product/service/value/business model innovation and leadership advice in the form of coaching, seminars and master-classes. To demonstrate a thorough understanding of the offerings, bidders should be able to produce a full **product specification for the top three of the coaching themes** they intend to offer.

4.10. Bidders will be expected to show how they can convert the diagnosed business SWOT, barriers to growth and needs into a **proposal for services**, that is succinct, insightful, convincing and demonstrative value for money. The ability to deliver this in a slick, time-saving automated manner will be an advantage.

4.11. The principle of the EDB based service is that all or most client service journeys are brokered to an independent set, or pool, of providers, with the Growth Advisor acting as a trusted and impartial advisor and advocate. Hence bidders will be expected to demonstrate how they will identify and acquire a relevant, capable and credible **pool of coaches** of sufficient scale across a range of coaching themes, sectors and markets. A means by which a balance can be struck between achieving a world-class standard in achieving high growth results and return on investment, leveraging the established capabilities in Greater Cambridge, and providing local experience from the three sub-economies would be a distinct advantage.

4.12. Bidders will also be expected to demonstrate the **process to match coaches** to the agreed proposal for services and are subsequently selected by the client who are free to choose the most suitable provider for their needs. If a client requires support with selection this may include a reliable and proven method of matching coach characteristics to specific elements of the proposal for services and communicating the contractual parameters and obligations of the relationships to both.

4.13. It is envisaged that the majority of sales will require the use of the “nudge” grant to overcome the market failure, prevalent amongst SMEs when accessing external advice. Hence, bidders will be expected to demonstrate an assured and proven capability in the use of **Account Managers to administer ERDF grants** to SMEs. This will include the provision of the necessary assurances relating to state aid, defrayment, eligible costs, customer satisfaction and coach deliverable output and economic outcome monitoring, also there is a requirement for an ERDF Output Audit trail to enable claims for ERDF Outputs.

4.14. Once in service, it is important for all clients to experience high quality and professional account management. Hence, bidders will be required to provide an example **profile of an Account Manager** in terms of relationship management track record (capability) and local knowledge (relevance).

4.15. In providing business support across an area, the CPCA recognises it is not the only public sector body providing and interested in economic development and support to local SMEs. This requires high quality and professional **Stakeholder Management**. Hence bidders should demonstrate how they will liaise with the CPCA's constituent councils, their agencies such as GCP, and other key stakeholders, to ensure they are kept informed of customer engagement in their geography, good news stories, and problems that might occur, ensuring all remain enthusiastic advocates of the Growth coaching Service Line. An appreciation and process to handle data sharing protocols that satisfy GDPR and an open culture for problem identification and resolution would be an advantage.

4.16. Growth coaching and the management of business growth services on behalf of government is a highly specialised activity and one which brings with it significant reputational risk for both the commissioning authority and the contractors. Hence, to protect both, provider(s) need not apply, that cannot demonstrate a **strong track record in delivery** of coaching and/or advice relating to international growth (Trade Advice), domestic growth (Growth Accelerators), growth of invested companies (Business Angel Networks) or growth of academic and technology spin-outs (Tech Accelerators). It is also imperative that bidders with such experience, can demonstrate impacts at or better than the value for money benchmark being used in this commission, of £2,264 per job.

5. Summary of Intent for the Inward Investment Service Line

The CPCA is seeking to create a new enhanced and much more nationally and internationally proactive Inward Investment Service, as a key element of the Growth Support Eco-System we propose in our Local Industrial Strategy. This will be a free of charge service to SMEs and offered commercially to large international investors to: "Attract, Develop, Deliver, Support and Secure Investment". We will focus on both overseas and UK companies who are in growth mode and are a strategic 'fit' with the Sector and Place offers that make up the CPCA proposition. A much smaller scale service already exists in the Peterborough area and the staff in this service will be subject to TUPE.

We will focus global capital investors on to our primary and most investable development opportunities; the **Cambridge Autonomous Metro (CAM)** and the new **University of Peterborough** into which we expect to attract **£100m and £25m respectively**; but concentrate the majority of our resource on attracting large and mid-sized firms to relocate in to our two core cities to deliver the contractual outcomes of **£45m of GVA growth** and creation of **1,200 higher value jobs**, spread more evenly across our economy. A proportion of the total fee will be paid based on achievement of these outcomes. Based on a **CPCA contribution of £3,600,000** this procurement sets a benchmark of **£3,000 per job** for bidders to compete to beat.

To achieve this investment, we need to develop globally recognised investment and relocation propositions to be as competitive as other key International, UK and European city-regions. Cambridge is already globally renowned as a breakthrough city for the innovation economy. However, we will build a proposition that has an instantly recognisable brand that is centered on its unique innovation and commercialisation strengths in sectors that are shaping our futures. We will develop this brand as a growth eco-system within which investors, national & international firms can thrive. This will position the wider C&P economy as a breakthrough region for the innovation economy, competing with locations across the UK and Europe for FDI.

As part of the funding mix that the CPCA have created to finance this procurement, European Regional Development Funding (ERDF) has been used to part-finance the Inward Investment Service. Hence, as outputs from the contracted service, leading to the outcomes already defined, bidders are expected to deliver and evidence the following as part of the ERDF project within the wider service, specifically:

- 125 enterprises receiving support
- 100 enterprises receiving non-financial support
- 25 new enterprises supported
- 325 new jobs in supported enterprises
- 15 enterprises supported to introduce new to the market products
- 495 receiving Information, Diagnostic and Brokerage support

The Inward Investment service will work together with the Department for International Trade, to develop and promote a strong brand for our two core cities that represent our unique proposition. It will set out how our individual industry clusters work together to create a whole that is significantly greater than the sum of its parts. This brand will also promote the area's quality of life offer, the diversity of towns and cities, and the opportunities for communities and businesses to locate here.

Developing an international brand will include:

- **Cambridge as a global-innovation-city**: We will develop the brand – home to the UK's highest concentration of research and innovation assets and a highly connected network of clusters in industries that are shaping the twenty first century. We will set out a strategy to project Cambridge as a *global-innovation-city* to rival Toronto, Tel Aviv and Singapore into markets across the world. Through this, we will funnel investment, accelerating export-led growth, and increasing Cambridge's global market share in key sectors.

- **Peterborough as a Government, financial professional services hub**. There is significant opportunity to increase higher value GVA and productivity growth in Peterborough, as a result of signaling improvements on the east coast rail line that will reduce journey times to from London to just 38 minutes and raise passenger volumes to 5 million per annum.

The headline main themes of the proposed service will include:

- **Prospecting of high potential inward investment opportunities** both existing companies invested into UK (but not necessarily in CPCA area), Global Growth companies, High Growth scale-ups and export led companies seeking EU/UK base. Landing these investments helps CPCA achieve place-based, productive and international growth.
- **Positioning Inward Investment Specialists as trusted and impartial experts** with a remit to help companies consider CPCA area for their location of UK investment, identify and develop packages of advice, direct support and solutions to land the companies investment and better realise their full growth potential.

- **more effectively account managing existing company investors** with a presence in CPCA and those already in UK/London with no presence in CPCA, understanding needs, encouraging, informing & connecting firms to sources of commercial advice and support to secure the investment;

The key activities and features of the new service will be:

- **Targeting:** A strategy for which type of CAM investor, focus on foreign firms opening a subsidiary company in the UK which will be particularly important after BREXIT, also firms seeking to relocate into the UK, or out of their current UK city, is most economically desirable with a targeted outreach programme to actively approach target companies

- **Lead Generation**: Prospecting of high potential inward investment opportunities both existing companies invested into UK (but not necessarily in CPCA area) and global companies seeking an EU or UK base.

- **Sector Specialisms**: Positioning Inward Investment Specialists as trusted and impartial experts with a remit to help companies consider CPCA area for their EU or UK location, identifying and developing packages of advice, direct support and solutions to land the companies and realise their full growth potential.

- **Strategic Account Management:** Account Managers spending more time with existing company investors with a presence in CPCA and those already in UK/London with no presence in CPCA. Understanding needs, encouraging, informing & connecting firms to sources of commercial advice and support to secure their investment. Developing longer-term relationships with the strategic target companies with the potential to invest much more.

- **Place Offer**: Leveraging the private sector advisory market much more effectively through Place based Specialists, like the Cambridge & Partners, able to deliver deeper, broader and bespoke Inward Investment support services to firms' and their management teams;

- **Excellent Client handling:** A sales process to capture and nurture all leads, building links to multiple individuals in target companies and managing them through evaluation/decision phases to investment commitment with a follow-up facilitation service to help companies install and get connected quickly.

- **Stakeholder Management:** Establishing a set of robust collaborative partnerships with all local Stakeholders to ensure all Inward Investment opportunities are handled appropriately, ensuring local expertise is used to maximise our chances of securing the new Inward Investment.

6. The Specification for the Inward Investment Service Line

6.1. Bidders will be expected to bring significant insight to the targeting and landing of both capital investors and FDI relocation investors. This should be demonstrated through bidders' approach and rationale for the design of the service, using both narrative and diagrams to illustrate a clear USPs.

6.2. Bidders able to show a pioneering and innovative approach, in combination with a depth of inward investment insight, commitment to local co-delivery and knowledge sharing will be attractive. However, key to success will be bidders' ability to back up their ideas with delivery credibility and track record, and the assurance of impact that stems from it.

6.3. Delivery credibility will be measured through evidence provided on:

6.3.1. Bidders' understanding of the UK and local FDI and Capital Investment markets.

6.3.2. Direct links to DIT Sector Teams, Investment Services Team (IST) or staff at key global market posts. Collaboration agreements with any of the current organisations providing the outsourced elements of DIT's inward investment activities, especially around lead generation.

6.3.3. Previous delivery track record on inward investment service contracts with similar delivery models and/or inward investment outcomes, in terms of quantity of firms engaged and the quality of the outcomes in terms of GVA and jobs (in absolute and per project).

6.3.4. Key personnel experience and track record in inward investment and international trade.

6.4. It is important that bidders are able to describe a strategic plan that demonstrates how they will apply their knowledge, skills and experience to deliver the Service outcomes. Especially in regard to:

6.4.1. Accessing the large volume of **FDI leads within the IST pipeline** of projects and ongoing accounts, describing how dialogue will be initiated with IST staff and those at Post to target projects, whilst complying with the DIT "UK First" policy.

6.4.2. Accessing **capital investors at Post** in key markets by securing DIT adoption of C&Ps two flagship investable assets as High Value Opportunities (HVOs) to be promoted at key Posts.

6.4.3. Generating **"own leads" for projects** regionally, nationally and/or globally, bearing in mind that less than 20% of UK inward investors are supported through DIT services and local partners may have greatest visibility of investor activity on-the-ground. Hence, bidders will need to demonstrate how they will build effective referral partnerships with the business support eco-system in Greater Cambridge, broader business networks, banks, professional services firms and local authority staff.

6.4.4. Conserving resources and maximising VFM through a "**Prioritisation Framework"** to focus resource on high value projects, that land:

6.4.4.1. Firms into Cambridge & South Cambs from multiple global locations with a focus on life sciences, digital, High value technologies and medical healthcare technologies.

6.4.4.2. Firms from Europe expanding their UK footprint into additional new or expanded sites such as Peterborough with a focus on those in the manufacturing professional services, media, digital and finance sectors.

6.4.4.3. Government Depts currently based in London into Peterborough using the new shorter train times into London and the new Station Quarter development as attractors.

6.4.4.4. Firms into the Fens from locations in adjacent regional economies with a focus on those in the agricultural, Agri-tech and food sectors

6.5. Excellence in investor experience is essential and bidders will be expected to demonstrate how they intend to manage **capital and FDI enquiries** using a clear process for enquiry management, establishing and recording investor requirements and moving investors onto a pathway of investment with full business support, both direct and through commercial partners. This should include a customer journey with defined touchpoints and a CRM for recording, assessing, categorising and qualifying leads into active projects.

6.6. To support conversion of FDI projects into landed investments, bidders should demonstrate their experience and capability for the production of **bespoke FDI Propositions** for client presentations, based on individual investor requirements, demonstrating how C&P best meets them through solutions with specific features that lead to measured benefits and clear differentiation from other UK and European locations.

6.7. To support conversion of Capital Investment projects into landed investments, bidders should demonstrate their experience and capability for the production of **bespoke Capital Investor Propositions** based on individual investor requirements for RoI and other key investor metrics.

6.8. Bidders should also demonstrate their approach to recruiting and developing a **sales team of Sector Specialists and Account Managers** through a programme of initial induction and on-going training informed by DIT's Investment Playbook and support from DIT. This should be complemented with local familiarisation training on C&P strategies, value propositions, sector propositions, place assets and investment. Sales team performance management systems should be evident, including regular personal performance with performance related measures and remuneration.

6.9. Key to landing investment, especially for relocation of firms into the economy, will be the ability to organise and deliver investor site and partner visits. Bidders will be expected to offer a **visit management service** for investors that covers face to face engagement with investors on location across the C&P area, with support in planning of itineraries and soft-landing support packages. Key to the cost effectiveness and quality of this service, will be the bidders' experience and expertise in engaging, enlisting **and mobilising local stakeholders** both public and private including intermediaries to provide investors with key inputs either remotely prior to the visit or when visiting.

6.10. **Support from professional services** to help firms to set up in C&P is an essential element of the service. This should include access to finance and investment, grant acquisition, planning advice, design and build advice, supply chain, market intelligence, market access and legal advice. To help in this regard, a **relocation grant** of between £10k and £25k will be provided to fund 50% of the costs of such support for smaller firms. However, bidders will be expected to demonstrate their approach to identifying and managing professional service partner pools, resolving investor needs quickly into a scope of support and making relevant introductions and referrals to professional services firms in a transparent manner, without unduly favouring one firm over another.

6.11. **Support from local Public Sector partners** will be an essential aspect of managing these opportunities, securing these tangible investments and then providing these investors with a soft landing into the region. Therefore, Bidders should outline their proposals for establishing a collaborative working approach with these local partners so their expertise is provided at the most appropriate junctions of the client journey.

6.12. As the largest proportion of UK inward investment in recent years has come from firms and investors already present in the UK, bidders will be expected to provide an aftercare service to new and existing investors in the economy and those adjacent to it with the potential to relocate into it. This should include a clear approach to **account management** and prioritising activity investment by client need and propensity/potential to invest further. bidders will also be expected to show how they will develop relationships with the highest potential accounts to build a full understanding of business goals, vision and objectives, growth strategies, operational and stakeholder requirements and opportunities for diversification, expansion or supply chain integration.

7. Summary of Intent for the Skills Brokerage Service Line

The CPCA is seeking to deliver a service able to create a dynamic Skills Marketplace across our economy and geography. This should take the form of a hybrid digital and face to face service that connects businesses, with skills providers, students and those retraining and upskilling talent. This will include access to funding for education and training, via the CPCA's Adult education budget and the use of a "virtual wallet" of Apprenticeship Levy funding facilitated by the bidders' and managed by the CPCA.

The CPCA is seeking a single sub-contractor for the delivery of the Skills Brokerage across the whole area, in order that accountability and performance is consistent and transparent.
That the delivery team should include only full-time staff who between them covers all of the CPCA area, working as one single integrated and flexible team. That this team should include three full time staff dedicated to the CEC element of the Skills Brokerage

The service will target support to create pathways for young people and adults retraining for new or enhanced careers, into STEM, adult education, T-levels, technical degrees and Apprenticeships. It will include employer outreach, schools' careers advice and work readiness support to provide greater employer and skills provider visibility of talent to support businesses with recruitment and training. Social media and android Apps are envisaged as being critical 21st century components of the service to help attract young people into key sectors by connecting them into a Digital Talent Portal at the heart of the intended Skills Marketplace.

The Skills Marketplace will be used to better harness the Apprenticeship Levy and Adult Education Budget to connect SMEs into wider value chains. Spreading funding more effectively across local sector-clusters through the creation of a Levy Pooling Mechanism. Skills and Talent Brokers will connect to the levy virtual wallet to support small and micro businesses currently unable to take on an Apprentice due to lack of funding, their size or specialist nature. These advisors will also work with large employers to gain commitments from them to pledge up to 25% of their unused levy into the virtual wallet for re-distribution to small firms and supply chains.

We will focus on key defined sectors and places across the economy, with a specific effort to reduce the low skills and education deprivation in the north and east of the area, that causes low productivity (GVA per employee per hour worked) and slows economic growth across the wider economy. We expect bidders to deliver a minimum level of outcomes of:

- **1,800 additional apprenticeship enrolments** above and beyond the volume naturally occurring without the presence of the skills brokerage and measured as the number of apprenticeships occurring in the 2018/19 academic year.

- **1,000 additional learning outcomes** including T-Level Industry placements, traineeships, graduate placements, employee upskilling and career retraining enrolments.

- **350 new jobs** resulting from the above enrolments generating **£6m of GVA growth**.

These PROVISIONAL outcome targets are in part, based on existing, and much less sophisticated and smaller scale services already provided in the CPCA area, the staff for which will be subject to TUPE. However, given the higher critical mass of resource offered (around 7 times the current contract values), the more sophisticated service design, the availability of the “virtual levy wallet” and the opportunity to engage more experienced and capable providers to complement local actors, it is expected consortia bidders will be able to offer significant improvements on these outcomes. A proportion of the total fee will be paid based on achievement of these outcomes. Based on a **CPCA contribution of £4,000,000** this procurement sets a MINIMUM benchmark of **£1,428 per additional enrolment** into the economy for bidders to compete to beat.
As part of the funding mix that the CPCA have created to finance this procurement, European Social Funding (ESF) has been used to part-finance the Skills Brokerage Service. Hence, as outputs from the contracted service, leading to the outcomes already defined, bidders are expected to deliver and evidence the following as part of the ESF project within the wider service, specifically; 276 SME’s engaged, 207 learner participants and 207 SME’s successfully completing projects.

Key features of the procured service will include:

- **A Digital Talent Portal,** available through PCs, MACs, tablets and mobile phone apps, that will support independent training providers (ITPs), schools, colleges, higher education, parents and residents to navigate effectively through the complex skills landscape and facilitate a better match of potential talent to firms’ skills needs and job vacancies. This will increase the number of people transitioning through the skills eco-system into Apprenticeships, Adult Education, Higher Education and employment.

- **Apprenticeship Standard & Levy System Specialists** trained to support levy paying employers to maximise the utilisation of their allocated levy funding by helping them design trailblazer apprenticeships to meet their needs or better exploit existing apprenticeship standards to meet their current and future training needs.

- **Skills & Talent Brokers** to work by phone and face-to-face between firms, schools, talent and skills providers to create and enable T-Level Industry placements, traineeships, apprenticeships, graduate placements, employee upskilling and career retraining opportunities.

- **A Levy Pooling Marketplace** working with Levy paying employers to pledge up to 25% of their levy funding allocations, matched and administered to SME’s currently unwilling to take on a first, or more apprentices due to lack of funding.

The Skills Brokerage Service will retain the current roles of three **Careers and Enterprise Company (CEC) Enterprise Coordinators,** all of which will be subject to TUPE. These Coordinators are available as a free service for schools and employers across the CPCA area. The CEC Enterprise Coordinator outcomes currently achieved, will in effect, be provided as a by-product of the new skills brokerage as part of its schools’ engagement to identify talent for brokering into apprenticeship and other vocational pathways. The contracted CEC outcomes currently being achieved are as follows and it is expected that bidders will be able to meet these as part of the larger resource being applied. The CEC outcomes for the current Enterprise Coordinators are through the following hierarchy;

1. Inputs
    a. Encounters with employers, with workplaces, with further and higher education
    b. Information about local jobs, how the curriculum connects to work
    c. A plan tailored to an individual's needs and supported by guidance

2. Outputs
    a. Personal Effectiveness self-belief, persistence, purpose
    b. Careers readiness and planning, information and help seeking work-readiness
    c. Employability skills imagination, problem solving, listening skills, sharing ideas, team work and leadership

3. Outcomes: Destinations
    a. NEETs Number of young people not in education, employment or training
    b. Destinations Project launching: what is a 'good destination'

Contractual performance metrics to be reported on monthly include:

1. All schools in area using the Compass tool and encouraged to reuse it regularly
2. All schools in area to have access to an Enterprise Adviser
3. All schools in area to achieve Gatsby Benchmark 5 and 6 above

4. Network Metrics
    a. Total Institutions in Area (Cambridgeshire and Peterborough)
    b. Total Institutions in each Enterprise Adviser Network (EAN)
    c. Total Institutions in EAN Matched with an employer
    d. Total Institutions in EAN Not Matched with an employer
    e. Total Institutions in EAN Close to Engaging with the programme
    f. Total Institutions not wanting to Engage with the programme
    g. Total number of matched institutions that have completed compass tool
    h. Total number of institutions that have completed compass tool

5. Gatsby Benchmark Five Performance Metrics – Must be min 50%
    a. Matched Institutions fully achieving Gatsby Benchmark Five
    b. % Matched Institutions fully achieving Gatsby Benchmark Five
    c. Target total institutions fully meeting Gatsby Benchmark Five
    d. Target % of total institutions fully meeting Gatsby Benchmark Five
    e. Variance of Institutions fully achieving Gatsby Benchmark Five

6. Gatsby Benchmark Six Performance Metrics – Must be min 45%
    a. Matched Institutions fully achieving Gatsby Benchmark Six
    b. % Matched Institutions fully achieving Gatsby Benchmark Six
    c. Target total institutions fully meeting Gatsby Benchmark Six
    d. Target % of total institutions fully meeting Gatsby Benchmark Six
    e. Variance of Institutions fully achieving Gatsby Benchmark Six

The Opportunity Area (Fenland and East Cambs) outcomes for the current Opportunity Area to be reported monthly include:

1. All schools[25] in area using the Compass tool and encouraged to reuse it regularly
2. All schools in area to have access to an Enterprise Adviser
3. All schools in area to achieve Gatsby Benchmark 5 and 6 above
4. Evidence of 16,000 employer encounters per year in schools in area
5. Recruitment of 10 Cornerstone Employers providing higher level support

The Skills Brokerage Service will also either sub-contract or deliver (involving TUPE transfer) the longer-term provision of the current pilot programme run by the Hampton Gardens School and Hampton College. This is a £100,000 per annum funded Careers Aspiration Pilot designed to increase the amount of young people entering Higher and Degree Apprenticeships who would not ordinarily take these routes.

For all learners aged 13-16 it is contracted to:

- Develop student confidence and resilience and personal skills
- Identify and support learners who could become NEET after 16
- Develop a supported and personalised learning pathway, with progression routes to local training/further study/local employment opportunities
- Optimise learners' progress from their starting points and support them to gain recognised qualifications at 16 and beyond

For all learners aged 13-19 it is contracted to:

- Raise the profile of Apprenticeships at all levels
- Promote STEM careers
- Develop cutting edge technical education provision, to complement the academic offer at the Trust's schools
- Build links with local employers, to further develop our work shadowing/ experience offer and establish progression routes to local traineeships / apprenticeships

Specific contractual outcomes and their transfer to the procured Skills Brokerage consortium will be the subject of negotiation with the designated preferred supplier(s) after completion of the procurement competition stage.

[2525] All schools to include SEND and Alternative Provision schools

8. The Specification for the Skills Brokerage Service Line

8.1. Bidders will be expected to demonstrate by sub-economy, how they will use their own resources to proactively segment, target and filter prospective **business clients** into the brokerage pipeline. This should include reference to any credible data sources and/or networks used to acquire target firms and/or to analyse data to identify their needs for new staff, staff retraining or upskilling, STEM based adult education, T-level placements, technical degrees or apprenticeships. Bidders should clearly differentiate pathways and customer journeys for large firms and SMEs separately.

8.2. Direct links to **business client referral partners** that can act as a conduit of business clients into the service will be important. Hence, bidders should explain how they will engage and convince such partners to support them and the service. These might include training providers and colleges, landlords, accountants and recruitment/HR consultants.

8.3. Bidders will be expected to demonstrate by sub-economy, how they will use their own resources to proactively segment, target and filter **prospective learners** into the brokerage pipeline. This should include reference to any credible data sources and/or networks used to acquire target learners and/or to analyse data to identify their attraction to, or need for, retraining or upskilling, STEM, adult education, T-level placements, technical degrees or apprenticeships. Bidders should clearly differentiate pathways and learner journeys for 16-18, 19-24 and 24 and above individuals, relating to the various training and education funding streams.

8.4. Enrolling more learners into apprenticeships with firms is unlikely to be sufficient to realise the sustainable upskilling and careers we aim to achieve. To realise their potential, and ensure learners are retained and nurtured as valuable members of staff, we will need to engage and enlist the support from more established members of staff that are suitably skilled to support the individual. Mentoring is the foundation of Vocational Learning and Apprenticeships. To underpin the delivery of new talent programmes, formal development of the skills required to become a Learning Mentor can be achieved by undertaking the **Learning Mentor Training** via an Apprenticeship. The role of the Learning Mentor is to support the development of their learner's knowledge, skills and behaviours throughout their learning programme. Learning Mentors need to have both up-to-date knowledge and skills in a specialist subject area, together with the generic skills necessary to support their learners. By offering practical, technical and pastoral support, learners will be motivated, engaged and aspirational and more likely to achieve their learning programme, thus building a strong talent pipeline, supporting retention and reducing recruitment costs. The CPCA will support this through the Levy Pooling Service.

8.5. Bidders are expected to describe how they might work with the CPCA to explore ways of using the Apprenticeship Levy and Adult Education Budget to fund the training of Mentors either as short burst courses or as a level 3 mentoring apprenticeship. Bidders will also be expected to describe how they will promote mentoring to all the employers they place apprentices into, and to employers' staff as a route to professional development, career promotion and potential promotion.

8.6. Direct links to **learner referral partners** that can act as a conduit of prospective learners into the service will be important. Hence, bidders should explain how they will engage and convince such partners to support them and the service. These might include schools, training providers and colleges, job centres and recruitment consultants.

8.7. Bidders will also be expected to demonstrate their approach to **marketing and PR** campaigns to generate market interest from both firms and learners including how they will manage the quality of inward lead volumes and manage expectations and rejection from the pipeline in order to optimise resource allocation onto those most likely to generate outcomes from the service.

8.8. Bidders should demonstrate how large and SME firms will be managed through the complete **business client acquisition process** using a flow diagram and a table/chart of activities and sales process metrics/objectives. On the input side, this should include how bidders intend to use referral networks, and other alternative routes into the service. In process, it should include the filters applied to each route and clear pathways from target identification, through prospect qualification, and AIDA conversion into a business client of the service or being signposted to other external services.

8.9. The ultimate impact of a service such as this, is heavily related to the increase it can facilitate in firms' use of training and education, combined with the services success in convincing them that this is able to tangibly add value to their business through reduced training costs, increased productivity, improved staff motivation and improved customer satisfaction. Hence, bidders will be expected to put forward a convincing and credible **business client value proposition** for the key segments. This will include:

8.9.1. **Larger firms** paying the apprenticeship levy, looking to better utilise it and potentially willing to donate 25% as a Levy Pledge to SMEs within and outside of their supply chains as part of the CPCA Levy Pooling.

8.9.2. **Growth firms** looking to expand their workforce and struggling to find and develop skills at a rate required to meet their needs. These could include firms willing to create individual or shared apprenticeship academies.

8.9.3. **Smaller firms** that are "time-poor" and previously unwilling or unable to take on placements, traineeships or apprentices, but could if the barriers to this were better understood and lowered.

8.10. Whilst the brokerage service will engage learners that are not directly linked to a potential employer, the main focus will be on those that are. Hence, the value, business relevance and effectiveness of the training and education topics, modes of delivery and funding route to be selected for each firms' skills development programme (no matter how small). How these are combined, assembled and presented as a potential proposal for skills development from (potentially) multiple ITPs and FE colleges, will impact the speed and ease with which the brokerage service will achieve its targets. Hence bidders are expected to demonstrate their approach, tools and techniques within their **sales process** to achieve this.

8.11. A sales process and value proposition are only as good as the individual conveying it. Hence, bidders will be required to provide an example **business focused Skills Broker profile** in terms of business sales track record (credibility) training/education sector experience (capability) background and networks (capacity) and local knowledge (relevance).

8.12. It is important that firms are engaged into an intuitive, user friendly and value adding process to assess their skills development needs, staff growth potential, training/education purchasing potential The barriers they currently and are likely to experience in expanding their use of training and education and the support and services most able to overcome them. However, this **needs diagnostic process** should not be overly complex, long or off-putting. Hence, bidders will be expected to demonstrate how they will develop or apply a proven and existing diagnostics & scoping process. The ability to engage multiple managers within the firm simultaneously and at low cost with on-line tools will be an advantage. So too, a process whereby Skills Brokers might share and interpret data into insight with clients, giving them real added value in spotting previously unrecognised SWOT within their workforce's current capability and potential skills development.

8.13. Demand from businesses for increased skills has to be matched with the supply of learners into the market. Hence it is equally important that bidders should demonstrate how prospective learners will be managed through the complete **learner acquisition process** using a flow diagram and a table/chart of activities and engagement/sales process metrics/objectives. On the input side, this should include how bidders intend to use referral networks, and other alternative routes into the service. In process, it should include the filters applied to each route and clear pathways from identification of individuals prospectively interested in the service, through prospect qualification, and AIDA conversion into a learner being placed into employment or education and training.

8.14. Generating supply of learners to meet an increased demand for new and improved skills from business, will rely on the service's success in convincing individuals that the learning pathway on offer is right for them, now and for the future. Hence, bidders will be expected to put forward a convincing and credible **learner value proposition** for the key segments of potential learners by age group, sector and place. Bidders should bear in mind that for service success, learner volumes into vocational pathways will need to significantly increase, requiring a "blue ocean" approach to identifying, engaging and convincing individuals that would currently be considered "non-customers"[26]. A proportion of the potential learners, currently denoted as "refusing customers" will be those in areas of deprivation, such as the Fens Opportunity area, with low educational attainment and generational aspiration. Hence, bidders will be expected to put forward specific solutions to increasing learner engagement in these places.

8.15. Success in enrolling large volumes of learners into vocational learning pathways, associated with employers or with FE colleges with progression to employment being deferred and/or indirect, will require informed, accurate, tailored and empathetic advice for the prospective learner. Hence bidders are expected to demonstrate their approach, tools and techniques within their **learner engagement and advisory process** to achieve this.

8.16. A learner engagement process is only as good as the individual delivering it. Hence, bidders will be required to provide an example **learner focused Skills Broker profile** in terms of careers advisory track record (credibility) training/education sector experience (capability) background and networks (capacity) and local knowledge (relevance).

8.17. The construct of the procured service is to:

8.17.1. Engage learners and businesses
8.17.2. Diagnose needs and benefits for both

[26] https://www.blueoceanstrategy.com/tools/three-tiers-of-noncustomers/

8.17.3. Scope a pathway for learners, or
8.17.4. Scope a skills development programme for employers
8.17.5. Broker both to a training and education provider

As such, this is a classic EDB feeder service to a wider and independent market of provision, in this case education and training from FE colleges and ITPs. Hence, bidders will be expected to demonstrate how they will identify and acquire a relevant, capable and credible **partnership of Colleges and ITPs** of sufficient scale across a range of skills and educational subjects and delivery models. Such partnerships will need to include existing CPCA flagship skills provision programmes such as the Health and Care Sector Work Academy operated by City College Peterborough.

8.18. Bidders will also be expected to demonstrate the process by which they will **match learners, employers and skills/education providers** to give all the benefits they seek. This should include a reliable and proven method of databasing providers and an automated method of matching learners to employer needs, employers to learner needs and both to skills/education providers.

8.19. It is envisaged that the majority of skills development programme sales (no matter how small) to business clients will require **the use of a financial "nudge"** in the form of levy funding, grants or learner loans. Hence, bidders will be expected to demonstrate how they will;

8.19.1. Fill and administer, in partnership with the CPCA, a virtual wallet of Apprenticeship Levy Funding.

8.19.2. Leverage and harness the CPCA's Adult Education Budget contracted out into the local FE colleges and 5 regional/ national ITPs

8.19.3. Provide advice on, and facilitate identification and access to learner loans

8.19.4. Support the CPCA in facilitating and co-designing with employers a local Retraining Scheme as part of the DfE National Retraining Scheme.

part of the Growth Service there is plan for provision of additional capital and revenue grants to be a part of the enabling toolkit for wider business growth.

A total of 240 grants over 3 years is anticipated to be issued between the Capital, equity, relocation and innovation grants

However, bidders are invited to make a value for money case for:

The administrators of the Capital Growth Investment Fund Grant, being allowed to also contribute funds to it, to a level matching the equity investment proportion of the fund contributed by the CPCA.

Increases to the total Investment Fund value through bidder contributions, as well as GVA growth and jobs outcomes resulting from all three of the above, beyond those set by the CPCA, will be taken into account in both the quality and pricing scoring for proposals.

Description & Purpose of <u>Growth Capital Investment Fund (Pot 1)</u>

Deriving from £9million from the Local Growth Deal, the grants break down into:

The provision of an enabling **Capital Growth Grant** to fund businesses, especially traditional firms to grow through organic expansion, paying for equipment expanded premises and new capabilities. Cambridgeshire and Peterborough companies have significant potential for growth and the grant scheme is part of the overall growth service provision designed to support the unlocking of this growth potential of its local businesses, offering grants of between £20,000 and £150,000 to support capital investment projects.

Equity investment into SME's or larger companies who require investment at the higher level over £150,000 up to £250,000 to provide working capital to fund growth projects which unlock growth in jobs or scale a company to secure more income generation and jobs.

Grants are available where businesses can demonstrate that the grant will support the provision of new jobs, productivity improvements, and are within the strategic growth sectors identified within the Local Industrial Strategy.

Target customers will be supported with services and the Capital Growth Grant that will be co-Investing in the costs of Business Growth where there is a clear plan, strong rationale and strategic fit with the Local Industrial Strategy, also job creation and GVA growth.

The nature of company type and the sectors within the 3 sub-economies of Greater Cambridge, Greater Peterborough and The Fens does vary, and the scheme will seek to work with the key local stakeholders public and private, private sector financial intermediaries to make sure the scheme is integrated with partners to leverage more Investment potential into companies.

The company identification, targeting and marketing of the scheme will be a function aligned with the delivery of all services lines provided within the overall Business Rebound & Growth Service and will form part of a suite of products which are tools to enable sustainable business growth and job/GVA creation across the Cambridgeshire and Peterborough area.

The scheme will primarily be aimed at SME's that employ less than 250 people, although for re-location support grant this may be flexed to accommodate company subsidiaries or UK entities which have a large parent owner.

The Growth Capital Investment Fund will help SMEs, grow through organic expansion, paying grants for equipment and expanded premises.

It will provide growth capital or grants that are not generally available from the private sector between £20k-£250k (Capital grants between £20k and £150k)

The only sectors which would not feature as a target for this scheme would be Agri-Tech/Agri-Food (served by an existing scheme) and Retail.

There is a requirement for approximately half the available funding under **Growth Capital Investment Fund (Pot 1)** to be invested as equity shares in SME's, or larger corporates up to £250k in exchange for a percentage shareholding within those businesses.

Therefore, the Growth Capital Investment Fund will also offer businesses the opportunity to apply for equity investment between £150k and £250k to address the lack of equity investment generally available at these levels in the marketplace (private sector equity finance often focusses on high-tech, IP based start-ups and much higher growth rates, typically favouring much higher value equity investments of at least £250k up to £2m and higher).

Conditions of the shareholding will include the agreed outputs around jobs, business growth or productivity improvements. The CPCA will not want to take a controlling shareholding position in any of the companies. Negotiation on the terms and legal arrangements will be required for each investment and support will need to be provided to facilitate this from a provider.

In summary, the **Growth Capital Investment Fund (Pot 1)** will consist of a mixed portfolio of lower level funding, down to £20,000 administered as a 50%-80% match-grant, and up to £250,000 administered as an equity investment.

The actual mix will be determined in negotiation with the successful bidder and through market engagement over the first year of the Growth Service. However, officers' initial forecast is that this will be around 50;50 between smaller grants and larger equity investments. Whilst the private sector angel investment market, concentrated in and around Cambridge in the life science and digital sectors, will meet the needs of some high-tech growth businesses, and bank borrowing will meet the needs of revenue-generating traditional growth firms, evidence shows that there is a substantial market failure at £20k to £250k, especially for the more traditional firms and those without sufficiently strong balance sheets.

It is this gap in the market that the **Growth Capital Investment Fund** seeks to fill.

Description & Purpose of Innovation & Relocation Grants (Pot 2)

A fund of £450,000 will be available (allocated by CPCA internally from local Enterprise Zone receipts) to enable Business Growth by using revenue grants to provide consultancy support in two ways:

R&D/Innovation Application Grants: to write R&D bids that secures more funding from the applicant from Innovation agencies nationally or globally,

Relocation Advice Grants: to provide funding support with project consultancy advice for companies' relocations, planning advice, project management advice.

R&D/Innovation Application Grants:

The CPCA wishes to procure services for the administration of grants to fund 50% of the cost of access to experts able to support in applications from SMEs and larger firms for R&D funding from UK and EU agencies for new product growth and increased productivity.

Provider(s) will therefore be expected to be able to source, or provide directly, competent R&D grant application experts and demonstrate a track record of success.

These Grants are envisioned to be provided in two forms:

A large project grant of up to £50k for 50% of the costs of applying for grants over £10m

A small project grant of up to £10k for 50% of the costs of applying for grants over £1m

The fund size and mix of these grants as a proportion of the initial £450,000 available, is to be proposed by the prospective provider(s) of the administration services based on return on investment related to funding successfully leveraged and the potential jobs and GVA growth resulting from the new product or process development and/or leveraged into attracting more and larger firms to the economy from elsewhere in the UK and overseas.

Relocation Advice Grants:

The CPCA also wishes to procure services for the administration of grants to fund 50% of the cost of access to experts who ultimately are able to support the creation of new build employment space by removing barriers to relocation, creating new inward investment and thus creating quality jobs.

This can include items such as costs relating to expert advice on planning applications, project management expertise or access to commercial partners and investors.

These Grants will fall into two categories:

A large project grant of up to £25k for 50% of the costs of advice relating to new employment space, with build costs of over £10m

A small project grant of up to £5k for 50% of the costs of advice relating to new employment space, with build costs of over £1m

For all Grants and investments, the following Phases of Administration apply:
Fund Set up – establishment of banking arrangements, forms and processes for the administration of the grant fund
Marketing – establishing the routes for advertising and marketing the opportunities for the grant fund across the 3 sub economies, ensuring targeting of SMEs
Establish evaluation panel – create a panel of representatives who will appraise the applications and ensure there are sufficient funds available and that projects are prioritised according to the outcomes and need
Receiving Applications – administrative support to receive applications, check for completeness
Reviewing Applications – Administrative support to check applications are complete and all associated documentation supporting the application is included
Financial due diligence check – carry out checks that the funds will be utilised correctly, the business is viable, the project is as described in the application, there is no potential for reputational damage and the project will deliver the outcomes set out
State aid check – that there has been independent legal advice sought by the applicant and the grant administer has checked this
Financial processes for payments and repayments – establish the routines for financially manging the grant payments, share-holding and repayment requirements
Legal agreements/contracts - develop shareholding agreements, grant agreements and potential loan agreement – ensure legal advice is in place to agree contracts with applicants
Audit arrangements – establish routine for financial audit of accounts

The Specification for the Grant & Equity Investment Service Line

Administration of the Grant Pots – The administration provision will require implementation of the necessary assurances relating to state aid, defrayment, eligible costs, customer satisfaction and coach deliverable output and economic outcome monitoring. There will be a requirement to demonstrate assured and proven capability in the use of Account Managers in administering LGF and ERDF grants to SMEs.

Marketing of the grants and equity investment fund – the grant and equity investment scheme will have to reach all across the CPCA area including its 3 sub-economies, this requires marketing campaigns and media leading to identifying opportunities whereby SMEs can be targeted, and enquiries/leads generated to maintain a pipeline of interest into the schemes. Operational experience to provide marketing and lead generation is required and demonstrable delivery experience of grant opportunities.

Financial Analysis and Due Diligence for the Grant and investment schemes – there is financial constraints associated with the capital funding meaning provision for checks and balances is a vital element when assessing the applications for funding. Due diligence is required on all grant applicants to ensure compliance with state aid and scheme eligibility of clients for each of the grant or investment schemes.

The process on all grants and investment includes the initial negotiation of terms and agreements, **investment tracking and performance management** plus finally investment portfolio management that includes potential exit of investments at key milestone point. There is a particular aspect of managing equity fund investment into private SME's or larger corporates which results in a shareholding portfolio for the CPCA of no less than £6m

The CPCA area has 3 sub-economies and it's critical that economic impact is delivered across all the 3 sub-economy areas. **Assessment of Applications** is vitally important to understand, analyse and measure the impact of grants and investments for each project.

Evaluations processes / scoring proposals will be a key assessment for all candidates applying for grants or investment and there will need to be provision of expertise to appraise applications based on criteria plus implementation of techniques to carry out appraisals in a fair and transparent manner.

Key to delivering the cost effectiveness and quality of this service, is a requirement to directly engage, enlist and mobilise local stakeholders both public and private including intermediaries to provide investors and grant applicants with key inputs either remotely prior to a meeting visit or directly to clients when meeting or visiting. This could be around **sectoral expertise and evaluation** of projects.

The grants will only be effectively deployed and drawn down for delivery of projects when strong **Relationship management of Applicants and their Management Teams** is fully conducted across the application process and afterwards when grants are being paid and projects delivered. This is a prerequisite for the service comprising account management with clients and potential clients, communicating effectively and in a timely manner to ensure funds are released and effectively invested for strongest outcomes and delivery of outputs.

The management process for the grant and investment element of the Growth Service requires high quality effective client communications, this will include very timely **Feedback to successful clients** to ensure successful application results in tangible outcomes and outputs.

The management process for the grant and investment element of the Growth Service requires high quality effective client communications, this will include very timely **Feedback to unsuccessful clients**, so where applications have not been successful the scheme applicants will need to be linked with the other services offered through the Growth Service and maximising the opportunities to cross sell coaching service or manage referrals to both internal and external service providers to meet the needs of the applicant organisations requiring funding and support

To ensure that there is a pipeline of applications and also to publicise the impact that the Grant and Investment schemes are having in the CPCA region there will be smart and focussed **Marketing of successful projects** and outcomes to demonstrate how the Growth service is delivering in terms of projects, how they have engaged with key individuals internal to the CPCA and external, providing strong **Management on PR and Comms** throughout the Growth service delivery.

Process handling applications through the grant schemes to decision point in agreed number of days through strong management is required, which will include the timely processing of the grant and decision making, a timeline for the end to end process will be implemented through **Client Service Levels** Agreements. This management of the Grants and Investment schemes will require strong leadership and a delivery team with high level of contract management experience, with the ability to identify service failures and implement improvement plans where required and keep under constant review.

The Grant and Investment schemes are a key component of the Growth Service providing enabling finance to the supported client companies to accelerate their growth plans. This growth impact across all the Grant and Investment schemes will have performance management processes and techniques built in to ensure strongest **Monitoring and measuring impact / outcomes** from evaluating multiple projects with multiple and diverse outcomes, through recognised monitoring and evaluation plans and processes.

The Grants and Investment provision carries some degree of risk when distributing across a diverse client base of applicants. To ensure that risk is managed sufficiently there will be systems to identify and manage risk associated with the grant and investment funding pots, with strong risk management plans for each pot that is fully understood across the service and management mitigations under constant review to ensure compliance of the schemes and **Managing Risk** is fully managed.

Appendix 7

Cash Flow

Table 1 - Year 1 Monthly Cashflow												
	Year 1											
Income	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
LGF Equity Investment	£ 5,407,000	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
CA Funding from Programmes	£ 223,000	£ -	£ 20,000	£ -	£ -	£ 20,000	£ 396,000	£ -	£ 20,000	£ 60,000	£ -	£ 20,000
ERDF Funding	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ 500,000	£ -	£ -	£ 400,000
ESF Funding	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ 200,000	£ -	£ -
LGF Investment Fund (Capital)	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£1,000,000	£ -	£ -	£1,000,000	£ -
LGF Investment Fund (Revenue)	£ -	£ -	£ -	£ -	£ -	£ 117,691	£ -	£ -	£ 27,692	£ -	£ -	£ 55,384
Total	**£ 5,630,000**	**£ -**	**£ 20,000**	**£ -**	**£ -**	**£ 137,691**	**£ 396,000**	**£1,000,000**	**£ 547,692**	**£ 260,000**	**£1,000,000**	**£ 475,384**
Expenditure	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Staffing	£ 21,225	£ 21,225	£ 21,225	£ 21,225	£ 21,225	£ 21,225	£ 21,641	£ 21,641	£ 21,641	£ 21,641	£ 21,641	£ 21,641
Administration	£ 26,095	£ 26,095	£ 26,095	£ 26,095	£ 26,095	£ 26,095	£ 9,919	£ 9,919	£ 9,919	£ 9,919	£ 9,919	£ 9,919
Capital Growth Fund Administration	£ 38,408	£ 38,407	£ 38,407	£ 18,295	£ 18,295	£ 18,295	£ 18,295	£ 18,295	£ 18,295	£ 18,295	£ 18,295	£ 18,295
Innovation & Relocation Grant Administration	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Capital Growth Grants	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£1,000,000	£ -	£ -	£1,000,000
Innovation & Relocation Grants	£ -	£ -	£ -	£ -	£ -	£ 117,691	£ -	£ -	£ 27,692	£ -	£ -	£ 55,384
Skills Brokerage Operational Budget	£ 112,331	£ 94,831	£ 240,298	£ 65,200	£ 65,800	£ 68,450	£ 70,800	£ 65,800	£ 65,800	£ 65,800	£ 61,100	£ 65,800
Inward Investment Service Budget	£ 151,080	£ 136,862	£ 95,826	£ 120,905	£ 118,487	£ 92,851	£ 85,474	£ 96,656	£ 83,019	£ 87,110	£ 71,674	£ 84,219
Growth Coaching Business Engagement Budget	£ 162,647	£ 46,701	£ 37,261	£ 29,759	£ 74,630	£ 74,630	£ 73,322	£ 73,326	£ 73,326	£ 72,671	£ 72,673	£ 72,673
ERDF Nudge Grants	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ 125,333	£ -	£ -	£ 176,000
Prime Contract	£ 107,159	£ 40,659	£ 32,209	£ 36,896	£ 44,396	£ 36,896	£ 36,896	£ 44,396	£ 36,896	£ 36,896	£ 43,446	£ 36,896
Total	**£ 618,945**	**£ 404,780**	**£ 491,321**	**£ 318,375**	**£ 368,928**	**£ 456,133**	**£ 316,347**	**£ 330,033**	**£1,461,922**	**£ 312,332**	**£ 298,748**	**£1,540,827**
Cashflow												
Opening Balance	£ -	£ 5,011,055	£ 4,606,275	£ 4,134,953	£ 3,816,578	£ 3,447,650	£3,129,208	£3,208,860	£3,878,827	£2,964,598	£2,912,266	£3,613,518
Total Income	£ 5,630,000	£ -	£ 20,000	£ -	£ -	£ 137,691	£ 396,000	£1,000,000	£ 547,692	£ 260,000	£1,000,000	£ 475,384
Total Expenditure	£ 618,945	£ 404,780	£ 491,321	£ 318,375	£ 368,928	£ 456,133	£ 316,347	£ 330,033	£1,461,922	£ 312,332	£ 298,748	£1,540,827
Closing Balance	£ 5,011,055	£ 4,606,275	£ 4,134,953	£ 3,816,578	£ 3,447,650	£ 3,129,208	£3,208,860	£3,878,827	£2,964,598	£2,912,266	£3,613,518	£2,548,074

Appendix 8

Decision Making Hierarchy

Type of decision/role	CPCA	Growth Co Board[27]	Programme Management Committee
Vary in any respect the Articles of any company or the rights attaching to any of its shares	Consent required	Recommendation	No role
Permit the registration (upon subscription or transfer) of any person as a member other than the Combined Authority in accordance with the terms of this Agreement and/or any permitted transferees	Consent required	No role	No role
increase the amount of its issued share capital except as provided in this Agreement, grant any option or other interest (in the form of convertible securities or in any other form) over or in its share capital, redeem or purchase any of its own shares or effect any other reorganisation of its share capital	Consent required	Recommendation	No role
issue any loan capital or enter into any commitment with any person with respect to the issue of any loan capital	Consent required	Recommendation	No role
entering into any Finance Documents[28]	Consent required	Recommendation	No role
make any borrowing other than under the Finance Documents[29]	Consent required	Recommendation	No role
apply for the listing or trading of any shares or debt securities on any stock exchange or market	Consent required	No role	No role
pass any resolution for its winding up or present any petition for its administration (unless it has become insolvent);	Consent required	Where a company has become insolvent, this	Recommendation

[27] This committee is proposed to be made up of three directors drawn from the GrowthCo board – see FBC Management Case for more details
[28] This is a suggested new consent matter – it is not included in the current Angle Holdings Shareholder Agreement
"[29] Finance Documents" is a broadly defined term, covering all sorts of borrowing arrangements by group companies

Type of decision/role	CPCA	Growth Co Board[27]	Programme Management Committee
		is a matter for that company's board	
engage in any business other than as contemplated by the Business Growth Service Full Business Case, Business Plan (as applicable) or set out in its objects (or as is incidental thereto) or defray any monies other than in good faith for the purposes of or in connection with the carrying on of such business	Consent required	Recommendation	Recommendation
provide grants and equity investments and acquiring related and associated shares in other companies as part of managing the Grant & Equity Investment Fund transferred from the CPCA to Growth Co to manage on its behalf	No role	Consent required	Recommendation
provide grants, equity investments or form any subsidiary or acquire shares in any other company or participate in any partnership or joint venture (incorporated or not) other than as contemplated by the Business Growth Service Full Business Case, Business Plan (as applicable) or set out in its objects (or as is incidental thereto)	Consent required	Recommendation	Recommendation
close down any business operation, or dispose of or dilute its interest in any of its Subsidiaries for the time being, or dispose of any material asset other than as contemplated by the Business Growth Service Full Business Case, Business Plan (as	Consent required	Recommendation	Recommendation

Type of decision/role	CPCA	Growth Co Board[27]	Programme Management Committee
applicable) or set out in its objects (or as is incidental thereto)			
declare or pay any dividend	Consent required	Recommendation	Recommendation
amalgamate or merge with any other company or business undertaking	Consent required	Recommendation	Recommendation
alter its name or registered office	Consent required	Recommendation	Recommendation
enter into any transaction or arrangement of any nature whatsoever (including, for the avoidance of doubt, a service contract) with any of its directors or any person who is connected (within the meaning of sections 1122 and 1123 of the Corporation Tax Act 2010) to any of its directors whether or not any other person shall be party to such transaction or arrangement	Consent required	Recommendation	Recommendation
enter into any arrangement, contract or transaction outside the normal course of its business or otherwise than on arm's length terms	Consent required	Recommendation	Recommendation
create or permit to be created any mortgage, charge, encumbrance or other security interest whatsoever on any material asset or its business in whole or in part or any of its shares other than: pursuant to the Finance Documents; liens arising in the ordinary course of business; or any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business; or	Consent required	Recommendation	Recommendation
adopt or amend its Business Plan (as applicable); or	Consent required	Recommendation	Recommendation

Type of decision/role	CPCA	Growth Co Board[27]	Programme Management Committee
change either: its statutory auditors; or its Financial Year end; or	Consent required	Recommendation	Recommendation
make or permit to be made any material change in the accounting policies and principles adopted in the preparation of its accounts except as may be required to ensure compliance with relevant accounting standards under the CA 2006 or any other generally accepted accounting principles in the United Kingdom; or	Consent required	Recommendation	Recommendation
make any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits) or grant any credit (other than in the normal course of trading) or give any guarantee (other than in the normal course of trading) or indemnity (other than in the normal course of trading); or	Consent required	Recommendation	Recommendation
give any guarantee, suretyship or indemnity to secure the liability of any person or assume the obligations of any person outside the scope of its Business Plan (as applicable); or	Consent required	Recommendation	Recommendation
factor or assign any of its book debts; or	Consent required	Recommendation	Recommendation
establish or amend any profit-sharing, share option, bonus or other incentive scheme of any nature for directors, officers or employees; or	Consent required	Recommendation	Recommendation
establish or amend any pension scheme or grant any pension rights to any director, officer, employee,	Consent required	Recommendation	Recommendation

Type of decision/role	CPCA	Growth Co Board[27]	Programme Management Committee
former director, officer or employee, or any member of any such person's family; or			
appoint or dismiss any Director, or enter into any service contract terms of appointment or other agreement with a Director	Consent required	No role	No role
agree to remunerate (by payment of salary, bonus, the provision of benefits-in-kind or otherwise) or to increase the remuneration of any Director	Consent required	Recommendation	Recommendation
agree to remunerate (by payment of salary, bonus, the provision of benefits-in-kind or otherwise) or to increase the remuneration of employee, officer or consultant where the annual aggregate amount of such remuneration (by payment of salary, bonus, the provision of benefits-in-kind or otherwise) would exceed £100,000	Consent required	Recommendation	Recommendation
institute, settle or compromise any material legal proceedings (other than debt recovery proceedings in the ordinary course of business or where the Value of such claim is reasonably believed to be less than £10,000 instituted or threatened against it or submit to arbitration or alternative dispute resolution any dispute if the effect of this is that its solvency may be imperilled, or it may require additional funding in order to undertake its Business Plan (as applicable);	Consent required	Recommendation	Recommendation
make any agreement with any revenue or tax authorities or make any claim, disclaimer, election	Consent required	Recommendation	Recommendation

Type of decision/role	CPCA	Growth Co Board[27]	Programme Management Committee
or consent for tax purposes if the effect of this is that its solvency may be imperilled, or it may require additional funding in order to undertake its Business Plan (as applicable);			
any variation, change, waiver or amendment to shareholders agreement.	Consent required	Recommendation	Recommendation
In relation to the Services Contract[30]:			
approving a change request	No role	Consent required	Recommendation
agreeing to a variation	No role	Consent required	Recommendation
agreeing to a waiver	No role	Consent required	Recommendation
launching a material claim/legal action (to extent not caught by item 0 above)	Consent required	Recommendation	Recommendation
conducting a dispute resolution process and agreeing to final decision	Consent required	Recommendation	Recommendation
taking investment decisions	No role	Consent required	Recommendation
Ensuring a sound system of internal control and risk management including: approving the company's risk appetite standards; receiving reports on, and reviewing the effectiveness, of the company's risk and control processes to support its strategy and objectives; approving procedures for the detection of fraud and prevention of bribery; undertaking an annual assessment of these processes;		Responsible for ensuring compliance	Day-to-day responsibility for implementation

[30] This is a reference to the Services Contract between GrowthCo and its private sector supplier. These consent matters are not considered in the existing Angle Holdings SHA.

Type of decision/role	CPCA	Growth Co Board[27]	Programme Management Committee
Approval of policies	May require certain CPCA policies to be adopted	To extent not required by CPCA, to consider what other policies may be appropriate and adopt them	Day-to-day implementation
Oversight of the responsibilities of senior management (inc Operational Committee)		Responsible	No role