SKILLS COMMITTEE

Date:Monday, 14 September 2020

Democratic Services

Robert Parkin Dip. LG.
Chief Legal Officer and Monitoring Officer

72 Market Street
Ely
Cambridgeshire
CB7 4LS

<u>10:00 AM</u>

Due to Government guidance on social-distancing and the Covid-19 virus it will not be possible to hold physical meetings of the Combined Authority Board and the Combined Authority's Executive Committees for the time being. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 allow formal local government meetings to be held on a virtual basis, without elected members being physically present together in the same place. Meetings will therefore be held on a virtual basis and the procedure is set out in the "Procedure for Combined Authority Virtual Decision-Making" which can be viewed at the foot of the meeting page under the "Meeting Documents" heading. That document also contains a link which will allow members of the public and press to attend the virtual meetings.
[Venue Address]

AGENDA

Open to Public and Press

Part 1: Governance Items

Part 4 : Date of next meeting

9 November 2020

The Skills Committee comprises the following members:

Councillor John Holdich

Councillor David Ambrose-Smith

Councillor Mike Davey

Councillor Lis Every

Councillor Jon Neish

Cllr Chris Seaton

Councillor Eileen Wilson

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Tamar Oviatt-Ham

Clerk Telephone: 01223 715668

Clerk Email: Tamar.Oviatt-Ham@cambridgeshire.gov.uk

The Combined Authority is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens.

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY
SKILLS COMMITTEE: MINUTES

Date: Monday 6 July 2020

Time: 14:00pm to 15:20pm

Present: Councillors John Holdich (Chairman), David Ambrose-Smith, Mike Davey, Lis Every, Jon Neish, Chris Seaton and Eileen Wilson.

Apologies: None

73. APOLOGIES AND DECLARATIONS OF INTERESTS

No apologies received.

Councillor Chris Seaton declared an interest as his wife worked at the College for West Anglia in the Apprenticeships Division.

The Chairman proposed to remove item 2.3 Skills Brokerage Contract Extension Report from the agenda. He explained that given the contract expiry date of 30 June 2020, it would not have been reasonable to await the outcome of the meeting for a decision to be made on this item. He explained that this matter was dealt with via an officer decision and notice of that decision would be published on the Combined Authority website. He clarified that decisions relating to contracts of this value fell within the delegated authority of the Director of Business and Skills.

74. MINUTES – 27 APRIL 2020

The minutes of the meeting held on 27 April 2020 were agreed as a correct record and will be signed by the Chairman when next possible.

75. PUBLIC QUESTIONS

Four questions were received from the Overview and Scrutiny Committee. The Chairman explained that the questions would be addressed at the relevant item on the agenda.

76. SKILLS COMMITTEE AGENDA PLAN

The agenda plan was noted.

77. COMBINED AUTHORITY FORWARD PLAN

The Combined Authority Forward Plan was noted.

78. UNIVERSITY OF PETERBOROUGH – FINAL BUSINESS CASE – PHASE 1

The Committee received a report providing them with the information required to make recommendations to the Combined Authority Board to approve and agree the Full Business Case (FBC) for the University of Peterborough incorporating the legal documentation, financial investment and Higher Education Partner Award.

The Chairman explained that the report and appendices for this item were not available for Members on the publication date of 26 June 2020 and that with his agreement, the report and appendices were published as late reports, once available, which was on Monday 29 June 2020.

The Committee received a question from the Overview and Scrutiny Committee on this report and the written response was read out and can be found at appendix 1 of the minutes.

Introducing the report officers explained that the launch of the Higher Education Partner would be on the 14 July. The Director of Business and Skills explained that due to COVID-19 Mace and the selected Higher Education Delivery Partner had spent six-eight weeks reworking the business model to ensure that it was stress tested for post COVID. He explained that page 62 of the FBC explained this work in more detail. He explained that the selected Higher Education Delivery Partner was in the best place to withstand the post COVID impacts. He clarified that they currently only received 5% of their income from international students and the majority of their courses were based on remote working and blended learning systems with only 25% of students on campus at any one time

In discussing the report :

- A Member queried whether the stress testing had been robust enough. Officers explained that a lot of work had gone into stress testing the business model for post COVID over the past few months. They clarified that as the model was already based on digitalisation it was ahead of the curve and forward thinking.

- A Member commented on the recruitment programme relying on local people and questioned how the recruitment of young people from years 9, 10 and 11 who would have a difficult time catching up post COVID would be managed. She also commented that apprenticeships were in a state of flux and queried how the recruitment could be widened. Officers explained that the successful Higher Education Delivery Partner had just launched the 'Access to Higher Education' Diploma and were strong in widening participation and social mobility and were leaders in the East of England with strong outreach programmes.

- A Member queried when the University would get the go ahead from the Office of Students. She highlighted that many universities were currently in difficulty due to COVID and that the Higher Education Partner was putting a substantial amount of money into the start-up costs. Officers explained that the Office for Students were very excited about the proposed model for the University of Peterborough and from the feedback that had been received they are happy to endorse the University. Officers clarified that there would be an independent review of the University in 2028. The Director for Business and Skills commented that the Office for Students were very interested in the proposed model and that it was envisaged that there would be a number of mergers amongst Universities post COVID. He explained that the proposed Higher

Education Partner already had three campuses and already had degree awarding powers.

- A Member queried who would be scrutinising the transactional contracts and questioned how the contracts would be monitored. Officers clarified that there had been six to nine months of work put into the transactional contracts working directly with the Higher Education Partner. The Director of Business and Skills explained that the Business Board had requested stress testing of the contracts for post COVID and that the Overview and Scrutiny Committee had requested to see the documents at their September Committee. He clarified that the documents would be signed in August but that this Committee would also have sight of the documents at its September meeting and as the Combined Authority was by far the majority shareholder there would be some flexibilities for renegotiations if needed. He confirmed that a report would be added to the September Skills Committee agenda. **ACTION**

- A Member queried the geography and distance the authority had been looking to work with Businesses to attract their support. The Director of Business and Skills commented that 12.5% of the funding of the University had come from the Business Board and that the Higher Education Partner was a top University for Business Engagement and number one for Business Apprenticeships in the country.

- A Member questioned whether the University would have its own identity. The Director of Business and Skills explained that for the first six –seven years it had the early year benefits of an established player. He clarified that when this was reviewed to establish if an independent University should be established this would need to be balanced against being independent or loosing intellectual property right. He explained however that there was a possibility that the Higher Education Partner could still remain involved and the University could have its own identity.

It was resolved unanimously to recommend to the Combined Authority Board to:

(a) Approve and adopt of the Full Business Case to mobilise the creation of Phase 1 of the new University of Peterborough project.

(b) Delegate authority to the Director of Business and Skills, in consultation with the Lead Member for Economic Growth, the Monitoring Officer and the Chief Financial Officer (Section 73), to develop the following key documents for the SPJV:

(1) Prop Co Articles of Association.

(2) Collaboration Agreement.

(3) CPCA Services Agreement.

(4) Shareholder's agreement

79. CAREERS AND ENTERPRISE COMPANY - ANNUAL REVIEW

The Committee considered a report that provided an annual review update on the decision made by the Combined Authority Board on the 29 May 2019, to retain the Careers and Enterprise Company (CEC) contract that was due to be terminated on 31 March 2019.

The Committee received a question from the Overview and Scrutiny Committee on this report and the written response was read out and can be found at appendix 1 of the minutes.

In discussing the report;

- A Member expressed her concerns about what would happen next and when the Committee would have an update. Officers explained that they had monthly contract meetings with the CEC Regional Lead and that they had been using the lockdown period when schools were closed to ensure SEND training was in place and putting plans in place for the future. Officers agreed to come back to Committee with an update following the start of the next academic year. **ACTION**

- A Member queried whether there had been any benchmarking against any similar authorities regarding performance as some of the percentages in the report were of concern, particularly in relation to 43.24% saying that there were no Encounters with Employees and 20% having no personal guidance. Officers explained that there were a number of reasons why the authority was behind in the benchmarking which included the contract being paused with only one advisor and that the authority had done well to catch up and was meeting monthly targets. Officers clarified that Fenland and East Cambridgeshire were one of the higher performing areas. Officers explained that many schools could not afford advisors or the job was being done as an add on. Officers explained that they were working closely with the data team to look at growth sectors in order to plan for the future. Officers clarified that research had been carried out pre COVID on Careers Guidance and this was due to be presented to Senior Officers in the next few weeks. Officers explained that following this meeting they would circulate the findings to the Committee. **ACTION**

- A Member highlighted that Huntingdonshire had not been mentioned in the reporting and that he would like to see the data drilled down by area. Officers explained that they did have the data by school but that they would need to seek the permission of schools to share the data with the Committee. **ACTION.** Officers clarified that they were working actively with all of the district economic development teams on the talent portal and retraining scheme.

- A Member queried whether there were other partners that could take on this partnership. The Director of Business and Skills explained that the authority was in tender at the moment and had some very exciting bids to consider.

It was resolved unanimously to:

(a) Note the Annual Review applicable to the decision by the Combined Authority Board on 29th May 2019, to retain the Careers and Enterprise Company (CEC) contract a year on.

(b) Note the update on the decision made on the management and delivery of the Careers and Enterprise Company contract, on 29th May 2019.

(c) Recommend the Annual Review report to the Combined Authority Board.

80. SKILLS BROKERAGE CONTRACT EXTENSION

This report was withdrawn from the agenda

81. INTEGRATED BUSINESS & SKILLS INSIGHT EVALUATION PROGRAMME

The Committee received a report that proposed to consolidate all Business and Skills activities to provide;

(a) Economic, sector and place insight to inform the focus of current and future programmes, and
(b) Monitoring and evaluation of the efficacy of current and past projects to inform the selection of the most effective intervention types for that focus

This consolidation would integrate currently separate activities as below to create an Integrated Business & Skills Insight & Evaluation Programme:

(a) The current COVID-19 Impact Survey (co-funded with GCP)
(b) The planned COVID-19 Impact Econometric Assessment
(c) The planned COVID-19 refresh of the LIS, Skills and Sector Strategies
(d) The planned Growth Observatory to identify clients for Growth Service
(e) The ongoing skills market insight for workforce skills and adult education

The report recommended resourcing the commissioning exercise through existing MTFP budgets and sought authorisation for this.

It was resolved unanimously to:

1. Approve the Integrated Business & Skills Insight & Evaluation Programme and the commissioning of the programme;

2. Recommend the Combined Authority Board approve the consolidation of the SME Observatory budget and the LGF Top Slice and BEIS Support Funding as detailed in Table 1, to resource the commissioning:

3. Recommend the Combined Authority Board approve the consolidation of the AEB Programme costs, National Retraining scheme and Apprenticeships as detailed in Table 2, to resource the commissioning.

82. CORPORATE GOVERNANCE FOR GROWTH COMPANY

The Committee received a report that sought approval of the corporate governance arrangements for the Growth Company (Growth Co).

In discussing the report:

- A Member explained that they did not know what Angle Holdings was until they got right to the end of the report and that this should be explained upfront.

- A Member questioned how confident officers were that they would receive the relevant EU funding. The Director of Business and Skills explained that he was very confident that the authority would receive the funding. He clarified that the ESF funding had already been confirmed and that the EDRF funding had been held up by COVID but that the proposal had now been re-evaluated and they expected confirmation of the funding in the next two weeks. He explained that the treasury had already underwritten the funding and that it would not be affected by the EU exit and that he was comfortable that the contracts would be in place within the next couple of months.

- A Member explained that the membership of the Board would have been useful to see in the report and more detail in relation to the Business Case. The Deputy Monitoring Officer clarified that Brian Hyland and Jon Alsop would sit on the Board with and Independent person yet to be appointed. She explained that the Committee would receive further details when they were available. **ACTION**

It was resolved by majority to recommend that the Combined Authority Board:

(a) approve the business case in Appendix 1

(b) approve the business plan in Appendix 2

(c) approve the composition of Growth co Board of Directors to include an independent director

(d) delegate authority to the Director of Business and Skills to approve the appointment of the Independent Director for the Growth Co, following an open and transparent recruitment process

(e) Delegate authority to the Director of Business and Skills, in consultation with the Lead Member for Economic Growth, the Section 73 and the Monitoring Officer, to develop the necessary legal documentation for the Growth Co.

(f) Approve the execution of the deed adherence and accession, contained within the shareholder agreement for Angle Holdings Ltd.

83. EMPLOYMENT AND SKILLS BOARD UPDATE

The Committee received a report that gave an update on the progress of the Employment & Skills Board (ESB) and advised on the appointment of a new Chair and members of the ESB

It was resolved unanimously to:

(a) note the updates from the Employment & Skills Board

(b) note the appointment of a new Chair and Board members

84. BUDGET AND PERFORMANCE REPORT

The Committee received a report that provided the May budget and performance monitoring for the Business and Skills Directorate.

It was resolved unanimously to:

(a) Note the May budget and performance monitoring update.

85. DATE OF THE NEXT MEETING

The date of the next meeting was noted as 14 September 2020.

Chairman

Skills Committee Action Sheet 6 July 2020

Date	Minute Ref	Report Title	Action	Delegated officer	Status	Date completed
06.07.20	78.	**UNIVERSITY OF PETERBOROUGH – FINAL BUSINESS CASE – PHASE 1**	The Director of Business and Skills explained that the Business Board had requested stress testing of the contracts for post COVID and that the Overview and Scrutiny Committee had requested to see the documents at their September Committee. He clarified that the documents would be signed in August but that this Committee would also have sight of the documents at its September meeting and as the Combined Authority was by far the majority shareholder there would be some flexibilities for renegotiations if needed. He confirmed that a report would be added to the September Skills Committee agenda.	Kim Cooke	On agenda for September Committee	02/09/20
06.07.20	79.	**CAREERS AND ENTERPRISE COMPANY - ANNUAL REVIEW**	Officers agreed to come back to Committee with an update following the start of the next academic year.	Fiona McGonigle	This will be a later Skills Committee, due to the Growth Service launching in October and some team returning from Furlough after October. They have not had time to mobilise the contract effectively in areas. Perhaps a January committee	In Progress
06.07.20	79.	**CAREERS AND ENTERPRISE COMPANY - ANNUAL REVIEW**	Officers clarified that research had been carried out pre COVID on Careers Guidance and this was due to be presented to Senior Officers in the next few weeks. Officers explained that following this meeting they would circulate the findings to the Committee	Fiona McGonigle	Link below to circulate. https://www.rand.org/pubs/research_reports/RR4491.html.	02/09/20
06.07.20	79.	**CAREERS AND ENTERPRISE**	A Member highlighted that Huntingdonshire had not been mentioned in the reporting and	Fiona McGonigle	Once the schools return from summer recess, this can be actioned in gaining permission	In Progress

		COMPANY - ANNUAL REVIEW	that he would like to see the data drilled down by area. Officers explained that they did have the data by school but that they would need to seek the permission of schools to share the data with the Committee		from schools. The data that is carried out is a self-assessment carried out by the school and is a reflection of where they think they are. Some schools over compensate, whilst others under estimate. Hence the disparity in some schools.	
06.07.20	82.	**CORPORATE GOVERNANCE FOR GROWTH COMPANY**	A Member explained that the membership of the Board would have been useful to see in the report and more detail in relation to the Business Case. The Deputy Monitoring Officer clarified that Brian Hyland and Jon Alsop would sit on the Board with and Independent person yet to be appointed. She explained that the Committee would receive further details when they were available.	Rochelle White	TBC	In Progress

SKILLS COMMITTEE AGENDA PLAN	Updated 4 September 2020	CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY | JAMES PALMER CAMBRIDGESHIRE & PETERBOROUGH MAYOR

Notes

Committee dates shown in bold are confirmed.
Committee dates shown in italics are TBC.

The definition of a key decision is set out in the Combined Authorities Constitution in Chapter 6 – Transparency Rules, Forward Plan and Key Decisions, Point 11 http://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/CPCA-Constitution-.pdf

* indicates items expected to be recommended for determination by Combined Authority Board
\+ indicates items expected to be confidential, which would exclude the press and public.

Draft reports are due with the Democratic Services Officer by 10.00 a.m. eight clear working days before the meeting.
The agenda dispatch date is five clear working days before the meeting.

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log
- Agenda Plan
- Budget and Performance Report
- Employment and Skills Board Update

Committee date	Agenda item	Lead officer	Report to CA Board for decision	Reference if key decision	Deadline for reports	Agenda despatch date
14/09/20	Adult Education Budget Innovation Fund and Top Slice	Francis Lawlor	No	N/A	**27/08/20**	**04/09/20**
	Business Growth Service Financial Business Case	John T Hill	Yes	N/A		
	Skills Strategy Delivery Plans Update	Kim Cooke	No	N/A		

Committee date	Agenda item	Lead officer	Report to CA Board for decision	Reference if key decision	Deadline for reports	Agenda despatch date
	Covid-19 Evidence Base & Insight Report	John T Hill/Alan Downton	Yes	N/A		
	Covid-19 Economic Recovery Strategy	John T Hill/Alan Downton	Yes	N/A		
	University of Peterborough – Phase 2 Update	Kim Cooke	No	N/A		
	Sector-based work academy and High Value Courses	Fiona McGonigle	Yes	N/A		
09/11/20	University of Peterborough – Phase 3 Funding Strategies for further phases of the University of Peterborough	Kim Cooke	Yes	N/A	**22/10/20**	**30/10/20**
	AEB Annual Review	Francis Lawlor	Yes	N/A		
	Retraining Scheme	Fiona McGonigle	No	N/A		
	Business Growth Service Mobilisation Update	Brian Hyland	No	N/A		
	Insight & Evaluation Programme – LIS and strategy refresh	Alan Downton	No	N/A		
11/01/21					**14/12/20**	**22/12/20**
15/03/21					**25/02/21**	**05/03/21**
28/04/21					**09/04/21**	**20/04/21**

To be programmed:

SKILLS COMMITTEE	AGENDA ITEM No: 2.1
14 SEPTEMBER 2020	PUBLIC REPORT

BUSINESS GROWTH SERVICE – FULL BUSINESS CASE

1.0 PURPOSE

1.1. Following the approval and endorsement of the Outline Business Case for the Business Growth Service in November 2019 and the conditions set as for approval of a subsequent Full Business Case, one has been produced reflecting the progress made in the design and development of the Service, in collaboration with bidders to deliver it, and taking into account the impacts of COVID 19 and the related Local Economic Recovery Strategy.

1.2. This report to the Skills Committee provides the information required to make recommendations to the Combined Authority Board to approve the FBC including delegation to award the contract to deliver it.

DECISION REQUIRED	
Lead Member:	**Councillor John Holdich**
Lead Director & Officer:	**John T Hill - Director of Business and Skills**
Forward Plan Ref: N/A	**Key Decision: No**

The Skills Committee is invited to recommend the Combined Authority:

(a) Approve and adopt the Full Business Case to mobilise the delivery of the Business Growth Service

(b) Agree that the conditions for FBC approval set at OBC have been met, specifically:

a. Confirmation of EU funding, and the conditions set out in item 4.2 for contracting only upon further correspondence from MHCLG.

b. Appointment of delivery partner

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

d. Contact / Involvement of HMRC to upskill Growth Hub staff

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

f. Submission of an independent state aid report covering:

   i. ESF and ERDF application and utilisation;
   ii. allocation of £2.335m of the authority's revenue budget to Growth Service Management Company Ltd;
   iii. Management of Capital Growth Fund

g. Submission of Sustainability and Environmental policy for the Growth Service Management Company Ltd

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

(c) Agree that additional conditions, to be considered post-COVID 19, have been met, specifically:

a. That the Service has been appropriately adapted to support the Local COVID 19 Economic Recovery Strategy

b. That the impacts of COVID 19 on contributing funding from Enterprise Zone, business rates receipts, have been appropriately considered.

(d) Delegate authority to the Director of Business and Skills, in consultation with the Lead Member for Economic Growth, the Monitoring Officer and the Chief Financial Officer (Section 73), to contract the preferred bidder to commence the Service during October 2020.

2.0 BACKGROUND

2.1 The key messages from the Cambridgeshire & Peterborough Independent Economic Review (CPIER) that have informed our Local Industrial Strategy (LIS), and driven the need for more inclusive, and knowledge intensive, jobs growth is summarised through the LIS' three main goals:

- *To improve the long-term capacity for growth in Greater Cambridge to support the expansion of this innovation powerhouse and, crucially, reduce the risk of any stalling in the long-term high growth rates that have been enjoyed for several decades.*

- *To increase sustainability and broaden the base of local economic growth, by identifying opportunities for high growth companies to accelerate business growth where there is greater absorptive capacity, beyond the current bottlenecks to growth in Greater Cambridge.*

- *To do this by expanding and building upon the clusters and networks that have enabled Cambridge to become a global leader in innovative growth, creating an economy-wide business support eco-system to promote business inclusive growth*

2.2. The policy response set out in LIS to meet these goals, 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 that 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.

2.3. The programme design response to the impact of COVID 19 and the development of a Local Economic Recovery Strategy, has been to adapt the originally designed Service to create a modified Business *Rebound &* Growth Service that will 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.

3.0 THE BUSINESS GROWTH SERVICE

3.1. The Service will provide:

- 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.

- 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.

- **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.**

- 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.

3.2. By integrating all these services into one single-front-door 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.

4.0 CONDITIONS FOR SIGN OFF SET AT OBC

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

4.2 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:

    4.1..1. 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.

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

4.1..3. 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 Skills Committee and CA Board in January 2021 for approval of a scaled-down service.

4.3 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.

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

- Appendix 7 provides the cashflow for the expenditure of the Growth Service over the three years to October 2023.

4.5 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.

4.6 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.

4.7 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

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

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

4.9 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.

5.0 ADDITIONAL CONDITIONS TO BE CONSIDERED POST-COVID 19

5.1. That the Service has been appropriately adapted to support the Local COVID 19 Economic recovery Strategy.

5.2. The adaptions made to the Service in response to the impact of COVID 19 and the development of a Local Economic Recovery Strategy, include:

- Adaptions to the Growth Coaching Service to help growth business to find new ways to capture what they have learned from the unforeseen and enforced impacts of Covid-19 on markets, customer behaviours and working practices, using our “ROAR” approach to regrowth, comprising four elements: Recover–Orient–Adapt–Regrow.

- Support for the Visitor Economy to recover & adapt by linking firms with potential for strong rebound, within the visitor economy of Cambridge and elsewhere, 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 start-ups 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 will 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, by linking retailers into the new city centre improvement fund, provided by the CPCA Skills Committee, through its Local Growth Fund and ringfencing £2m of the existing Market Towns Fund to support the changes required post-COVID to the management of people meeting and socialising, and maintaining the retail, leisure, hospitality and environmental sectors in town centres.

- Adaptions to the Skills Brokerage to improve careers advice to better connect school leavers with jobs, by implementing the recommendations from the Cambridge Ahead report on the disconnect between career guidance in schools and the workplace. This will include a Greater Cambridge pilot to encourage more large employers to generate active engagement with schools to increase work mentoring, work experience, and industry placements; ensure all schools have a dedicated careers leader to coordinate career guidance and that teachers understand technical education pathways and give them equal emphasis.

- Improved learner access to digital skills development, ensuring that Skills Brokers 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. This will include increased provision through local devolution of the Adult Education Budget and better connecting displaced talent into re-skilling & jobs faster, through Skills Brokers specifically targeted, through our partners in Job Centre Plus, on those displaced workers from the hardest hit sectors.

- Connecting displaced talent into re-skilling & jobs faster, by targeting 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:

- CPCA Apprenticeship Levy Pool to pay for training costs
- Apprentice Bonus Scheme for new apprenticeships created
- Kickstart Scheme new jobs that include training
- Traineeship Bonus Scheme for new traineeship placements

5.3. That the impacts of COVID 19 on contributing funding from Enterprise Zone, business rates receipts, have been appropriately considered. The possibility of the Enterprise Zone developers’ forecasts being over optimistic, particularly following on from the COVID-19 pandemic, have been mitigated as follows;

- 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.

- 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.

6.0 CORPORATE GOVERNANCE FOR GROWTH COMPANY

6.1 On 27 July 2020 the Business Board approved stage 1 corporate governance arrangements for the proposed Growth Service Management Company (GrowthCo). The GrowthCo (called Peterborough and Cambridge Business Growth Company Limited) was incorporated on 13 August 2020. GrowthCo will become a party to the shareholders agreement regulating the relationship between CPCA and Angle Holdings Ltd.

6.2 It is generally recognised that it is not possible for a board of directors to have hands-on involvement in every area of a company's business, and that delegation of certain of its functions will be required. For example, day-to-day responsibility for the operation of the company's business will be delegated to the executive management (which, in the context of GrowthCo, means to the proposed Programme Management Committee, as set out in the Full Business Case), and potentially other functions to the audit, nomination, remuneration and risk committees (where they are established). Best practice is to adopt a formal schedule of matters which are reserved for their decision by the company's board, consequently making clear the extent of delegation to any committees.

6.3 It is also typical for major decisions to be reserved to shareholders for decision, whether due to the provisions of the Companies Act 2006 (which requires that certain decisions be taken by shareholders) or due to their strategic nature (such as the adoption of a new business plan).

6.4 It is therefore normal to set out in shareholder documentation what types of decision are to be taken at which decision making level – be it shareholder, board, or a committee reporting to the board.

7.0 PROPOSED DECISION-MAKING HIERARCHY

7.1 What is envisaged for Angle Holdings Limited (Angle) and GrowthCo is a clear hierarchy of decision making. The overarching concept is that all decisions should be taken at the lowest possible level of decision making in line with:

- agreed objectives; and
- the approved business plan,

but with two caveats:

1) certain decisions are considered important enough to be reserved to certain levels in the decision making hierarchy (so at company board or shareholder level); and

2) a higher level in the decision-making hierarchy should always be able to step in (or be asked by a lower level to step in) to take a decision that would normally be capable of being decided at a lower level. Appendix 8 of the FBC sets out the proposed decision-making hierarchy for GrowthCo.

8.0 FINANCIAL IMPLICATIONS

8.1 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 £14,939,148. The £4,500,000 balance of the £19,499,148 are direct contributions by SME's to the delivery partner.

8.2 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 management, on its behalf, 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, 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

8.3 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.

8.4 The overall breakdown of the funding from the CPCA to the Growth Service is set out in the table below.

Growth Service Cashflow	FY 20/21 Total	FY 21/22 Total	FY 22/23 Total	FY 23/24 Total	Grand Totals
Income					
LGF Equity Investment	£ 5,407,000	£ -	£ -	£ -	£ 5,407,000
CA Growth Hub	£ 123,000	£ 246,000	£ 246,000	£ 123,000	£ 738,000
CA Skills Implementation	£ 50,000	£ 50,000	£ 50,000	£ -	£ 150,000
CA LIS Implementation	£ 50,000	£ 50,000	£ 50,000	£ -	£ 150,000
CA Contract with CEC	£ 40,000	£ 80,000	£ 80,000	£ 40,000	£ 240,000
CA Enterprise Zone Receipts	£ -	£ 230,000	£ 279,000	£ 418,000	£ 927,000
ERDF Funding	£ -	£ 1,801,000	£ 2,500,000	£ 990,601	£ 5,291,601
ESF Funding	£ -	£ 600,000	£ 800,000	£ 635,547	£ 2,035,547
LGF Investment Fund (Capital)	£ -	£ 4,000,000	£ 4,000,000	£ 1,000,000	£ 9,000,000
LGF Investment Fund (Revenue)	£ 117,691	£ 166,152	£ 166,152	£ -	£ 449,995
Totals	£ 5,787,691	£ 7,223,152	£ 8,171,152	£ 3,207,148	£ 24,389,143

Expenditure	FY 20/21 Total	FY 21/22 Total	FY 22/23 Total	FY 23/24 Total	Grand Totals
Staffing (see tab for details)	£ 127,350	£ 259,694	£ 264,688	£ 134,841	£ 786,573
Administration (see tab for details)	£ 156,571	£ 119,027	£ 111,913	£ 47,933	£ 435,444
Capital Growth Fund Administration	£ 170,107	£ 206,418	£ 193,296	£ 96,648	£ 666,469
Innovation & Relocation Grant Administration	£ -	£ -	£ -	£ -	£ -
Capital Growth Grants	£ -	£ 3,800,000	£ 3,800,000	£ 850,000	£ 8,450,000
Innovation & Relocation Grants	£ 117,691	£ 166,152	£ 110,768	£ -	£ 394,611
Skills Brokerage Operational Budget	£ 646,910	£ 905,176	£ 875,152	£ 395,076	£ 2,822,314
Inward Investment Service Budget	£ 716,011	£ 1,100,578	£ 1,110,152	£ 517,726	£ 3,444,467
Growth Coaching Business Engagement Budget	£ 425,628	£ 923,533	£ 913,052	£ 427,510	£ 2,689,723
ERDF Nudge Grants	£ -	£ 661,334	£ 1,674,669	£ 664,001	£ 3,000,004
Prime Contract	£ 298,215	£ 444,992	£ 384,132	£ 174,566	£ 1,301,905
Totals	£ 2,658,483	£ 8,586,904	£ 9,053,689	£ 3,133,735	£ 23,991,510

Opening Balance	£ -	£ 3,129,208	£ 1,765,455	£ 498,786	£ -
Total Income	£ 5,787,691	£ 7,223,152	£ 8,171,152	£ 3,207,148	£ 24,389,143
Total Expenditure	£ 2,658,483	£ 8,586,904	£ 9,437,821	£ 3,308,301	£ 23,991,510
Closing Balance	£ 3,129,208	£ 1,765,455	£ 498,786	£ 397,633	£ 397,633

9.0 LEGAL IMPLICATIONS

9.1 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.

9.2 Delegated authority to the Director of Business and Skills, in consultation with the Lead Member for Economic Growth, the Monitoring Officer and the Chief Financial Officer (Section 73), is sought to contract the preferred bidder to commence the Service during October 2020.

10.0 IMPLICATIONS FOR NATURE

10.1 There are no implications for nature

11.0 OTHER SIGNIFICANT IMPLICATIONS

11.1 There are no other significant implications

12.0 APPENDICES

12.1 Appendix 1 – Business Rebound & Growth Service; Full Business Case

Background Papers	Location
None	

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.

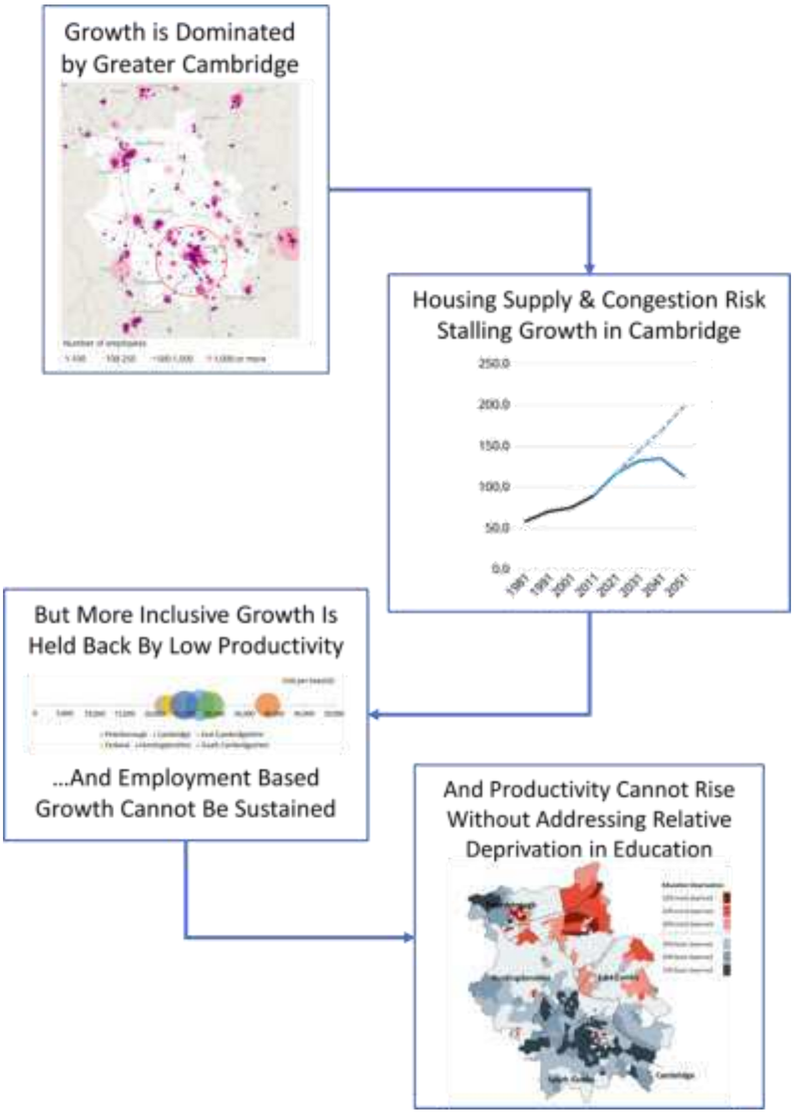
We will achieve this through a Local Economic Recovery Strategy that accelerates our recovery by strengthening our businesses' and workforce' capacity for rebound and regrowth. This strategy consists of five simple Pillars, based on the Local Industrial Strategy's themes of Business Environment, Ideas,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

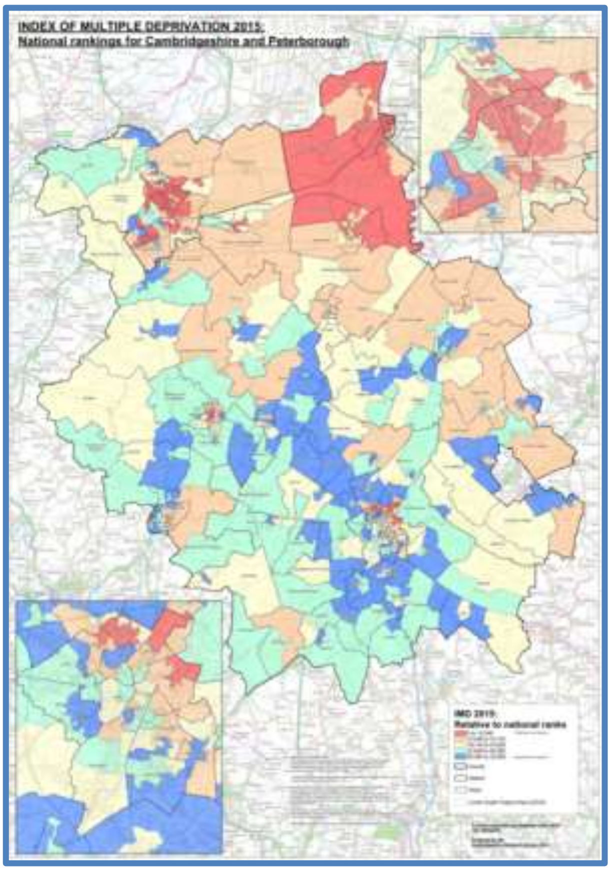
8. **Submission of evidence to support the claim of delivering 2.8 new jobs per firm receiving supported in-depth coaching**

    - 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

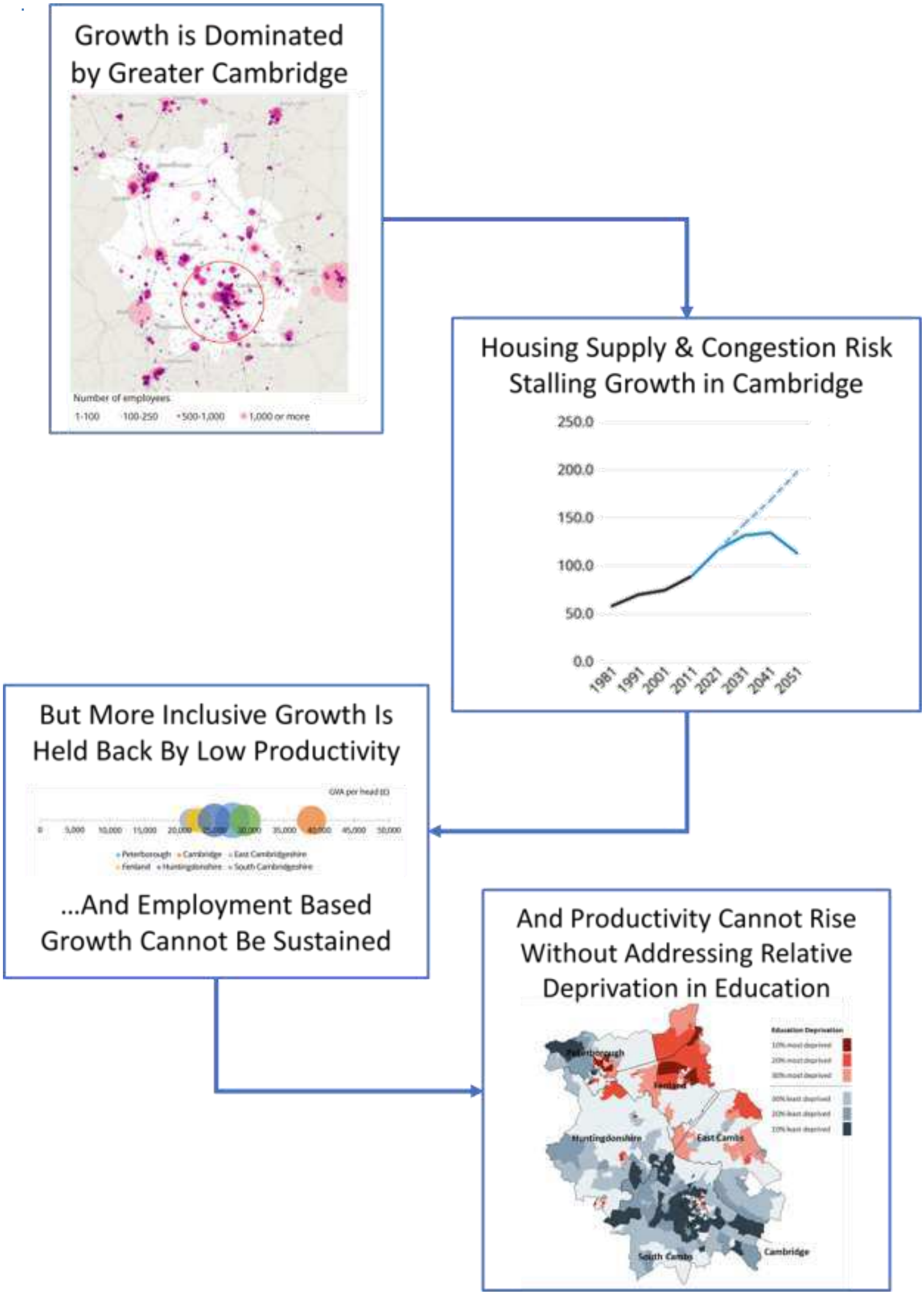
C&P Independent Economic Review (CPIER)

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

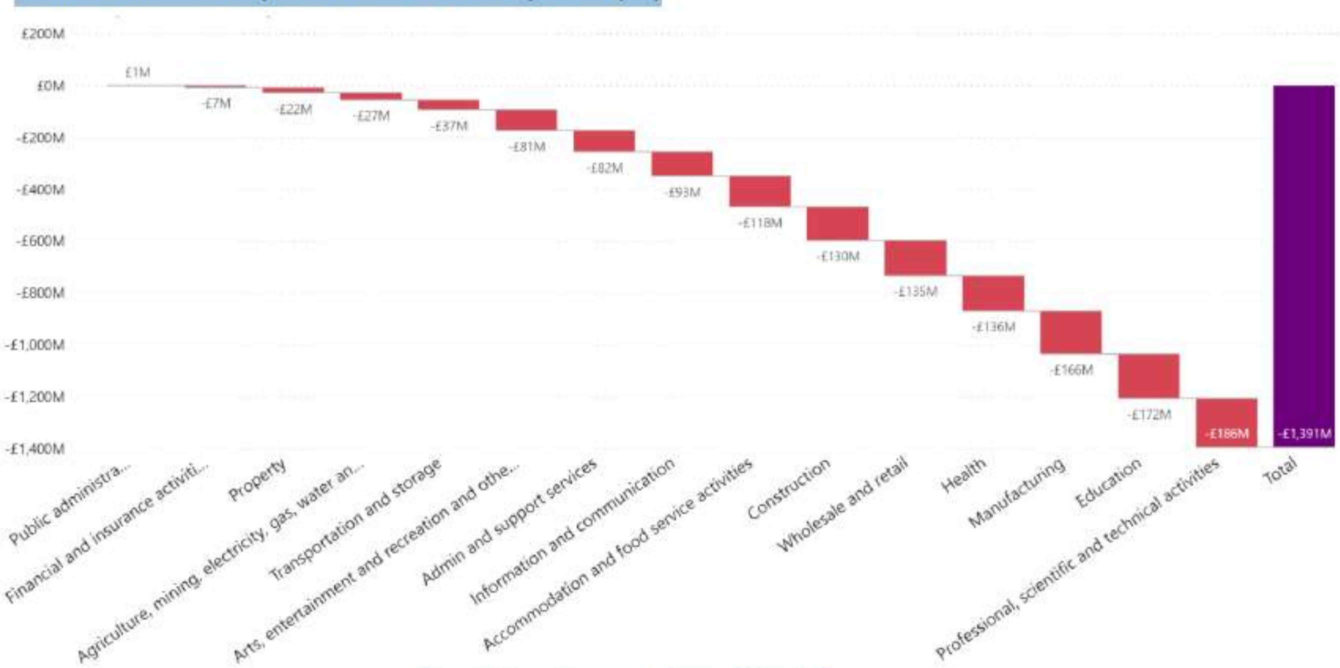
Q2 output contracted by £1.39bn across CPCA: a 21.9% annualised fall in output. This is less than the fall in output forecast by the OBR but is still historically significant. These numbers are modelled based on national figures and using 2018 GVA figures for CPCA.

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

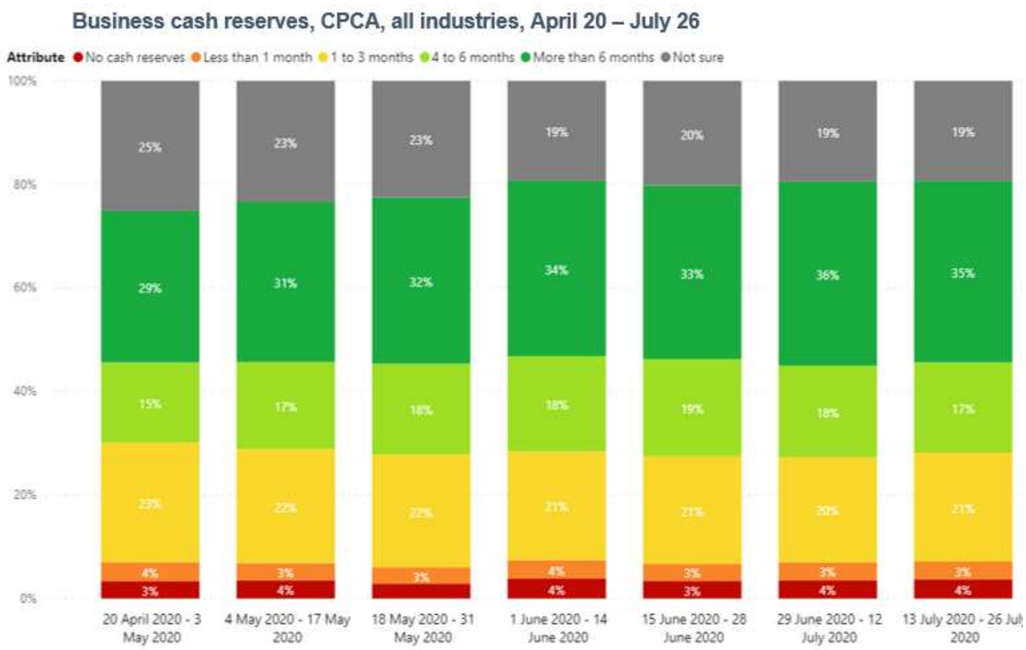
Across local authorities, Q2 output fell by: Cambridge £370m (-25%); Peterborough £319m (-20%); South Cambridgeshire £298m (-22%); Huntingdonshire £214m (-20%); Fenland £99m (-22%); East Cambridgeshire £90m (-20%).

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

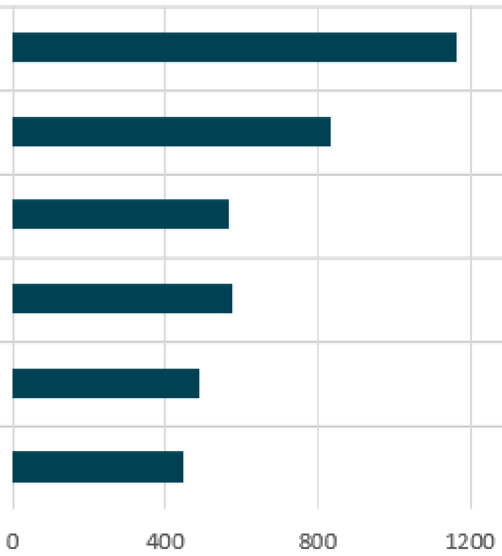
A **107% increase in universal credit claimants** from Feb – July 2020 for CPCA, compared to a 90% increase nationally.

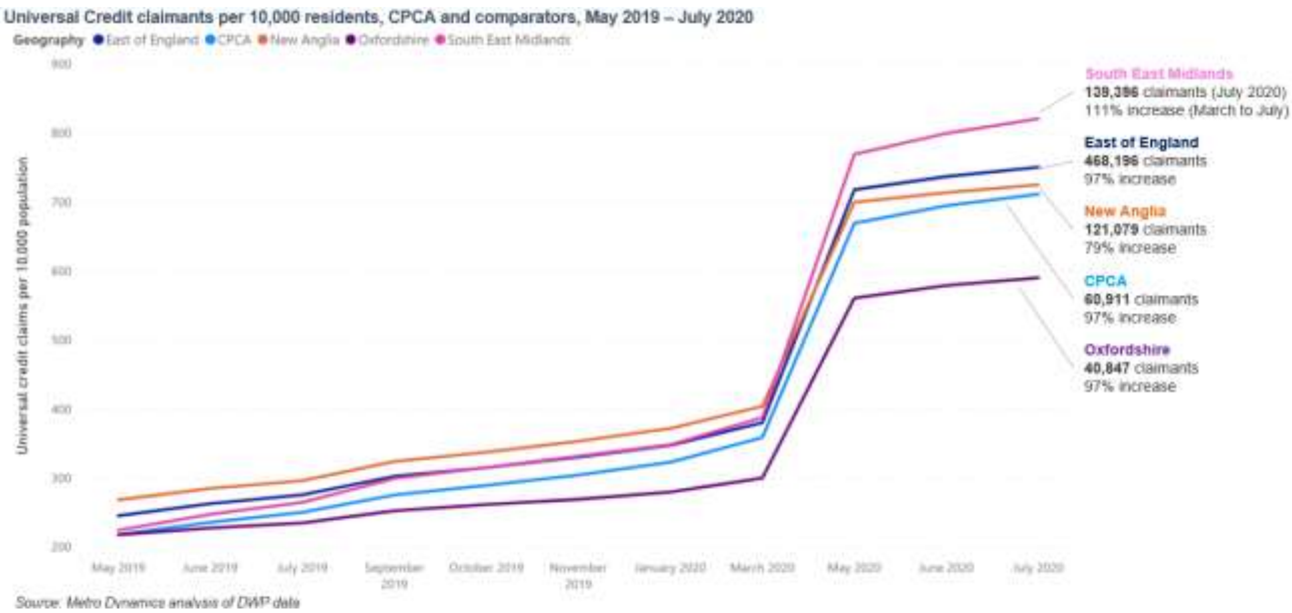
From a low base, a 147% increase in JSA claimants from Feb – July 2020 for CPCA, compared to an 86% increase nationally.

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.

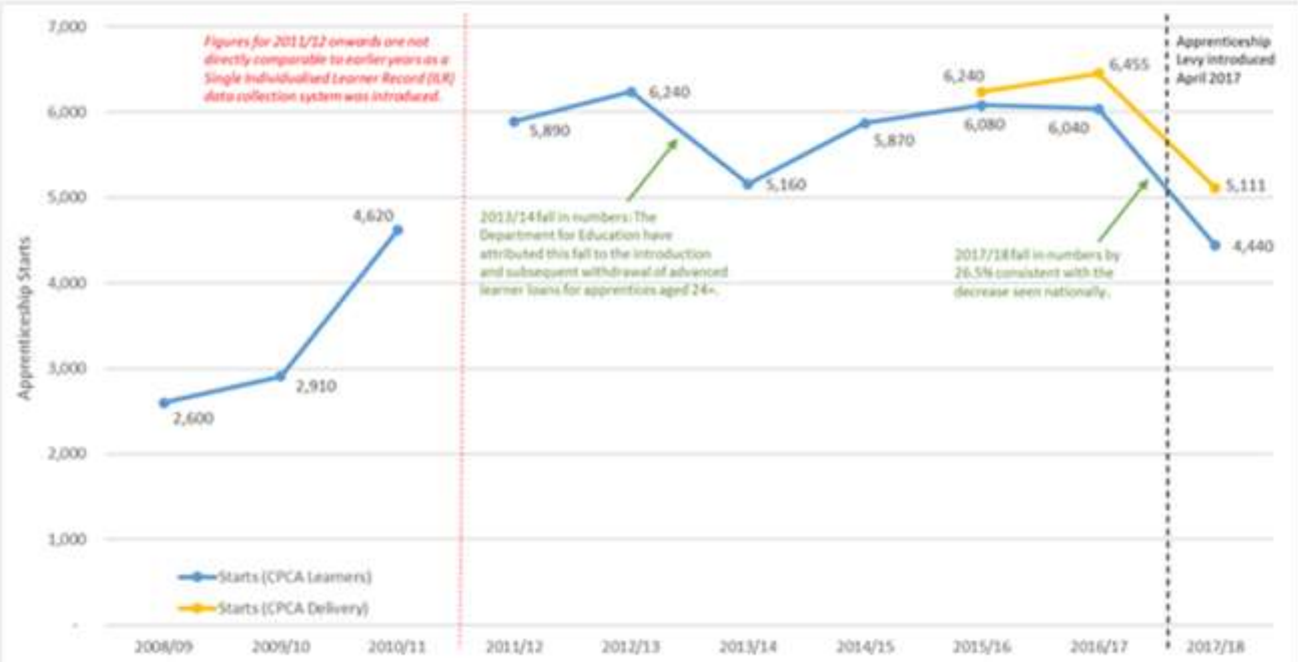
3. The CPCA should tailor its interventions appropriately to its sub-economies, sectors, and learners. A one-size fits all approach is not suitable for the three distinctive labour markets in the economy, and resources should be targeted on to what makes the most difference.

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.



Note: CPCA Learners figures are based upon Apprenticeship Learners who live within Cambridgeshire and Peterborough, the CPCA Delivery figures are based upon Apprenticeships which took place within Cambridgeshire and Peterborough (irrespective of learner home postcode). The data source is the Individualised Learner Record (ILR). Learners starting more than one Apprenticeship will appear more than once. Apprenticeship starts include both funded and unfunded learners.

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

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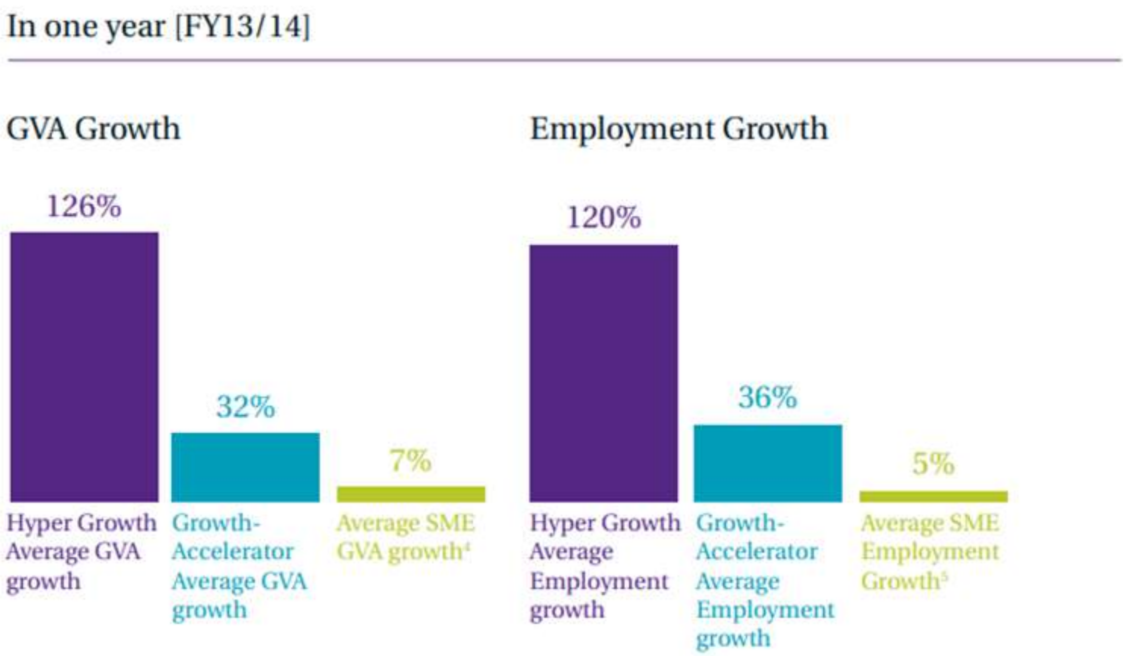
[6] https://www.bpifrance.com/Coach-for-entrepreneurs

[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.

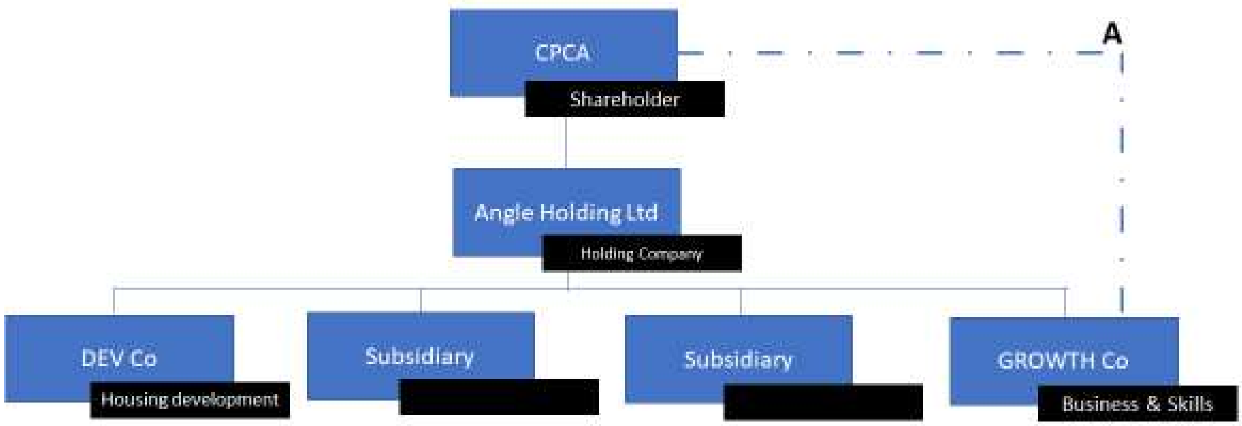
The Business Case for Establishing Growth Co

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.

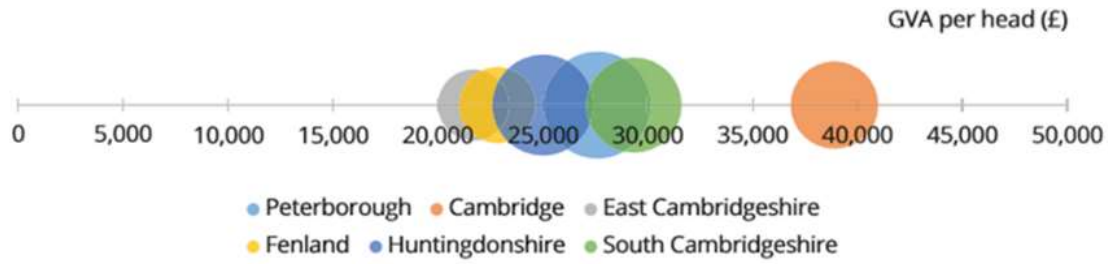
Given the payment on outcomes approach of the procurement and the innovative nature of some of the services specified, failure to allow for such negotiations could possibly have restricted market interest and the likelihood of achieving both a competitive outcome and optimising value for money. Ultimately 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.

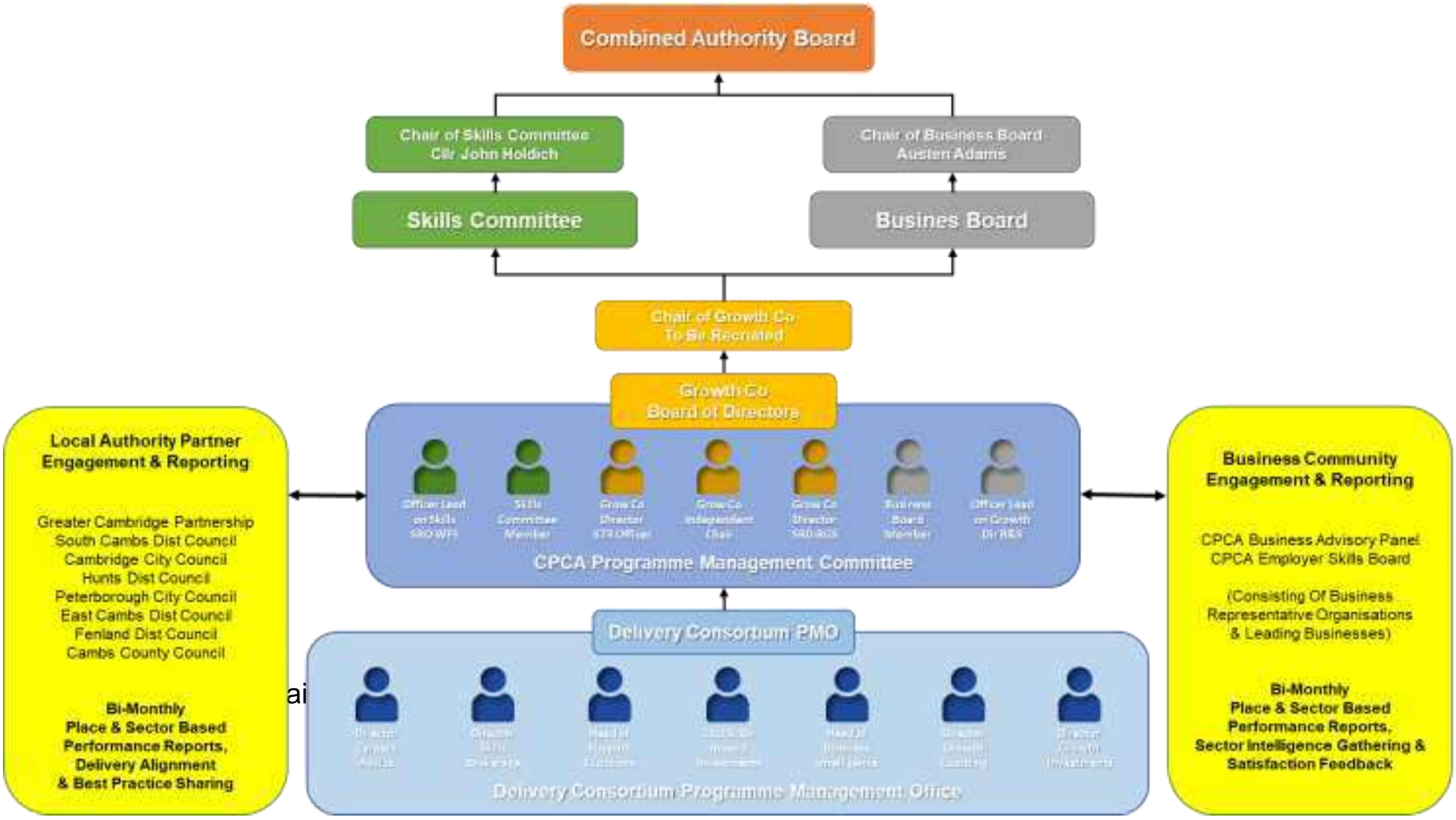
5. The possibility of failing to negotiate an agreed contract with the Preferred delivery Partner. This risk has been mitigated by securing their agreement to, and negotiation of, the contract as part of the Competitive Procedure with Negotiation (CPN) has already been secured.

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.

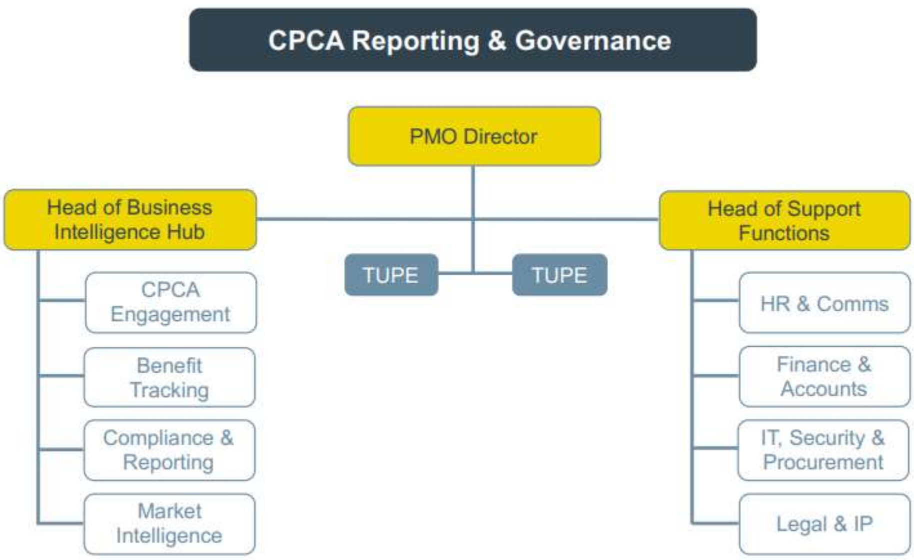
In receiving mode, the Intelligence Hub will capture inputs from the four service lines including benefit tracking, business intelligence, industrial and competitive insights, pipeline performance and financial forecasts. The Intelligence Hub will be the accumulator of data leading to strategic and operational 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	16	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		0	540
Lancaster way Phase 2 Loan	ROAD IMPROVEMENT	Transport	Grovemere	East Cambridge District	£3,680,000	540	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***

Draft Final 03 09 20

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

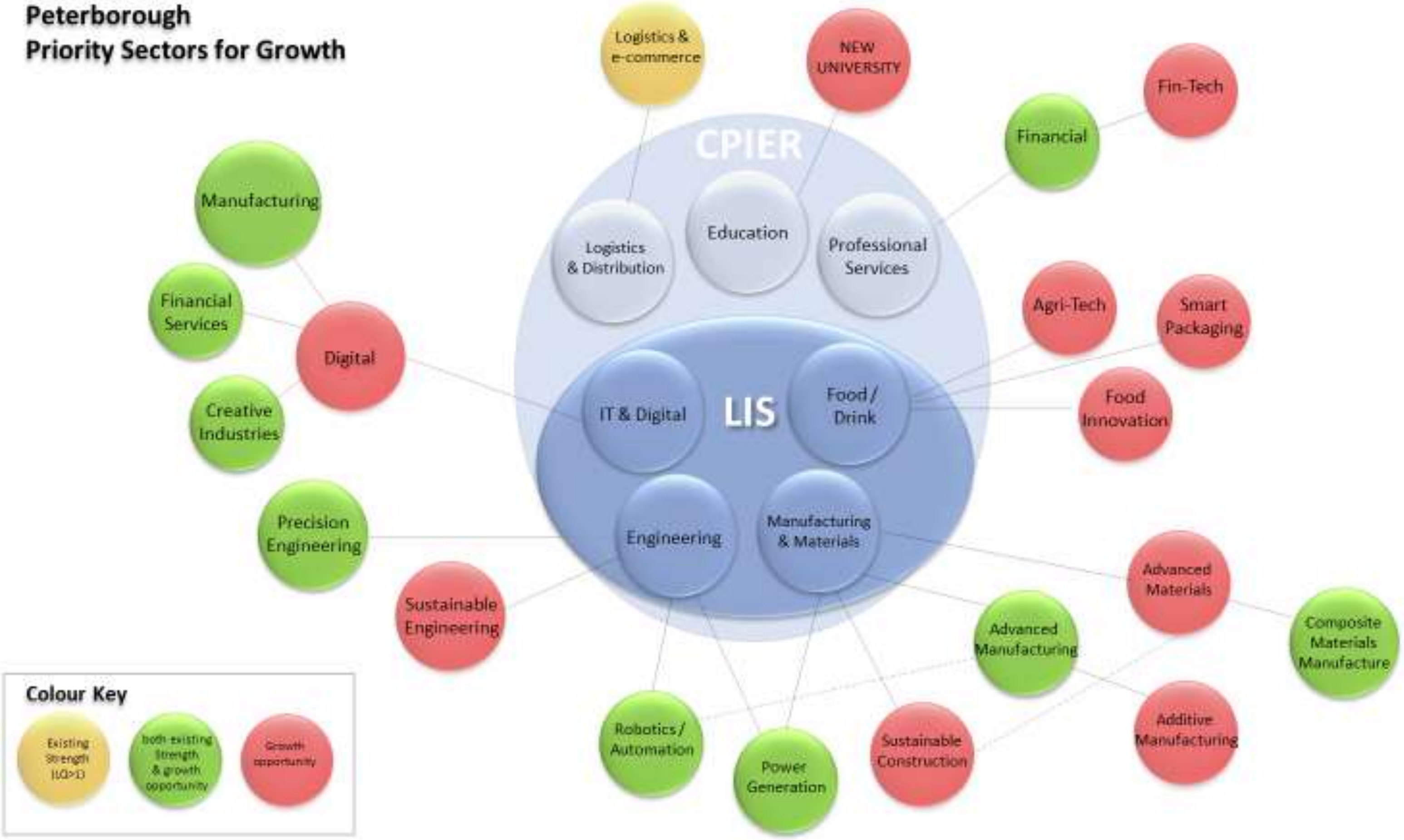
Proposition development for Greater Cambridge would comprise the following:
Target investors on to Cambridge Compass enterprise zones, into the new towns sites and new employment sites and the periphery of the city
Distinct bespoke packages to promote investors towards South Cambs sites targeting new 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.

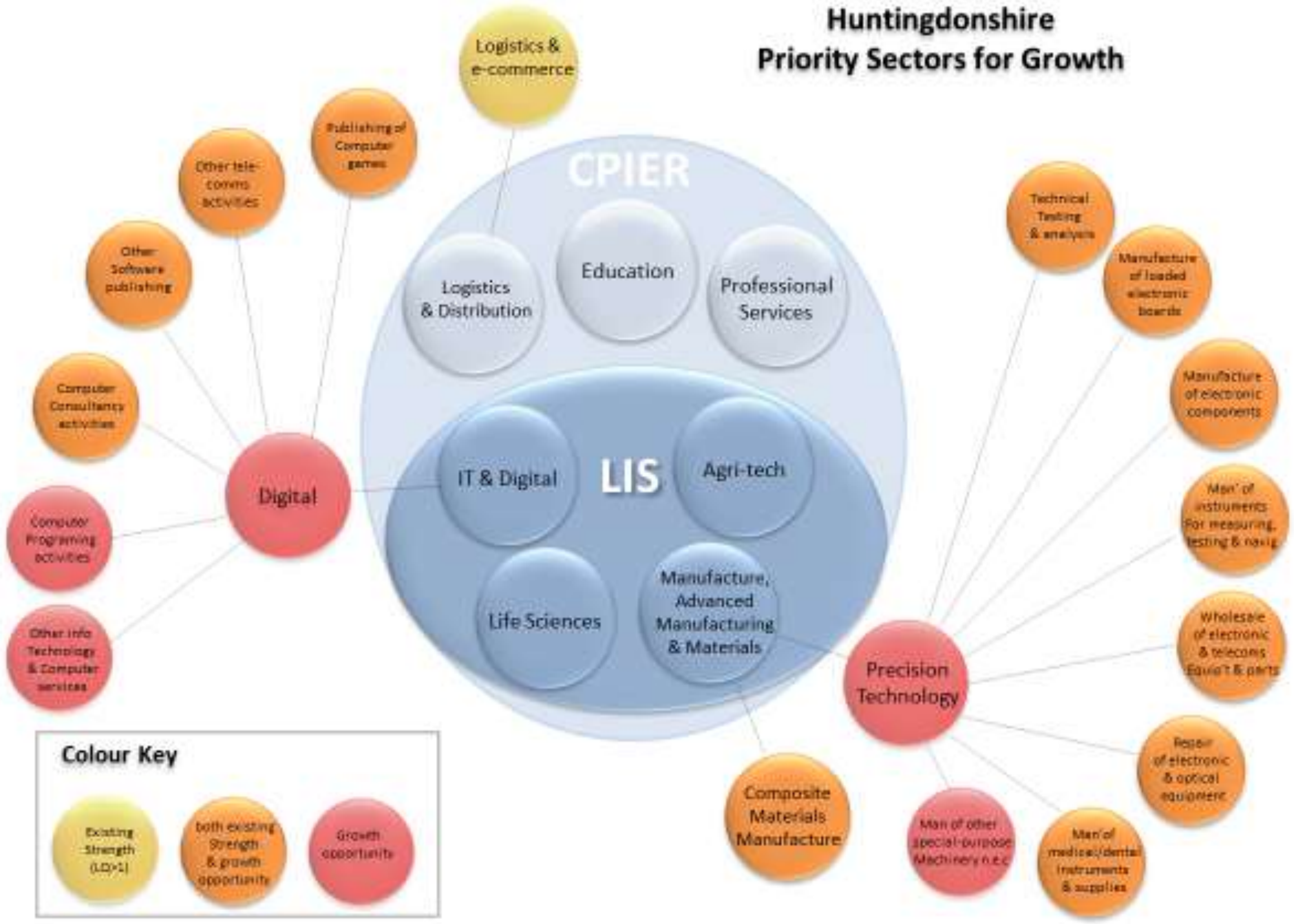
Capital Growth Grant:
Create evaluation process that focus the grant investment onto firms caught up in a market failure, acting as an investor/lender of last resort, to avoid duplication with a currently buoyant angel equity and venture investor market.
Connect capital growth grants to firms supported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

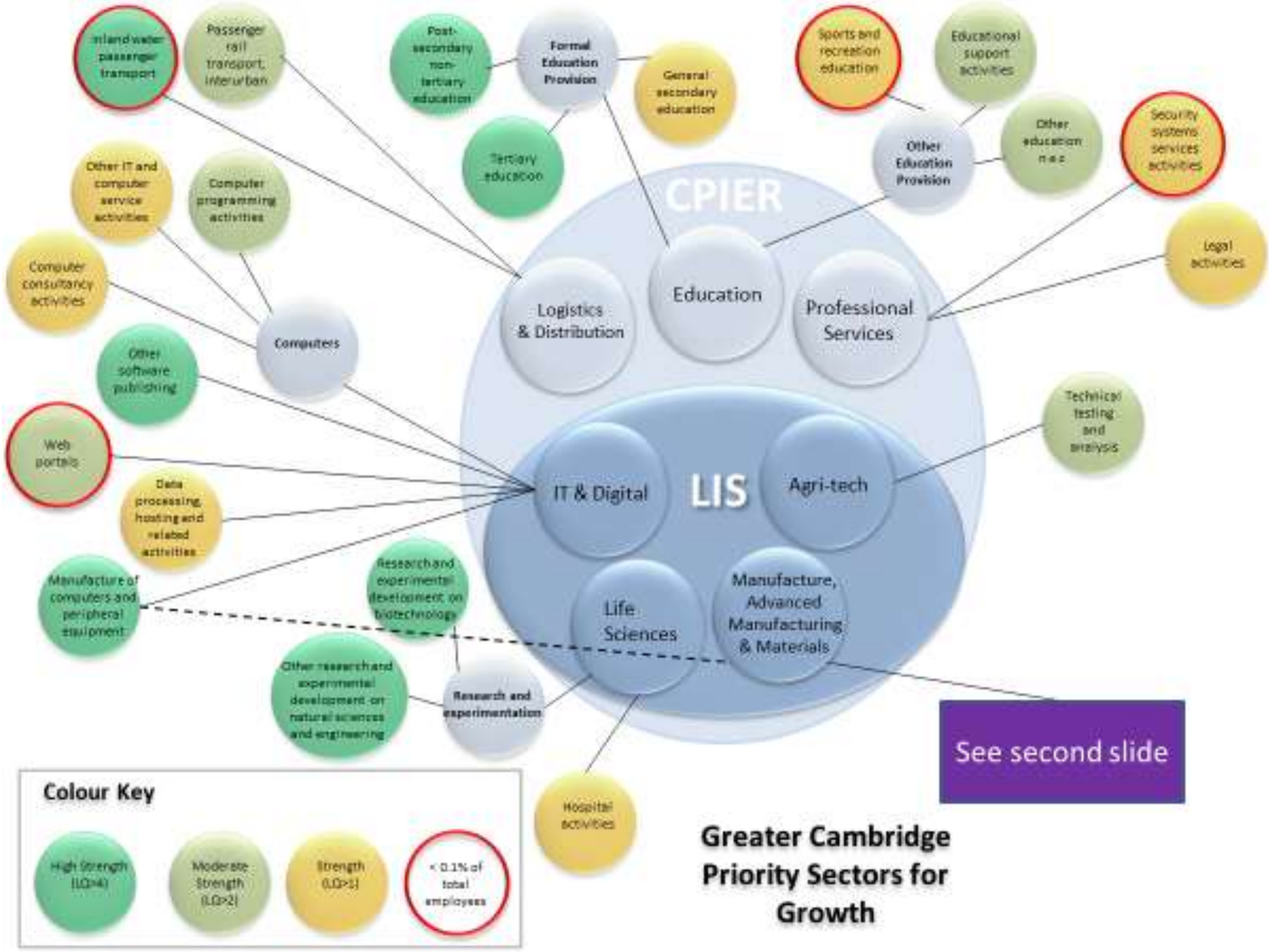
Innovation & Relocation grants:
Link firms requiring innovation grants with R&D grant proposal authoring experts in local partner organisations such as TWI, ARU, IFM, UoC and Make UK to maximise their chances of securing larger amounts of innovation funding.
Support businesses, universities and other 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

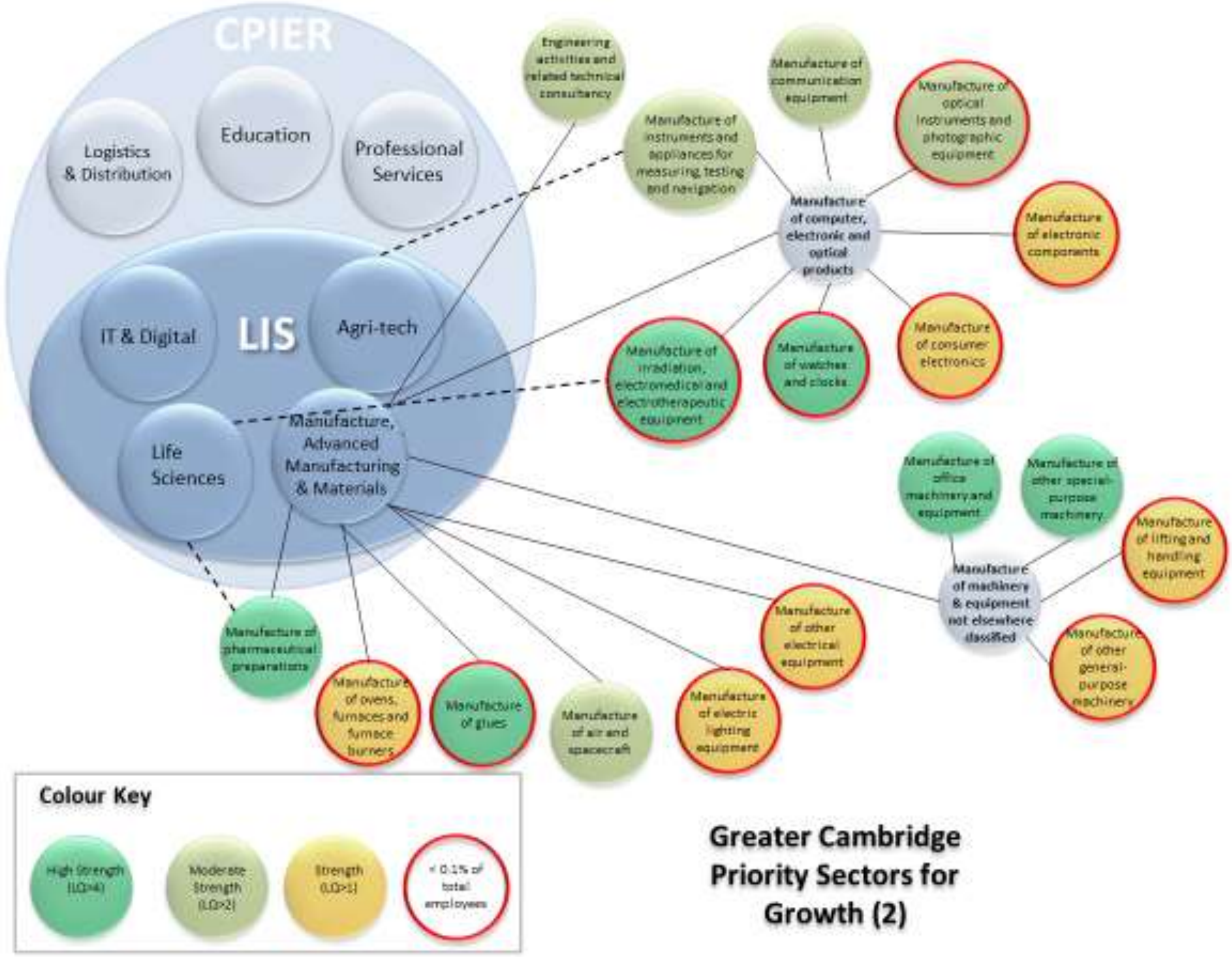


Huntingdonshire
Priority Sectors for Growth



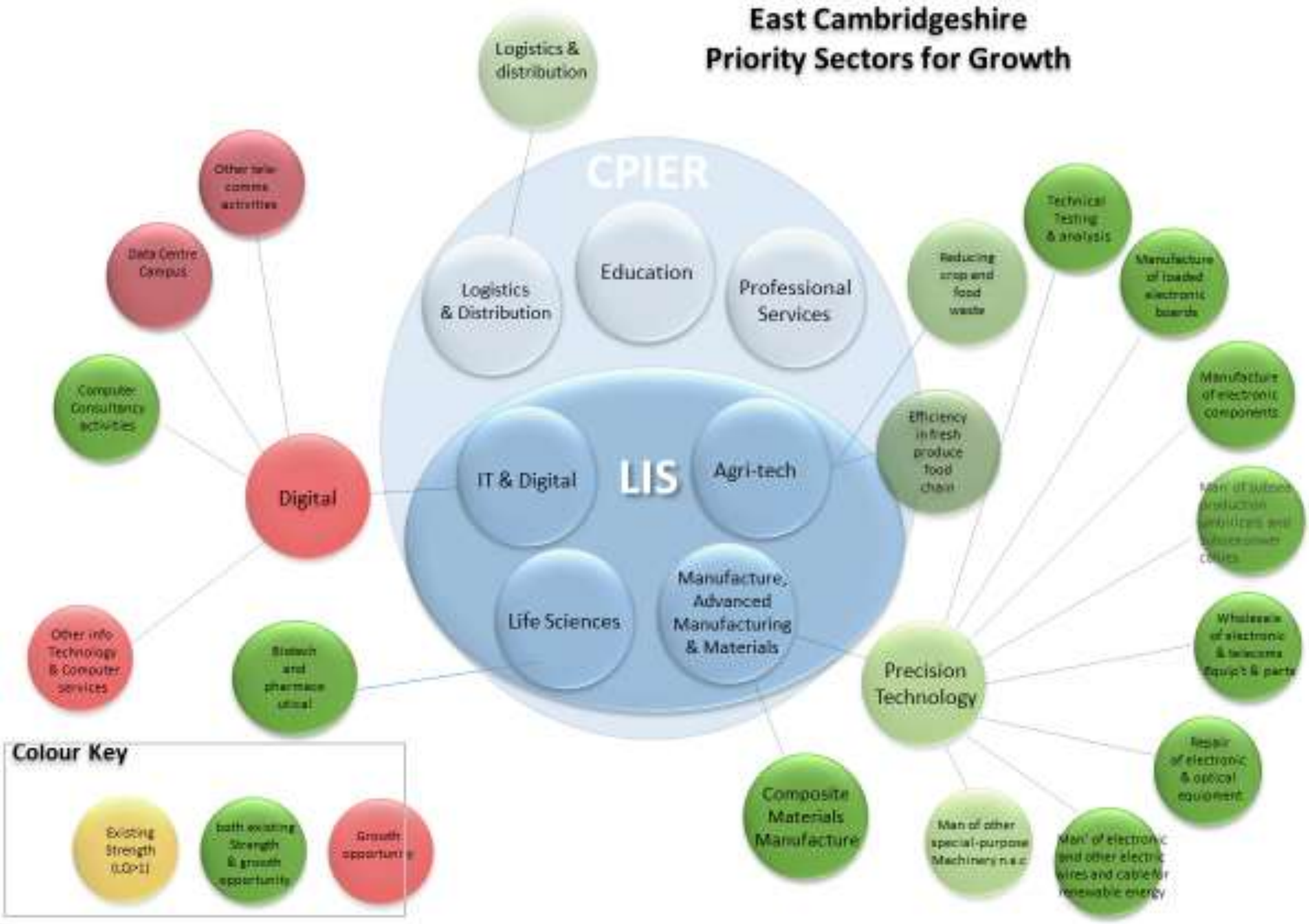


Inland water passenger transport
Passenger rail transport, interurban
Post-secondary non-tertiary education
Formal Education Provision
General secondary education
Tertiary education
Sports and recreation education
Educational support activities
Other Education Provision
Other education n.e.c
Security systems services activities
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
Legal activities
Technical testing and analysis
CPIER
Logistics & Distribution
Education
Professional Services
LIS
IT & Digital
Agri-tech
Life Sciences
Manufacture, Advanced Manufacturing & Materials
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 irradiation, electromedical and electrotherapeutic equipment
Manufacture of watches and clocks
Manufacture of consumer electronics
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 pharmaceutical preparations
Manufacture of ovens, furnaces and furnace burners
Manufacture of glues
Manufacture of air and spacecraft
Manufacture of electric lighting equipment
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 State resources;
2. To a certain undertaking;
3. Thereby creating a selective advantage; and
4. The transfer of resources distorts or has the potential to distort competition 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.

<u>Possible aid to investors</u>

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.

Possible aid to Investee Companies

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.

Possible aid to Growth Co

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**

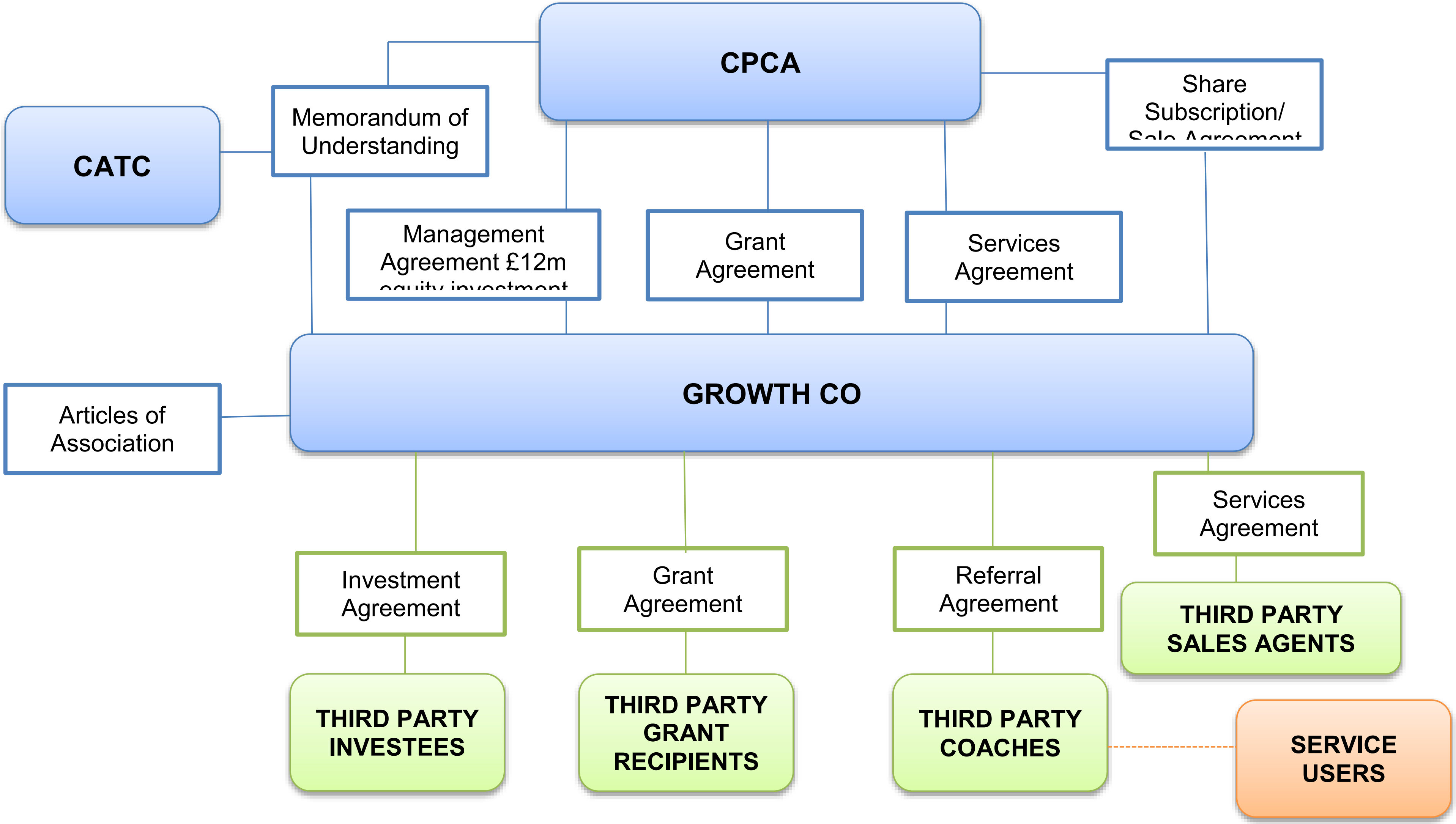
16.1 We unable to say that the current proposal is commonplace or that there is no risk associated with the current proposals but we can see no prohibition and it is clear that the incorporation of the company and the investment of LGF in company shares is permitted within the legislative framework and 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

SKILLS COMMITTEE	AGENDA ITEM No: 2.2
14 SEPTEMBER 2020	PUBLIC REPORT

COVID-19 Evidence & Insight Report

DECISION REQUIRED		
Lead Member:	**Councillor John Holdich**	
Lead Officer:	**John T Hill, Director of Business & Skills**	
Forward Plan Ref: N/A	**Key Decision: No**	
The Skills Committee are asked to: 1. Note the Metro Dynamics Report and provide any necessary feedback as applicable for an updated version of that report		**Voting arrangements**

1.0 PURPOSE

1.1 As part of the ongoing Integrated Economic, Business and Skills Insight work currently being researched, this is the first report back on phase 1 - the COVID 19 impact. With this, is a report which will be presented to the Board for discussion and input.

2.0 BACKGROUND

2.1 In July 2020 the CPCA commissioned and procured an independent and specialist supplier to commence detailed research, review and evaluation into:

a) COVID 19 impact assessments
b) Evaluation of 13 historic LGF Projects
c) Using a) above. Update the LIS and develop a framework for the authors of various other CPCA strategies to review and enable them to update them, if required.
d) To identify clients for the new Business Growth Service
e) Some short term and medium-term insight for workforce skills and adult education

2.2 The contract was awarded to Metro Dynamics and the contract duration is up to 30 weeks.

2.3 The work by Metro Dynamics will also compliment work carried out by Hatch Regeneris, commissioned and led by the Greater Cambridge Partnership back in late May 2020 and ongoing work by Cambridge Insight for CPCA Business & Skills into workforce, skills and AEB

3.0 The full report produced by Metro Dynamics is in Appendix 1

3.1 In summary the report will cover:
A) Emerging findings in the economy and labour market
B) Emerging trends e.g. could lead to the creation for new interventions and possibilities for policy
C) Implications of highest relevance to CPCA
D) Meaning in practice for the CPCA e.g relevant CPCA strategies including the LIS

4.0 NEXT STEPS AND TIMELINE

4.1 Following discussion and input into this COVID 19 impact report, it will be published and shared with Partners and Stakeholders. This report will then be refreshed in April 2021 and outputs will be a detailed report published in September 2020.

4.2 These detailed reports will enable the CPCA to better design the focus of interventions, the form of interventions and how these should develop and adapt as recovery progresses. CPCA Business & Skills will replay these interventions back to Metro Dynamics to ensure the CPCA's interpretation is robust and in line with data emerging.

4.3 From October 2020 to March 2021, Metro Dynamics will provide a monthly COVID 19 performance dashboard, which will be shared with the Skills Committee, Business Board, CA Board and other committees and partners & stakeholders. The content will follow the content of this report, although it will have the agility to accommodate other metrics if required.

4.4 This report and the monthly dashboards will feed into and support the Local Economic Recovery Strategy.

4.5 Metro Dynamics will provide the CPCA with a COVID 19 Impact framework and will work with the authors of strategies to update them, if required. This work will be completed by mid-October 20.

4.6 Metro Dynamics will update the LIS in light of 3.5 above and present to the Business Board in November 2020

4.7 This report and further work by Metro Dynamics is being included in the thinking, discussions and the designing of interventions within the Local Economic Recovery Strategy (LERS)

5.0. RESOURCING

5.1 There are no resourcing implications

6.0 FINANCIAL IMPLICATIONS

6.1 There are no financial implications

7.0 LEGAL IMPLICATIONS

7.1 There are no direct legal implications.

8.0 SIGNIFICANT IMPLICATIONS

8.1 None.

9.0 APPENDICES

Appendix 1:Covid-19 Impact Assessment Report from Metro Dynamics

Source Documents	**Location**
Integrated Economic, Business and Skills Insight document	

Cambridgeshire and Peterborough Combined Authority

Integrated Business and Skills Insight and Evaluation Programme

COVID-19 Emerging Impact Assessment

September 2020

Executive Summary / September 2020 Economic Review

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

Cambridgeshire and Peterborough Combined Authority (CPCA) commissioned Metro Dynamics to prepare this report on the emerging impact of Covid-19 on the CPCA economy, including our three sub-regional economies. This analysis will be updated towards the end of the 4th Quarter of 2020/21. The underlying data will be available for CPCA in a in a regularly updated dashboard.

This report is based on analysis conducted in August 2020. 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 we still do not know about the labour market and long term impacts.

This report aims to provide an up to date assessment of the CPCA economy, with a focus on major sectors, business groups and the labour market. We also signpost what to look for over the coming months and draw out emerging implications for CPCA and its strategic response.

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

We 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 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).

Executive Summary / September 2020 Economic Review (cont)

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.

Report Contents

About this Report

The Cambridgeshire and Peterborough Combined Authority (CPCA) has commissioned Metro Dynamics to prepare an assessment on the impact of Covid-19 on the CPCA economy. This work is part of a broader programme of work to support CPCA's integrated business and skills insight and evaluation.

The analysis in this report was carried out in August 2020 and reflects our current best understanding of the impact of Covid-19 on the national economy, CPCA and the six local authorities within CPCA.

Our work builds on research and analysis already carried out by other organisations to understand the impact of Covid-19 on CPCA, including impact assessments produced by Hatch Regeneris in June 2020 and labour market information prepared by Cambridgeshire Insights (ongoing). Our approach has been to complement the analysis included in these reports to add new insight, and to avoid duplicating the analysis wherever possible.

We have based our approach on an assessment of the sectors and businesses within CPCA, and when possible (current evidence at a local authority level is extremely limited), an assessment of how conditions vary across the three overlapping economies of the CPCA area.

Workstreams of the Integrated Business and Skills Insight and Evaluation Programme

Integrated Insight & Evaluation

- **Covid-19 Impact Assessment**
- CPCA Strategy Refresh
- Market Assessment for Business Growth Service
- Local Growth Fund Evaluation
- Skills & Labour Market Insights
- Recovery Status Checks

This report

This workstream will also include a web-based dashboard to monitor the recovery

The three overlapping economies of the CPCA area

Headline findings

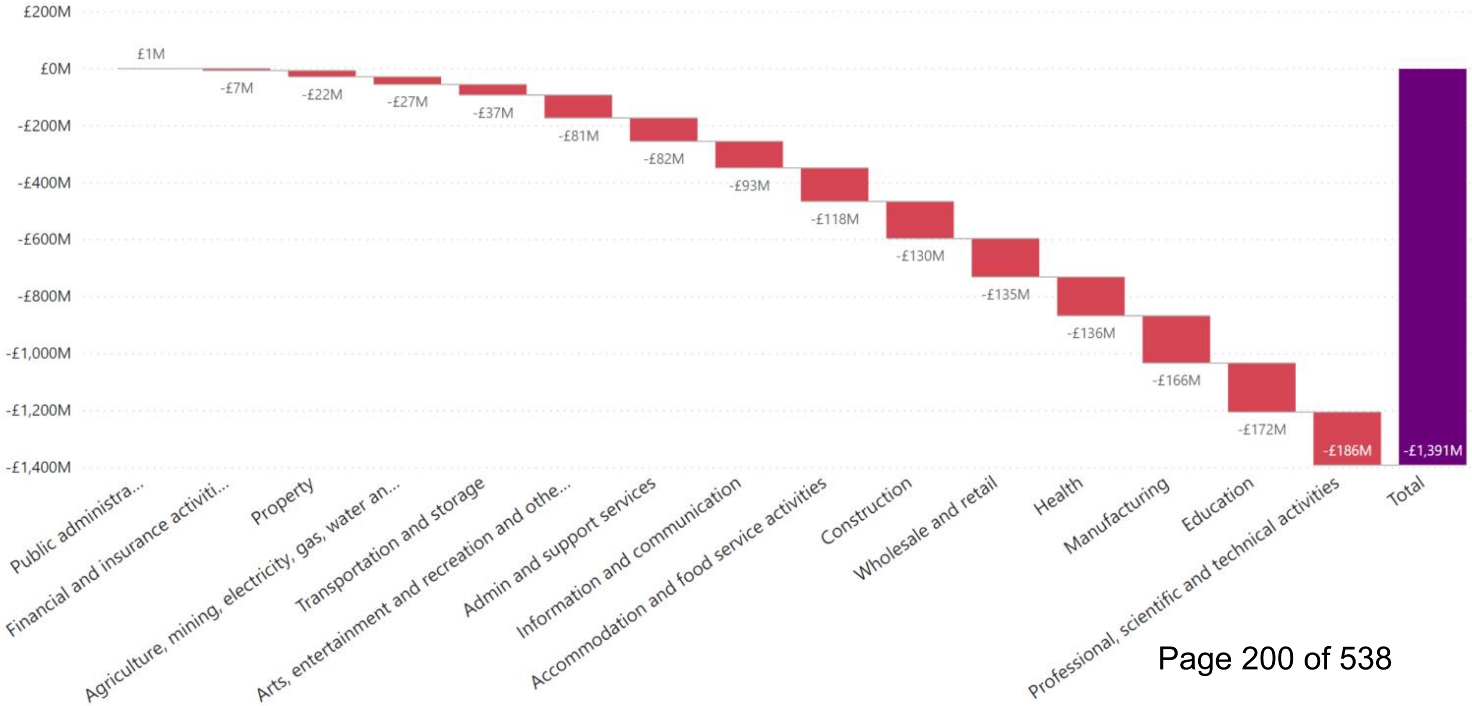
Economy

- **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%).

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%)*

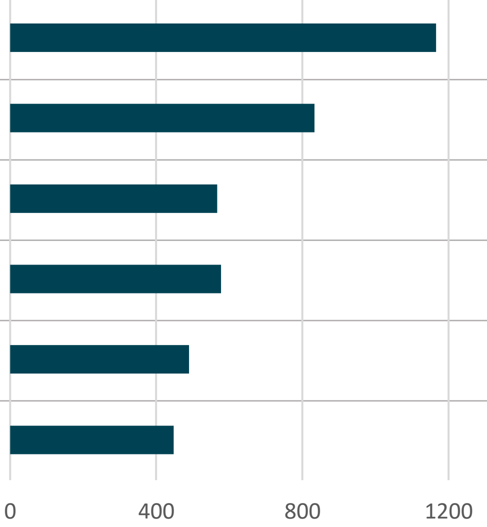
Estimated modelled output loss for CPCA in Q2 by sector (£m)



Source: Metro Dynamics analysis of ONS data

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	



Source: Metro Dynamics analysis of ONS data
** Furlough scheme analysis provided by Cambridgeshire Insight*

Metro——Dynamics

Emerging implications for CPCA strategies

Our headline view is that the overarching ambitions in CPCA's strategies remain relevant and appropriate, but there are opportunities to rethink how best to meet and deliver these ambitions.

Trends emerging

The pandemic has rapidly accelerated some existing trends, introduced others and created new drivers and possibilities for policy:

- Migration of economic activity from offices / city centres into homes / suburbs
- Disintermediation of services (especially in retail and hospitality), leading to fewer jobs in entry level / low-wage occupations
- Shift online for social life, retail, learning and work
- Increased importance of local community amenities (e.g. green space, work hubs) and infrastructure (e.g. digital)
- Countries turning 'inward' – secure domestic supplies; reduced international travel
- Private investment capital seeking safe havens, especially public-sector debt

Contingencies and Uncertainties

There remain many unknown factors, such as:

- Trajectory of the pandemic, including breakthroughs in treatments and policy responses
- Future Government funding and pathways for transition out of support measures
- Reversion vs re-imagining in economic and social behaviours
- Extent to which post-COVID conditions drive further labour-saving automation and/or the use of contingent labour (e.g. ZHCs)
- Extent of structural unemployment after output recovers and labour markets stabilise
- Demand for, design of, and location of future employment spaces
- Impact on inequalities for groups and communities.
- Final shape/ operation of spatial planning rules (e.g. zoning for growth)
- Government and social commitment to net zero ambitions / green recovery

Implications *Implications of highest relevance to CPCA resulting from these emerging trends and uncertainties:*	Meaning in practice for CPCA *In practice for CPCA, this could mean:*	Relevant CPCA Strategies: LIS	Skills Strategy	AEB	Cambridge City Deal	Sector Strategies
The **spatial pattern of economic activity** and the relationships between places for work, living, leisure and learning are changing: • Work and educational activities transacted successfully over larger geographies • Productivity gains from agglomeration and 'economies of scope' potentially achievable at more local scales (i.e. away from city centres)	• Embed into the design of new settlements like North East Cambridge amenities that support remote working, learning and collaboration (e.g. work-hubs; parklets and green spaces) • Revisiting the assumptions underpinning local plans for the relationship between jobs and housing demand in places (e.g. running new scenarios through the East of England Forecasting Model) • Use vacant commercial properties as windfall housing supply to re-imagine urban centres (better housing offer for young people) • Speed up the rollout of ultrafast broadband to homes and 5G across all of the CPCA area	✓	✓	✓	✓	✓
A **weaker labour market** overall than anticipated by existing strategies, with new structural unemployment likely to persist beyond the pandemic. The burden will fall disproportionately on low-wage and low-skill jobs and sectors, thereby widening inequality.	• Funding online / remote methods of education and training that allow for higher numbers and more cost-effective learning opportunities (for leaners and providers) • Supporting learners to remotely access out-of-area training and education • Intensive consultation with learners and employers to understand new changes in skills demands and career preferences • Investment in services that support employment (e.g. careers hubs)	✓	✓	✓		
Global capital is seeking temporary safe havens and reliable future bets. This includes activities related to the management of this and future pandemics (e.g. vaccines, therapeutics and diagnostics); future growth opportunities (e.g. digital collaboration networks, platforms to connect producers with end consumers); and investment opportunities guaranteed by government.	New opportunities to secure private sector match-funding for investments in housing, infrastructure and industrial development, across all CPCA economic areas.	✓			✓	✓
Productivity performance is likely to vary substantially across places and sectors over the course of the recovery and beyond. Productivity is contingent on a number of factors, but, with the right recovery, there are opportunities to close the gap earlier between CPCA and London.	Managing and benefiting from existing regional strengths – can high productivity workers and businesses be permanently attracted from London / the South East to CPCA areas that are not already facing growth pressures ?	✓	✓	✓	✓	✓
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.	• Opportunity to address mobility needs through investment in infrastructure for green personal transport modes and embedding these into the design of new settlements (cycling, e-bikes, e-scooters, autonomous and electric cars) • Revisiting specification of public transport services and vehicles to provide needed capacity with higher standards for personal space	✓			✓	

Emerging evidence requirements

While it stands alone, this report is one component of a broader package of work to review and refresh CPCA's strategies in light of Covid-19 and to monitor CPCA's economic recovery over time. This report presents the best evidence which is currently available (as of August 2020), however, new evidence is emerging all the time as governments, businesses and other entities develop new methods to understand Covid-19's impact. This slide indicates the emerging evidence themes to watch for over the coming months, including how they relate to the refresh of CPCA's key strategic documents.

Emerging Theme	Type of Evidence Required	C&P Local Industrial Strategy	C&P Skills Strategy	AEB Commissioning Strategy	Cambridge City Deal	C&P Sector Strategies
Change in the spatial pattern of economic development	Change in use (and location) of commercial property	✓			✓	✓
	Inward investment / private equity	✓			✓	✓
	Proportion of workers returning to offices	✓	✓	✓		✓
	Change in transport modes and preferences	✓				
	Vitality of high streets in large centres / market towns	✓			✓	
Structural labour market changes	Rates of return from furlough	✓	✓	✓	✓	✓
	HEI / apprenticeship starts	✓	✓	✓		
	Job vacancies across sectors	✓	✓	✓		✓
	Migrant inflows / outflows	✓			✓	✓
New forms and priorities for innovation	Impact on R&D claims	✓			✓	✓
	Impact of new forms of digital collaboration	✓	✓	✓	✓	✓

Consistent evidence requirements across CPCA strategies to monitor during recovery

Economic and labour force trends	Spatial planning and development	Funding	Industrial development	Enterprise
• Output • Labour market • Education and skills attainment	• Demand and supply of housing • Demand and supply of employment land / commercial premises • Connectivity between places • Economic assets • Infrastructure funding, delivery timescales and usage • Data for wider area and strategic corridors	• Public spending, investment and devolved expenditure limits • Private investment in buildings, capital and training • Access to finance and investments for start-ups and scales ups • Inward investment	• Innovation and adoption of best-practices and technologies • Technological frontiers • Future market opportunities across key sectors	• Business population trends • Business sentiment • Business demand for support services • Collaboration / Business networking

Methodology

About the data

The pace of economic change in COVID-19's wake has rendered many traditional datasets and forms of analysis temporarily obsolete. The economy has changed so fundamentally and so quickly that information which is not published in near-real time cannot be relied upon to paint a realistic picture. Wherever possible in this report we have used up-to-date data sources, such as the ONS Business Impact of Coronavirus Survey (BICS) to analyse what is happening, although these sources are new and data is collected at a national level only. We have applied data from national sources to CPCA's economic context (and to local authorities within CPCA) to produce local estimates. The outputs of this analysis are estimates only. More accurate, specific data of the effects on CPCA will become increasingly available as time goes on. The paragraphs below describe our methodology for applying these national figures to CPCA.

ONS Business Impacts of Coronavirus Survey (BICS) – Local estimates

The Business Impacts of COVID-19 Survey (BICS) captures businesses responses on how their turnover, workforce prices, trade and business resilience have been affected. The information is captured by sector. The survey is updated fortnightly with a new two-week reference period each release. Given that this is a national survey we cannot precisely determine the impacts on businesses within the CPCA area. In order to develop estimates of the local impact we have applied the survey responses across sectors to CPCA's sectoral mix to model the local impact on businesses within different sectors of CPCA's economy.

Our approach involves taking the % shares of national business responses for each indicator and sector within the BICS and multiplying them by the total number of business in 2019 (*Using ONS UK Business; activity, size and location estimates*) for each aligning sector within CPCA. This provides crude estimates of business counts for each sector at the local level for the different types of business responses within the (BICS). It must be noted that these are approximations, and there is likely to be some deviation in the responses by sectors at the local level relative to the national, however the BICS responses do shed a light on the business impact for different sectors more generally across the UK.

Note: The industry groupings *; Financial and insurance activities, Electricity, gas, steam and air conditioning supply, Agriculture, forestry and fishing, Mining and quarrying, Public administration and defense and other service activities* are not included within the BICS, therefore business totals for the different BICS indicators within this report may be an underestimate as these sectors are not covered.

GVA output loss (£) in Q2 – Local estimates

We have provided modelled estimates of the absolute loss in GDP in Q2 by sector at the geography levels; **local authority, Combined Authority, LEP and Region level**. National GDP % fall estimates by sector were obtained through the *ONS GDP first quarterly estimate time series* dataset, where the national *GDP period on period growth % in chain volume measure for 2020Q2* for each sector was used. Note the sector classifications available within the dataset did not include the standardly defined industry '*Agricultural, mining, electricity, and gas*' (ABDE), therefore the sector '*Electricity and gas'* was used as a proxy.

We then approximate estimates for GDP by sector for each geography using GVA by sector in 2018 estimates from the *Balanced GVA by industry* dataset. We divide each GVA by sector figure by 4 to obtain a crude estimate of GVA per quarter in 2018, and multiply these estimates by the % GDP fall by sector figures that we obtained from "*ONS GDP first quarterly estimate time series*". This enables us to acquire absolute loss estimates in £ terms for each sector of our desired geographies.

Impact Assessment

01

Headline Impacts

- COVID-19 health impacts
- Change in movement patterns
- High street recovery
- Headline economic impacts (GVA)
- Actual vs forecast change in Q2 sector output
- Estimated Q2 GVA loss by sector

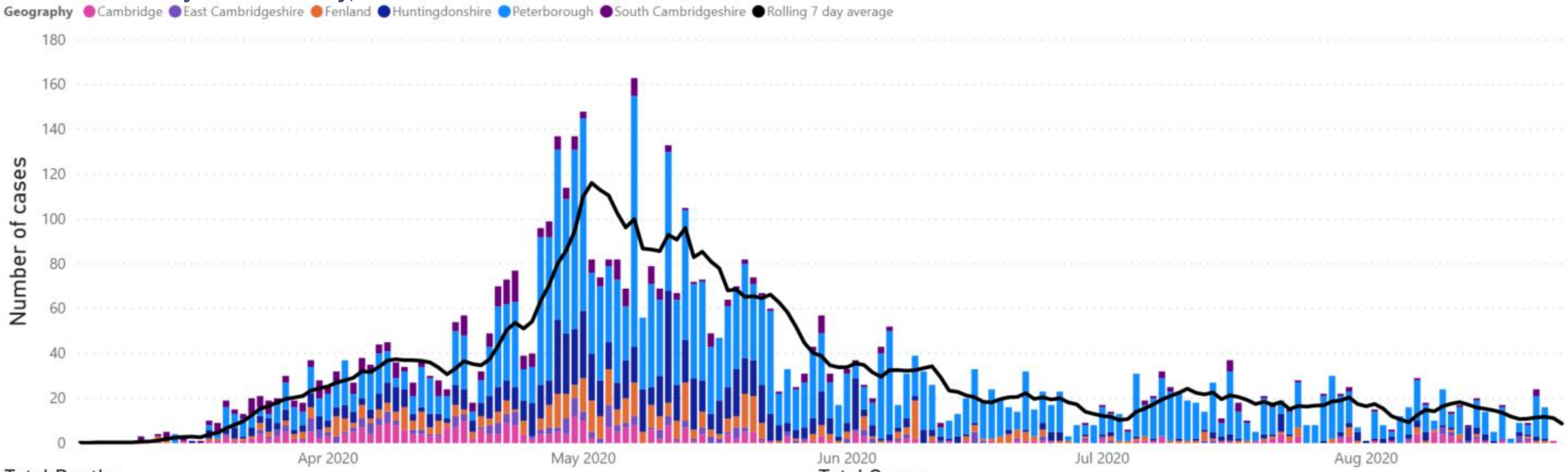
02

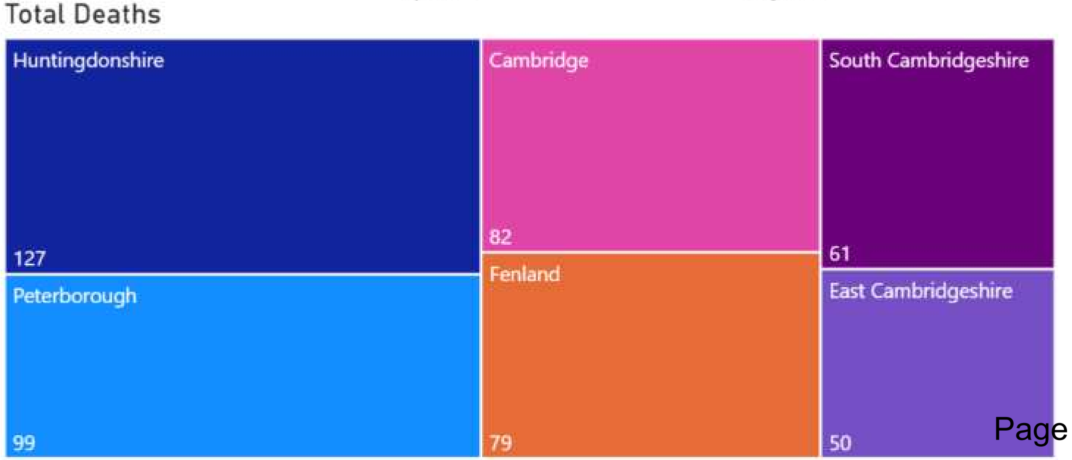
Performance against Comparators

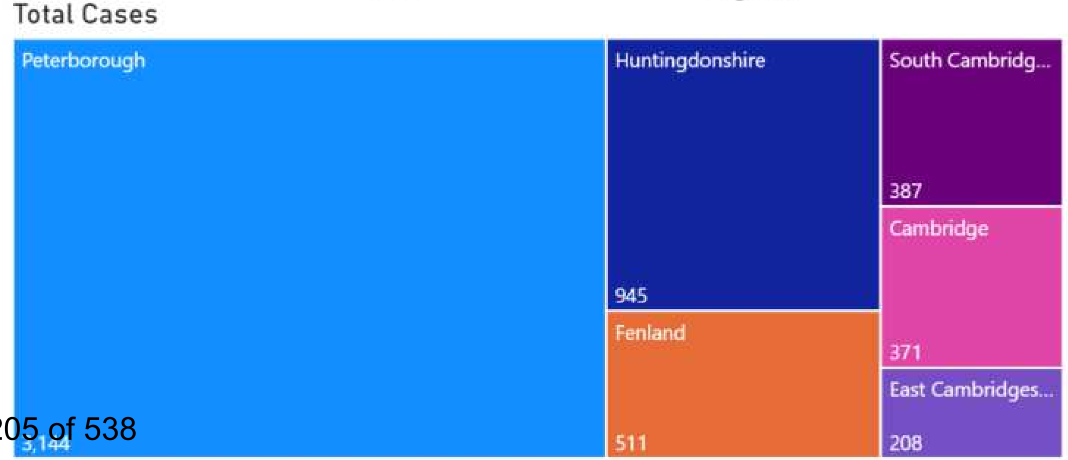
- Sector output loss
- Universal Credit claimants

The first peak of the virus has passed, but low levels of infection persist in the community

Covid-19 cases by local authority, CPCA



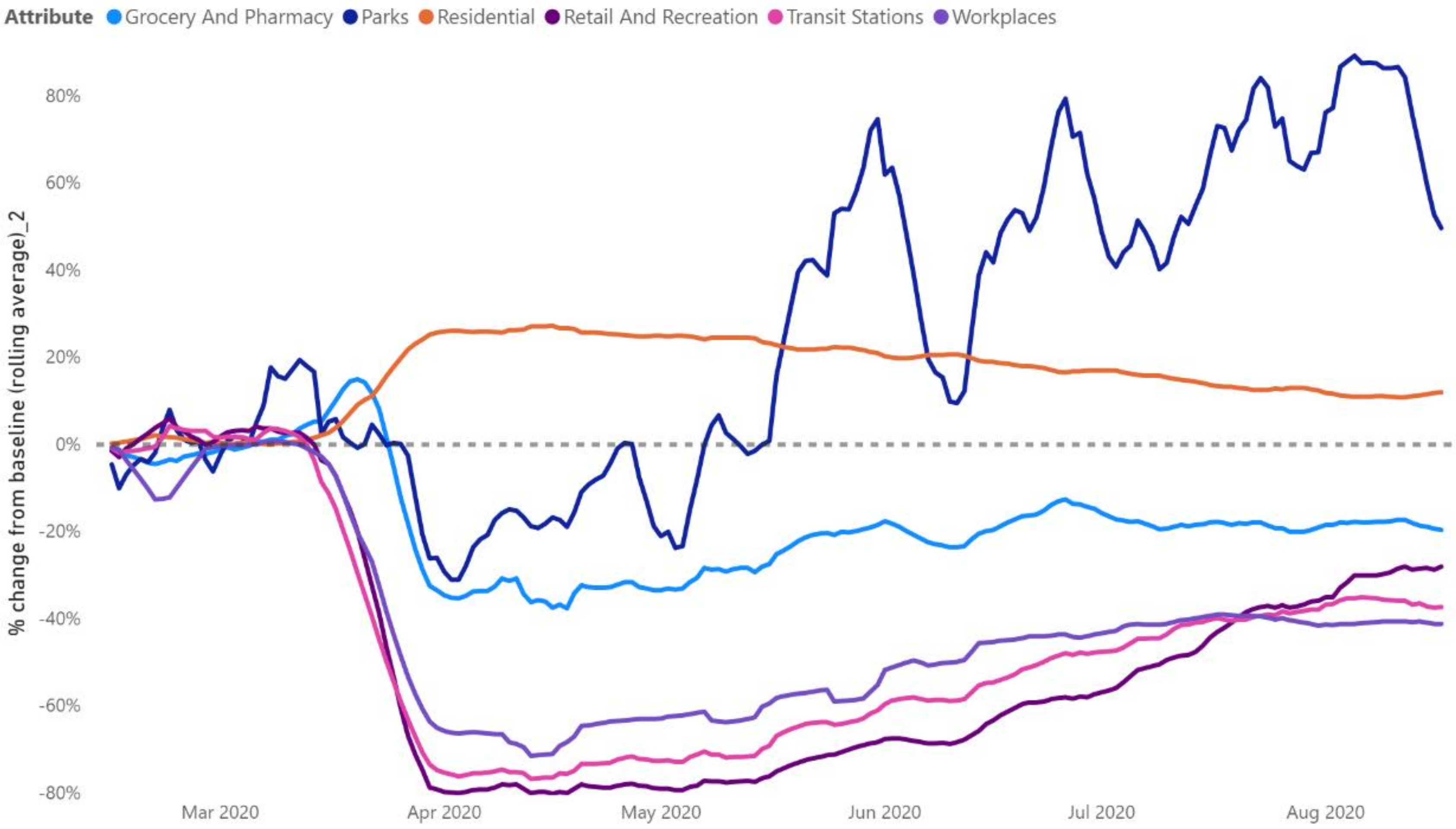




Source: Metro Dynamics analysis of NHS UK data

People have been cautiously returning to workplaces and shops in Cambridgeshire, however activity is still well below pre-lockdown levels

Use of space relative to baseline period, seven day rolling average, Cambridgeshire



This chart shows change in the use of different types of space relative to how they were used in the first six weeks of the year. This data is provided by Google, based on the real-time location of phones. The dramatic effect of lockdown on March 23rd can be clearly seen: in increased time at home, and reduced time in all other settings.

On May 10th the Government changed its messaging from "stay at home" to "stay alert" and reduced various restrictions, a process which have been ongoing steadily since to allow more activity. Activity has returned to parks, but has been slower to come back in other areas.

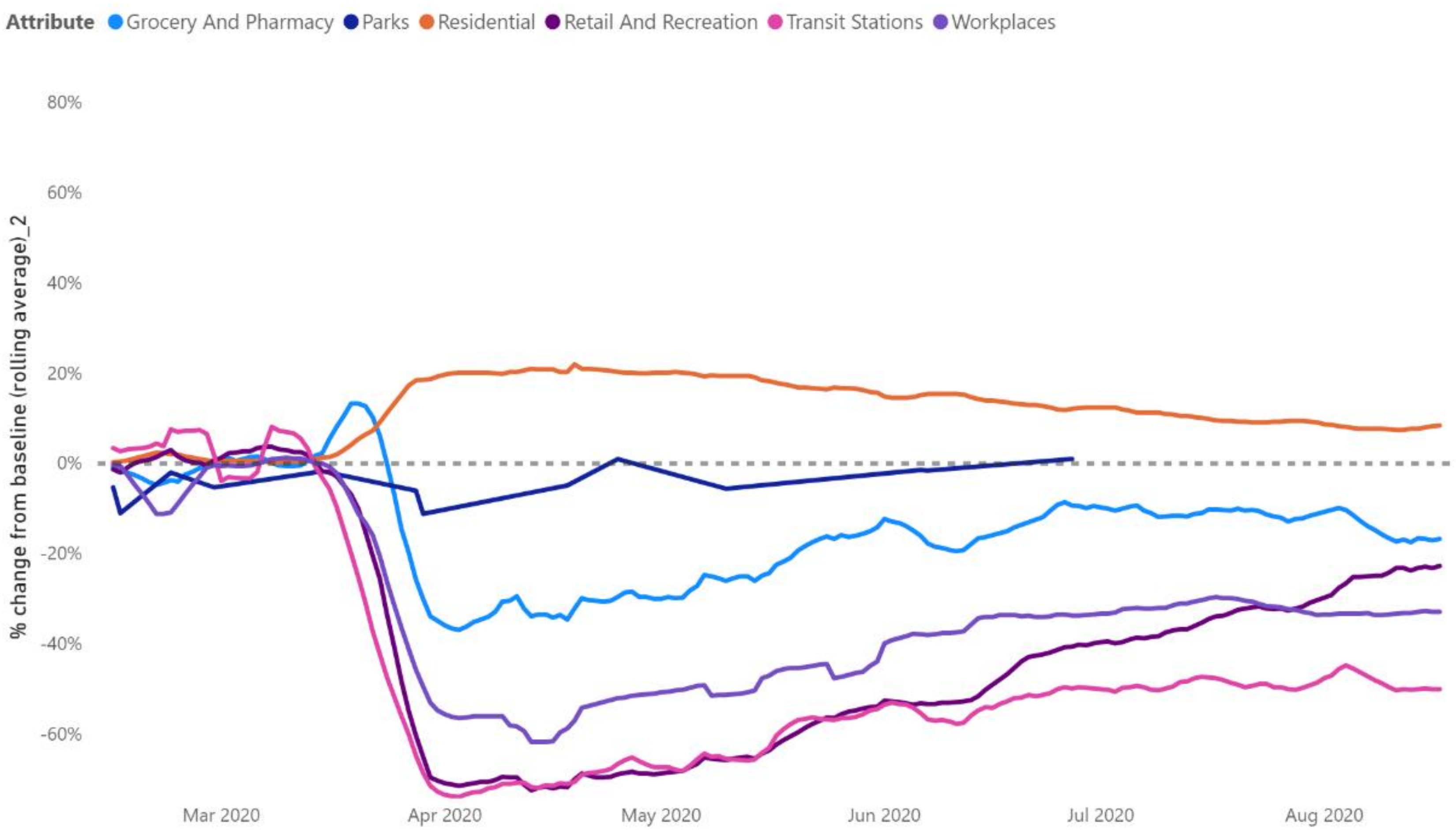
Retail and recreation remains nearly 40% below pre-lockdown levels, despite an uptick in activity from the beginning of July when pubs and non-essential retail businesses reopened.

This data is available at county level only.

Source: Metro Dynamics analysis of Google Mobility Data

People have been cautiously returning to workplaces and shops in Peterborough, however activity is still well below pre-lockdown levels

Use of space relative to baseline period, seven day rolling average, Peterborough



This chart shows change in the use of different types of space relative to how they were used in the first six weeks of the year. This data is provided by Google, based on the real-time location of phones. The dramatic effect of lockdown on March 23rd can be clearly seen: in increased time at home, and reduced time in all other settings.

On May 10th the Government changed its messaging from “stay at home” to “stay alert” and reduced various restrictions, a process which have been ongoing steadily since to allow more activity. Despite this, activity has been slow to recover in all non-residential settings.

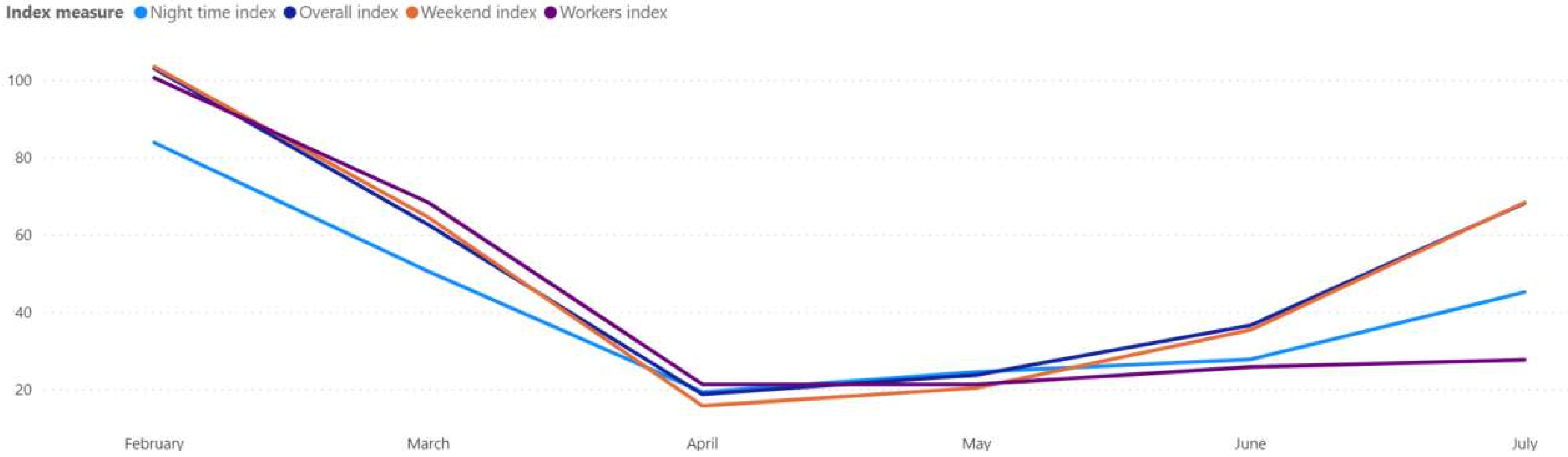
Retail and recreation remains more than 20% below pre-lockdown levels, despite an uptick in activity from the beginning of July when pubs and non-essential retail businesses reopened. Workers had gradually been returning to workplaces, but since the middle of July this trend seems to have paused, with Workplace activity still nearly 40% below pre-lockdown levels.

This data is available at county level only.

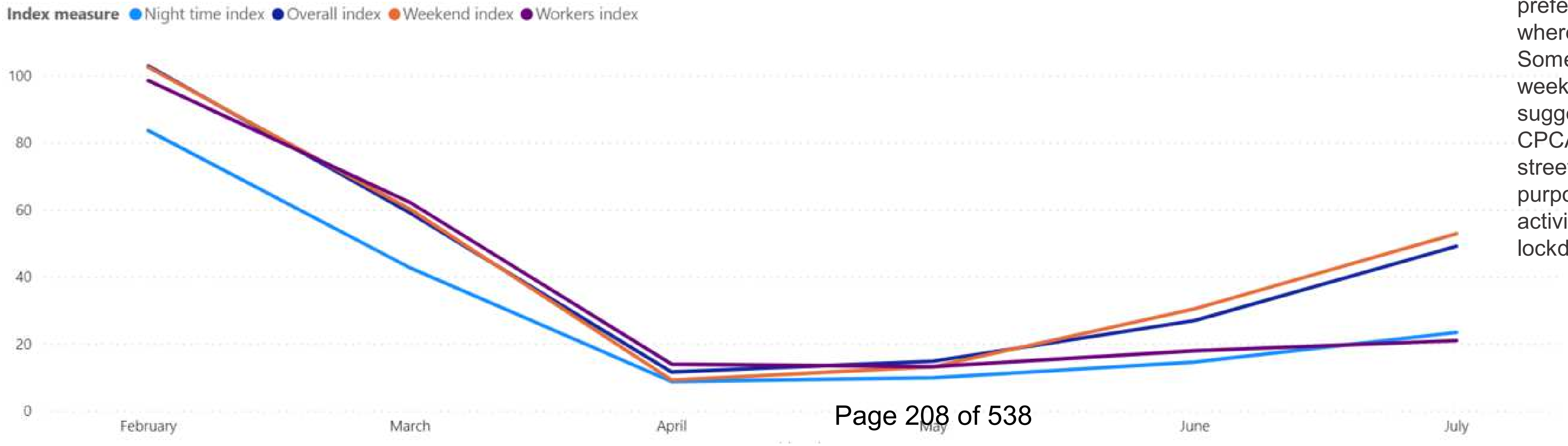
Source: Metro Dynamics analysis of Google Mobility Data

High streets have been slow to recover and activity remains well below pre-lockdown levels

High Street Recovery Index, Cambridgeshire



High Street Recovery Index, Peterborough



These charts show Centre for Cities' data on high street recovery for Cambridgeshire (top) and Peterborough (bottom). Data is available at county level only. The index measures activity on high streets across different time periods.

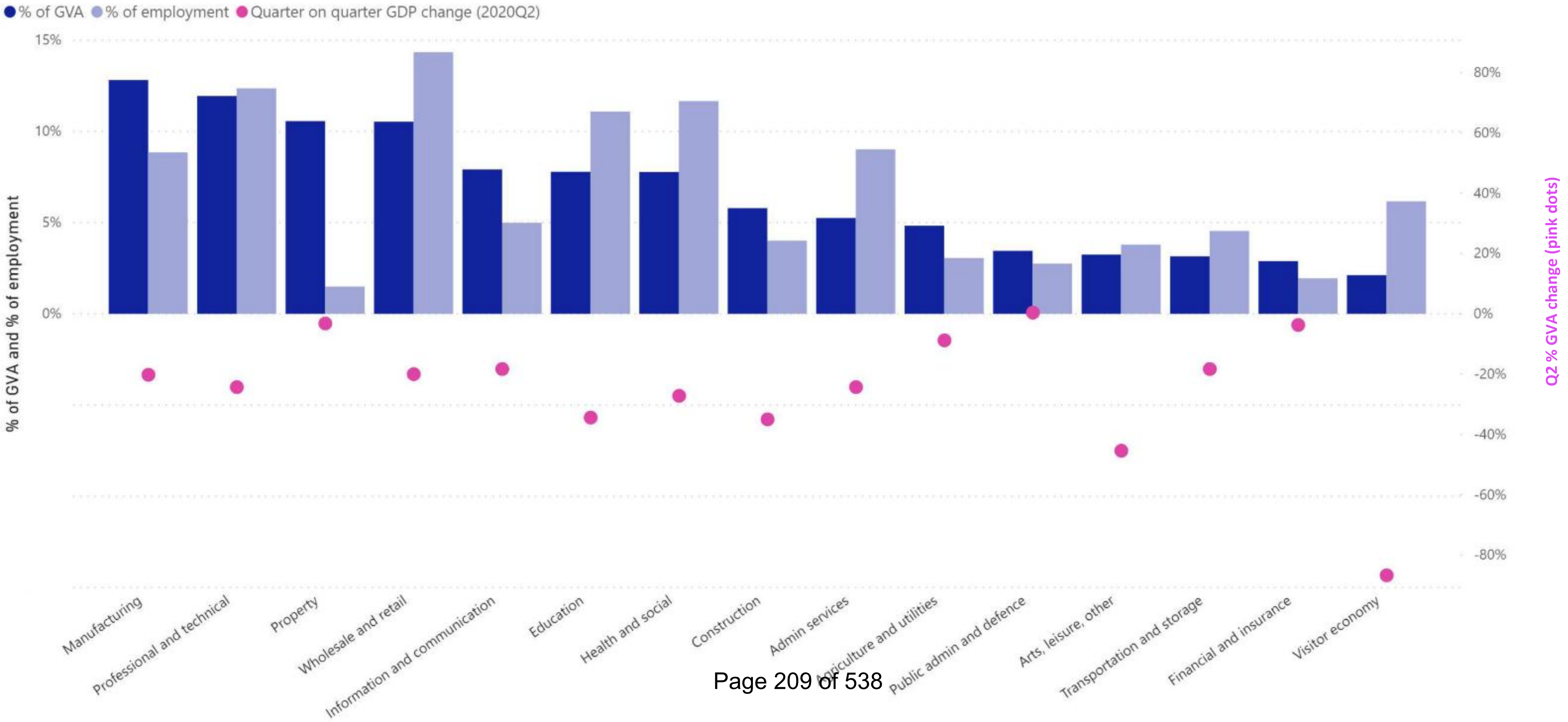
Across all time periods activity has been slow to recover, particularly during business hours on weekdays (the workers index, purple line), which likely reflects the cautious return of workers to offices and retail spaces and an ongoing preference to work remotely where possible.
Some uptick in activity on weekends is visible, which suggests that residents across CPCA are returning to high streets for retail and leisure purposes, but even on weekends activity remains far below pre-lockdown levels.

Source: Metro Dynamics analysis of Centre for Cities' High Street Recovery Index

Output declined across all sectors in Q2, with the largest falls in the Visitor Economy, Arts and Leisure, Education and Construction

This chart shows proportion of total GVA (2018) (blue bar), proportion of employment (light blue bar) and our modelled estimates of the Q2 fall in output (pink dots, right axis) for CPCA. This analysis shows that the largest output decline was in the visitor economy (-87%) and the smallest was in Public Admin and Defence (no change). To estimate the fall in output across CPCA we have applied national ONS estimates of Q2 output loss to CPCA's sector mix. The next pages use these estimates to assess the £ impact on CPCA's sectors and economy.

Sector GVA, Employment and estimated modelled Q2 output loss (right axis) for CPCA

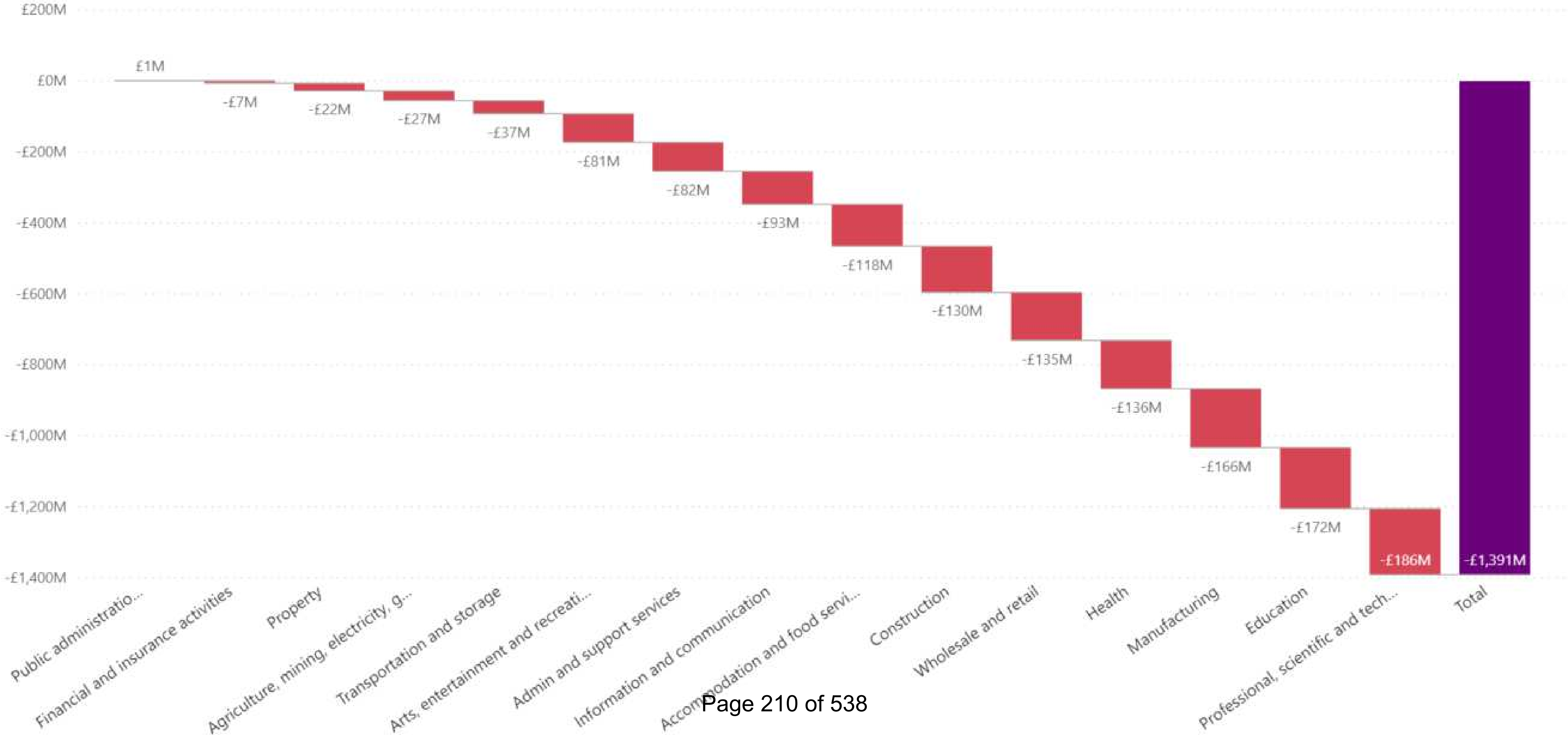


Source: Metro Dynamics analysis of ONS BRES data; modelled estimates of ONS GDP quarterly estimates

CPCA's output decline was driven by large falls in key industries: the Professional, Scientific & Technical, Education and Manufacturing sectors

Building on the last page, this chart applies our modelled estimates of output decline across sectors to CPCA's total GVA, to produce estimates of the absolute £ decline across sectors. In total, our modelling suggests that across CPCA output declined by £1.39bn in Q2.

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

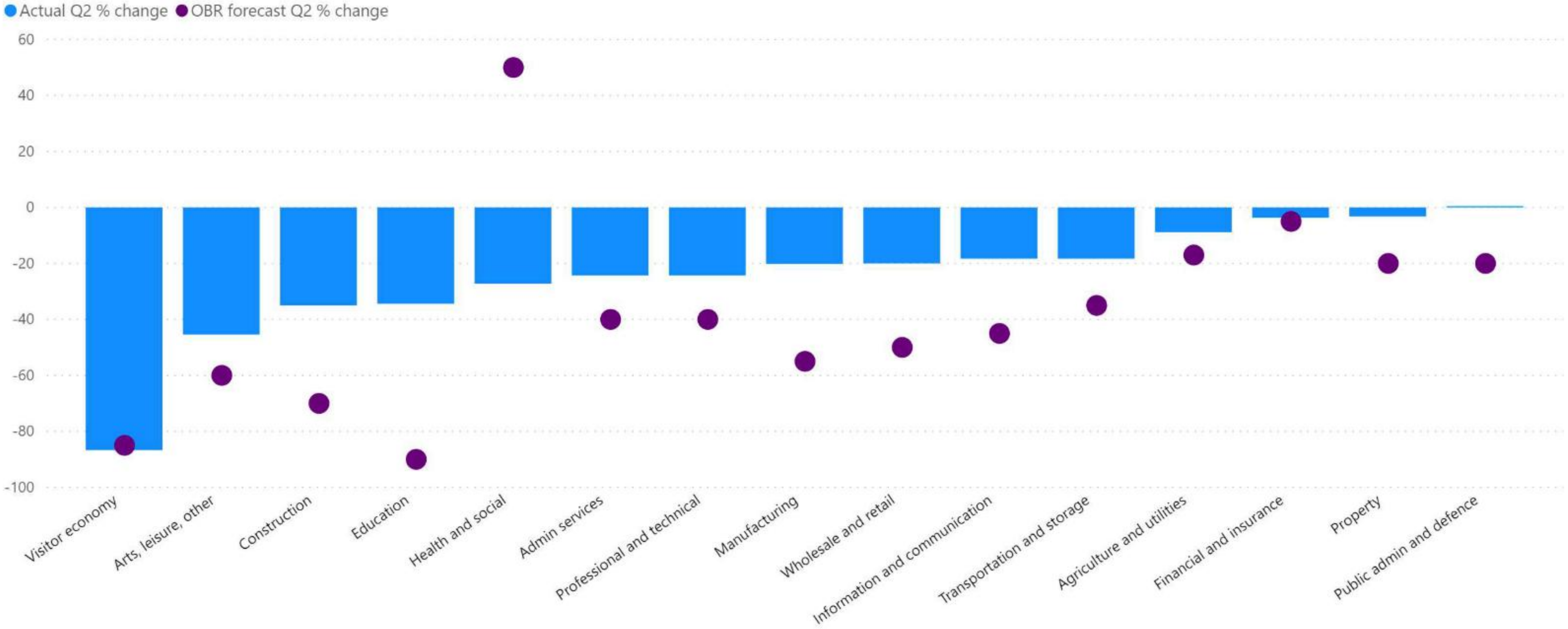


Source: Metro Dynamics analysis of ONS BRES data; modelled estimates of ONS GDP quarterly estimates

Although still historically significant, Q2's decline in output was less than what was anticipated by OBR modelling in April this year

In April 2020 the Office of Budget Responsibility (OBR) released forecasts of potential output decline across sectors for Q2 (shown by the purple dots, below). Our modelled estimates of (national) Q2 data suggest the actual falls in output across most sectors (blue bars) were not as significant as first feared, but were still very substantial. The OBR forecast pointed to a -£3.7bn reduction in CPCA's output, compared to the -£1.39bn reduction in output our modelling estimates.

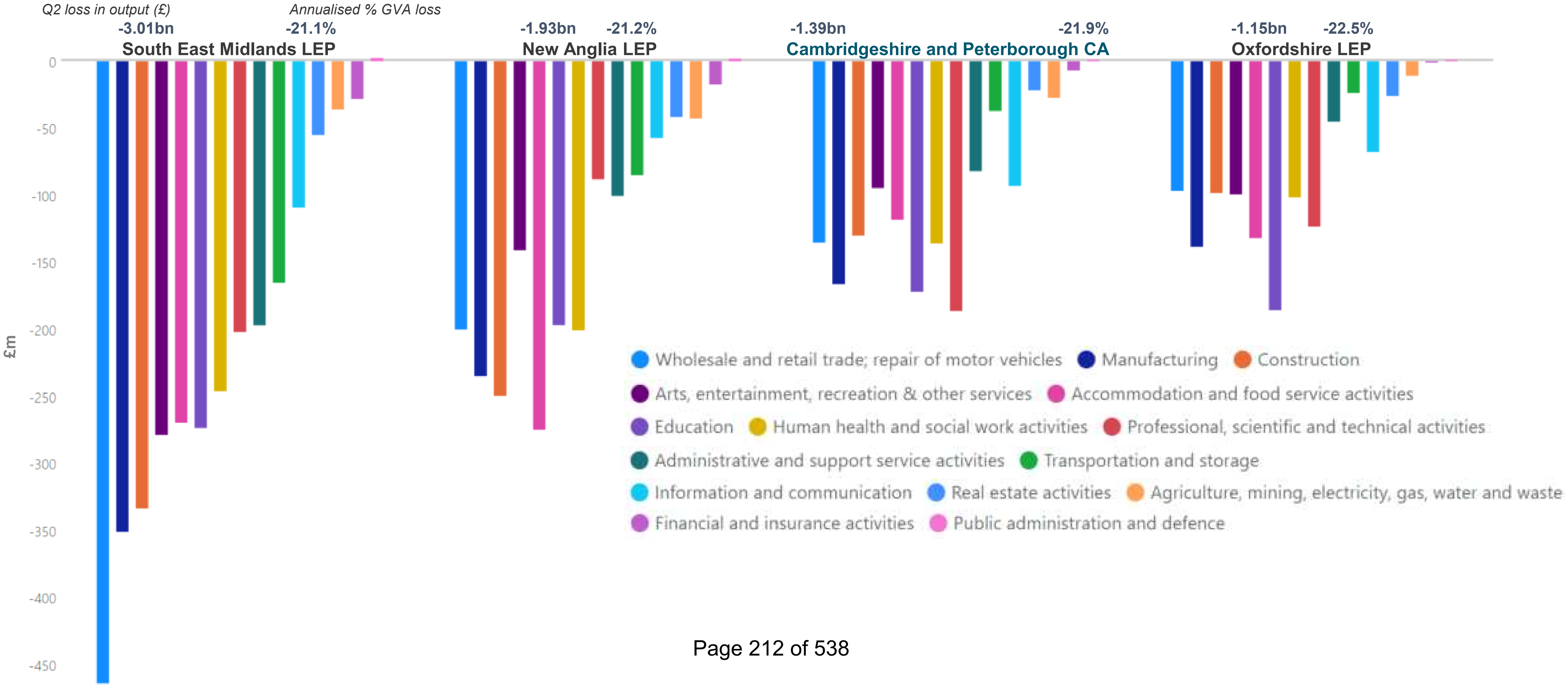
Actual Q2 sector output fall vs OBR forecast Q2 fall



Source: Metro Dynamics analysis of ONS BRES data; modelled estimates of ONS GDP quarterly estimates; OBR April 2020 forecasts

CPCA’s -22% annualised decline in GVA is matched by similar falls in comparator places

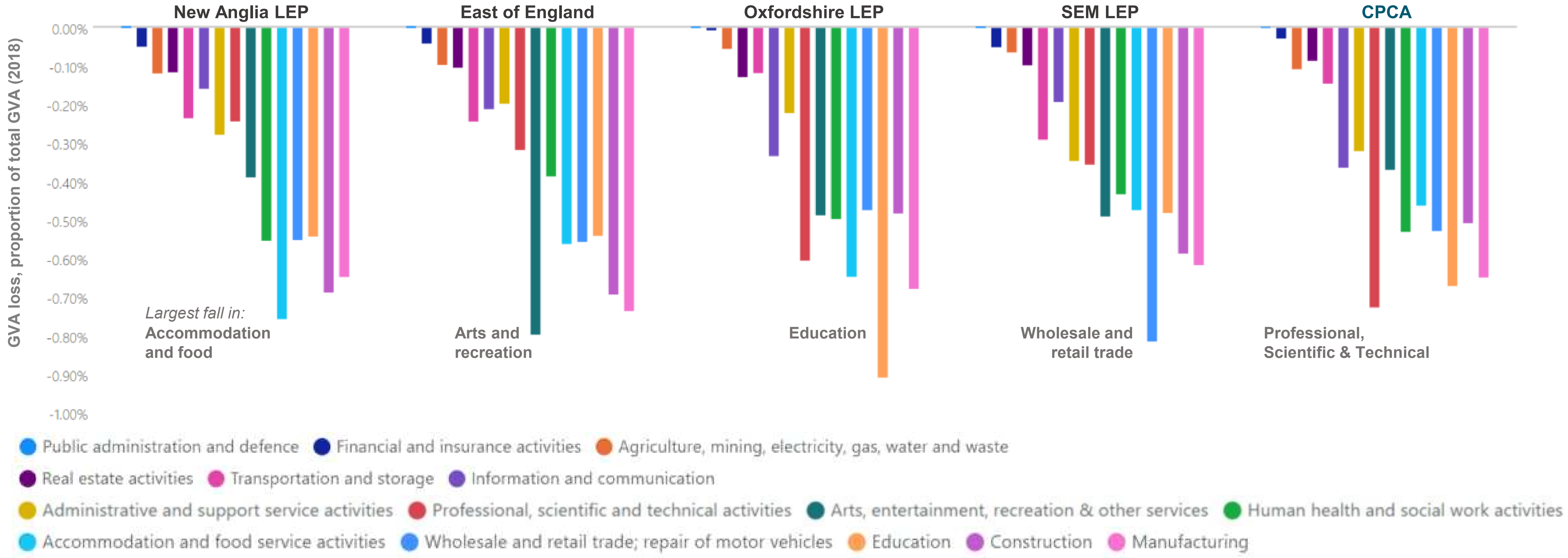
This chart shows our modelled estimates of Q2 falls in output across sectors for SEM LEP, New Anglia LEP, CPCA and Oxfordshire LEP. Values are our estimates (in £m) of output lost per sector. We have applied national data on Q2 sector output falls to the sectoral composition of each place in order to estimate total output loss. This approach indicates that across the places total output fell at an annualised rate of between -21.1% in SEM LEP and -22.5% in Oxfordshire LEP.



Source: Metro Dynamics analysis of ONS BRES data; modelled estimates of ONS GDP quarterly estimates

The decline in output across CPCA stands out against comparators because it is driven by losses in the Professional, Scientific & Technical sector

This chart shows our modelled estimates of Q2 falls in output across sectors for SEM LEP, New Anglia LEP, CPCA, Oxfordshire LEP and East of England. We have applied national data on Q2 sector output falls to the sectoral composition of each place. The values show GVA loss in that sector as a proportion of that place's total GVA (using 2018 GVA figures). The larger the sector in that place, and the larger the national decline in that sector's output across Q2, the greater the impact will be. This analysis shows that different sectors led the decline in GVA across places. Professional, Scientific and Technical activities led the decline in CPCA, which stands out from comparators, where the largest losses were typically concentrated in the sectors that were most impacted by the lockdown, such as retail trade.

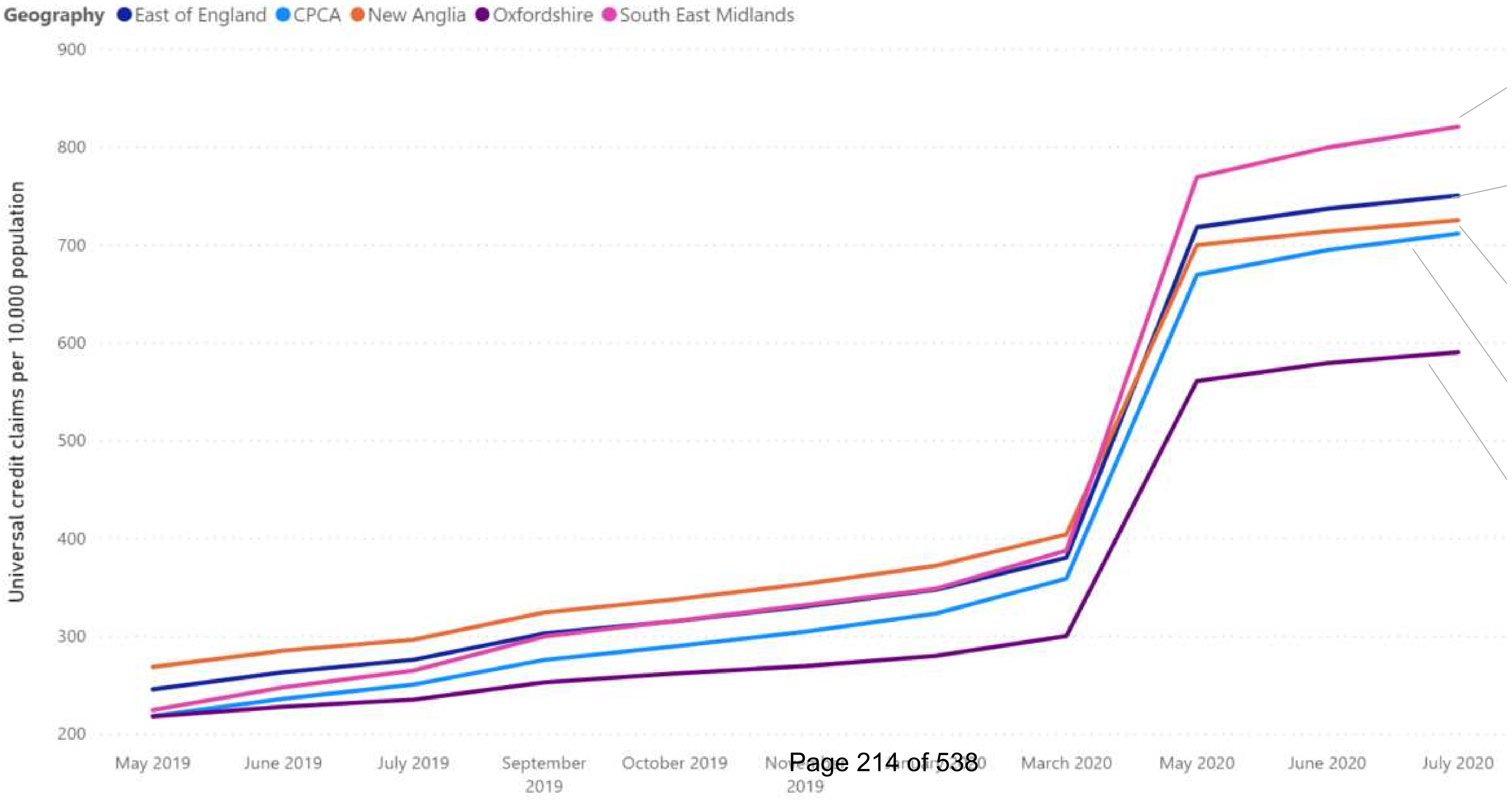


Source: Metro Dynamics analysis of ONS BRES data; modelled estimates of ONS GDP quarterly estimates

The rise in Universal Credit claims across CPCA is broadly in line with the increases seen in comparator geographies

This chart shows the cumulative number of Universal Credit claimants per 10,000 residents in CPCA and comparator geographies. From March to July all places experienced a rapid increase in the number of Universal Credit claimants, from a 79% increase in New Anglia LEP to a 111% increase in SEM LEP, with CPCA in between at 97%. Although the most substantial increase in claimants occurred in April and May, numbers continued to increase over the summer to the end of July. Across CPCA there are now more than 700 Universal Credit claimants per 10,000 head of population.

Universal Credit claimants per 10,000 residents, CPCA and comparators, May 2019 – July 2020



South East Midlands
139,396 claimants (July 2020)
111% increase (March to July)

East of England
468,196 claimants
97% increase

New Anglia
121,079 claimants
79% increase

CPCA
60,911 claimants
97% increase

Oxfordshire
40,847 claimants
97% increase

Source: Metro Dynamics analysis of DWP data

Impacts across CPCA

01

Sectors & Businesses

- Sector output loss
- Trading status
- Cash reserves
- Turnover vs operating costs
- Take up of government support
- Use of the furlough scheme
- Commercial property vacancy rates

02

Labour Markets

- Universal credit claimants
- Jobseekers Allowance claimants
- Furloughed workers
- New job postings
- Average salaries by industry
- Key workers
- Working from home
- Parents in the workforce

Sectors and Business Headline Findings

Across CPCA

Sector Output

- Q2 output declined for all sectors except Public Administration. The fall in output across CPCA was led by the Professional, Scientific and Technical (PST) sector and Education.
- Manufacturing was the single largest source of decline across four out of six of CPCA's local authorities.

Business Recovery

- Most businesses across most sectors have now reopened, although recovery has been slower in sectors more affected by the lockdown.
- On the whole, business cash reserves are improving, but the stubbornly high number of cash-poor businesses points to a fragile recovery.
- Many businesses are yet to return to profitability, though there are some early signs of success.

Use of Government Support

- Since peaks in March and April, business take up of most government support schemes has been steadily declining. Still, approximately 1 in 5 businesses was making use of a government support scheme at the end of July.
- Up to 24,000 CPCA businesses are still using the furlough scheme.

Commercial Property

- Commercial property vacancy rates are rising, particularly for retail property, although increasing vacancy rates are evident across industrial and office property too.

Cambridge

Q2 output loss: **-£371m**

Largest output fall in:
Professional, Scientific and Technical (PST)

Cambridge's high value PST and Education sectors declined substantially in Q2. The fall in Cambridge's PST output accounted for 6% of the total Q2 output loss across CPCA.

South Cambridgeshire

Q2 output loss: **-£298m**

Largest output fall in:
Manufacturing

An estimated 500 businesses have less than one month of cash reserves, the largest number in CPCA. Property vacancy rates have increased from already high levels relative to other LAs.

Greater Cambridge

Peterborough

Q2 output loss: **-£319m**

Largest output fall in:
Manufacturing
Peterborough has the most Wholesale / Retail Trade businesses, employment and GVA in CPCA. Peterborough has avoided the worst of the recession so far, but a slow retail recovery poses a real risk to the region.

Huntingdonshire

Q2 output loss: **-£214m**

Largest output fall in:
Manufacturing
The region's strong agrifood industry has helped negate the worst effects, though there were substantial losses of output in manufacturing and construction. Commercial property vacancies have risen.

Greater Peterborough

Fenland

Q2 output loss: **-£90m**

Largest output fall in:
Manufacturing

One third of lost output was in just two sectors: manufacturing and retail trade. Overall output declined by 5.5% of Fenland's 2018 GVA, mirroring the 5.4% decline across all of CPCA.

East Cambridgeshire

Q2 output loss: **-£99m**

Largest output fall in:
Arts & Entertainment

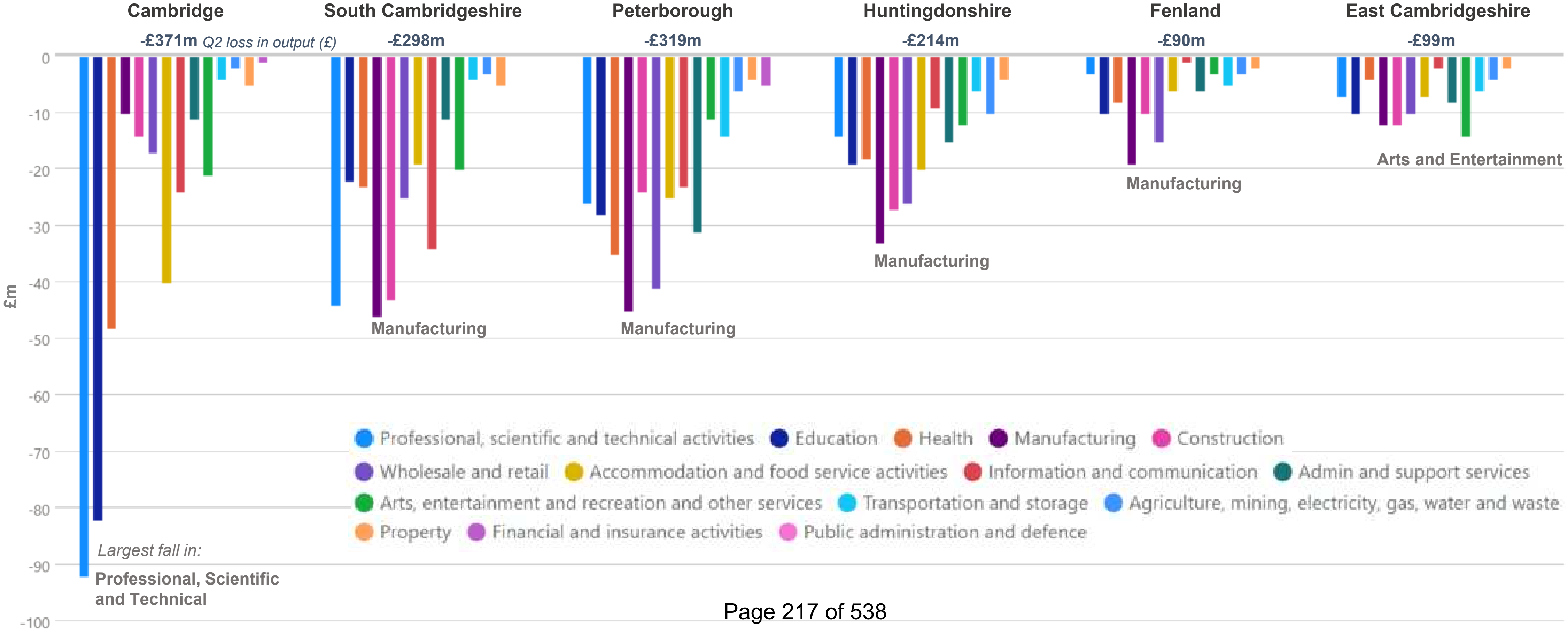
The region's strong agrifood industry has helped negate the worst effects of the recession. Q2's output loss was equivalent to 4.9% of EC's 2018 GVA – the smallest percentage loss of output across CPCA.

The Fens

Q2 output declined for all of CPCA's local authorities, with largest absolute losses in Cambridge (-£370m) and Peterborough (-£319m)

Based on the modelled estimates of Q2 output loss presented on previous pages, this chart shows our modelled estimates of output fall by sector across CPCA's local authorities. From left to right, the industries are ordered by the total size of that industry's decline across CPCA. The scale of output decline within a local authority is driven by its sectoral composition. Output decline in the manufacturing sector was the largest single cause of output decline in four out of six local authorities. Cambridge's Professional, Scientific and Technical sector and Education sector experienced the largest declines overall.

Modelled estimates of Q2 output loss by sector for local authorities



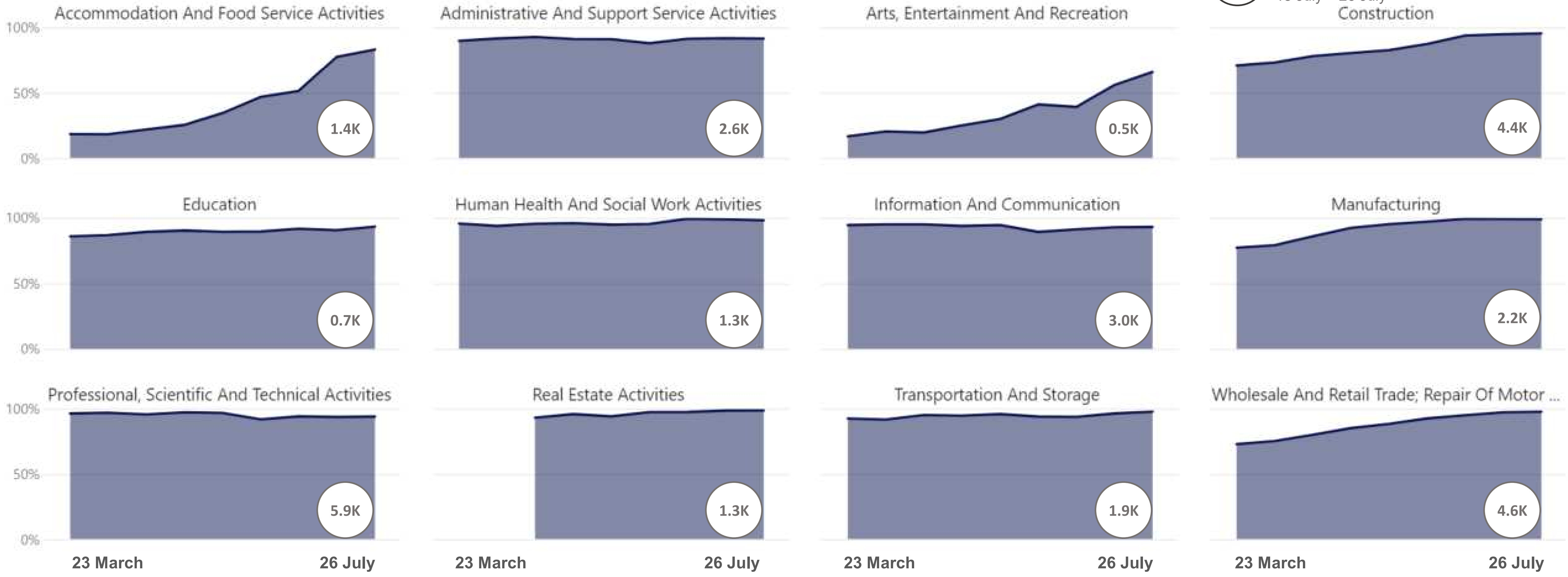
Source: Metro Dynamics analysis of ONS BRES data; modelled estimates of ONS GDP quarterly estimates

Most businesses across most sectors have now reopened, although recovery has been slower in sectors more affected by the lockdown

The charts below track businesses reopening across sectors based on responses to the ONS Business Impacts of Coronavirus Survey (BICS). The numbers in the bubbles are our estimates of the number of businesses across CPCA that are now trading again. After extended shutdowns in some industries, a steady upward trend in the number of businesses trading can now be seen.

Proportion of businesses open for trade, UK, March 23 – July 26

1.4k = modelled estimates of the number of CPCA businesses who are trading, from 13 July – 26 July

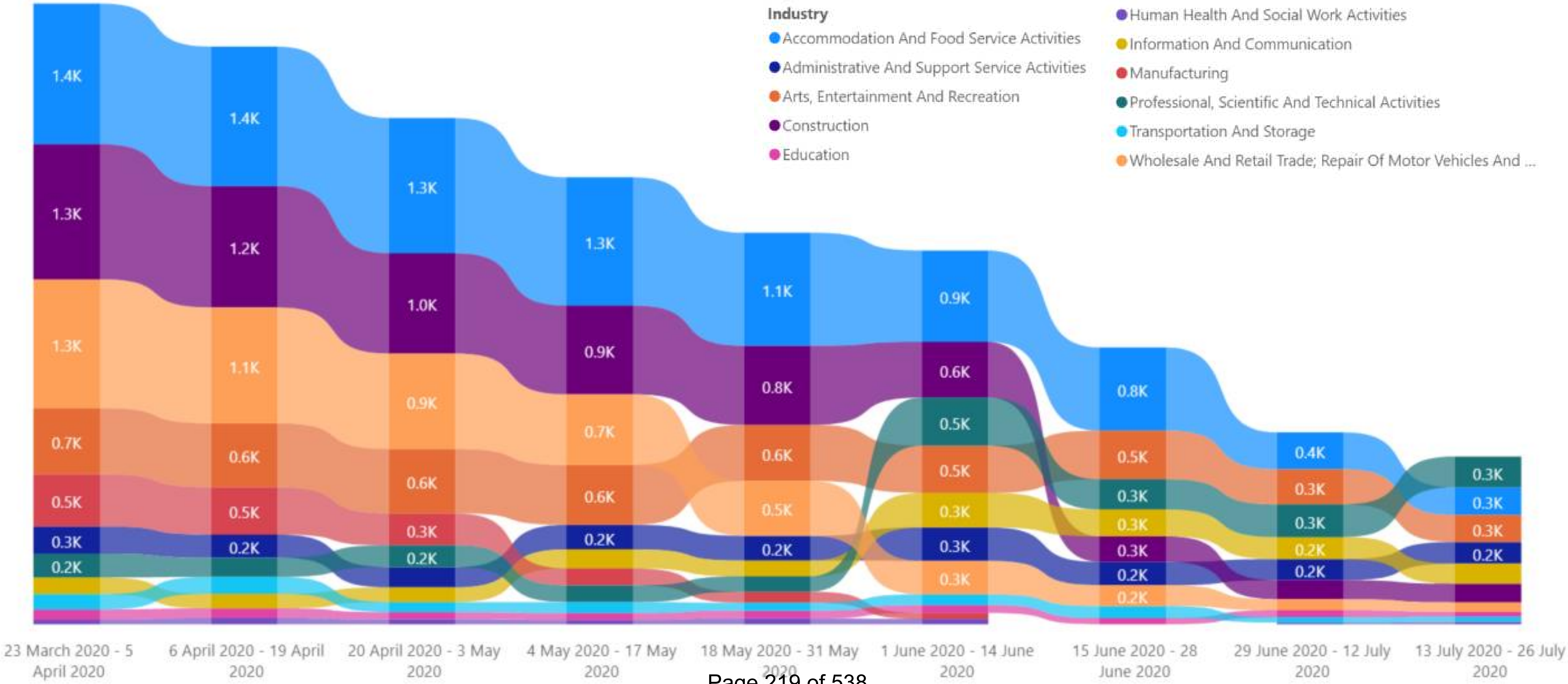


Source: Metro Dynamics analysis of ONS Business Impacts of Coronavirus Survey (ONS BICS); ONS BRES data for CPCA

Some businesses, particularly in dining and entertainment, are yet to reopen

This chart tracks our modelled estimates of the number of CPCA businesses that are yet to reopen, based on responses to the ONS Business Impacts of Coronavirus Survey (BICS). Businesses have been gradually reopening over time, with an estimated 4,500 businesses that had paused trading at the beginning of April having since reopened. However, our estimates suggest that at the end of July approximately 1,500 businesses across CPCA had still temporarily paused trading.

CPCA businesses that have temporarily paused trading, by industry, March 23 – July 26

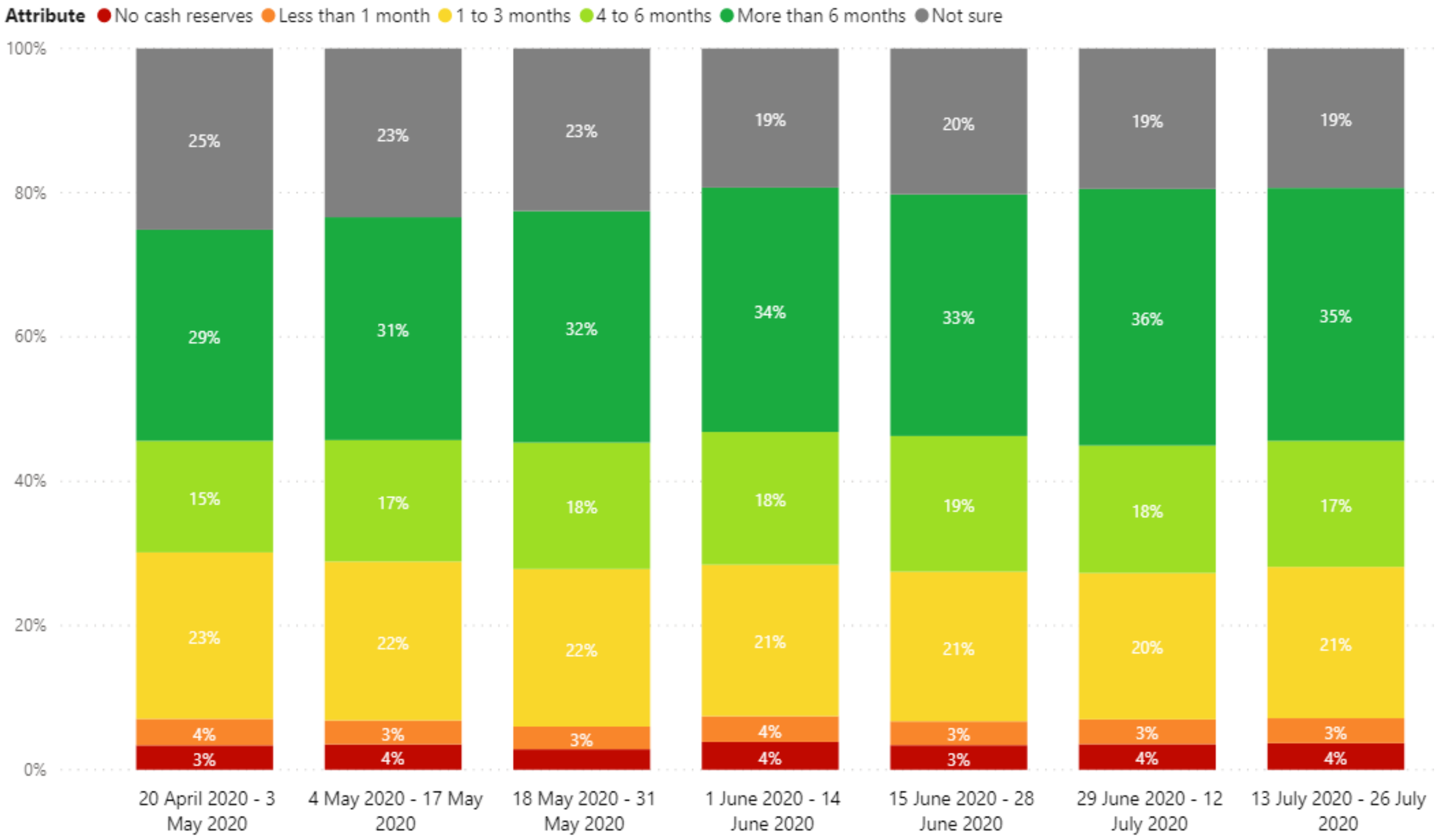


Source: Metro Dynamics analysis of ONS Business Impacts of Coronavirus Survey (ONS BICS); ONS BRES data for CPCA

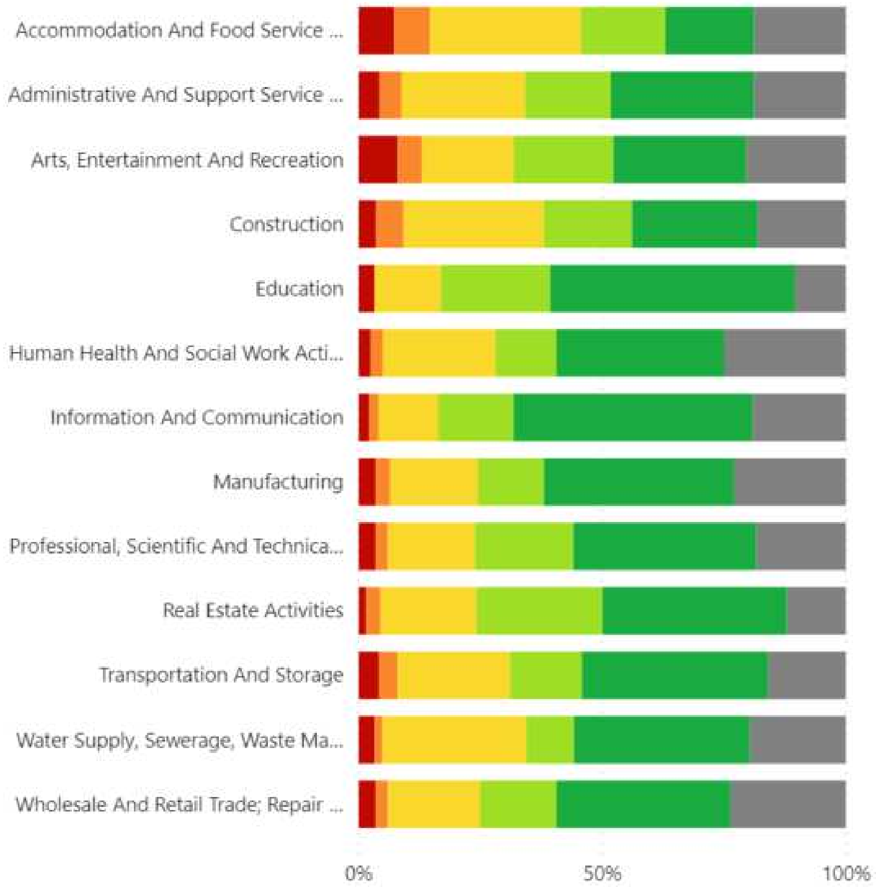
Business cash reserves are slowly improving

These charts show the stated cash reserves of businesses across CPCA based on responses to the ONS Business Impacts of Coronavirus Survey (BICS). Gradual improvement can be seen in the cash position of businesses over time, from 29% of businesses reporting having more than 6 months of cash reserves in April compared to 35% at the end of July. Businesses are also becoming more certain of their cash position, as evidenced by the decreasing numbers of businesses saying they are not sure about their cash reserves. Across industries (right-hand chart) there are persistent concerns about the cash reserves of businesses in the Accommodation and Food sector and Arts and Recreation. Analysis over the following pages will pick up on this theme again, noting that businesses in these sectors are less likely to be profitable and are more likely to be making use of government support schemes.

Business cash reserves, CPCA, all industries, April 20 – July 26



Business cash reserves by industry, CPCA, July 26

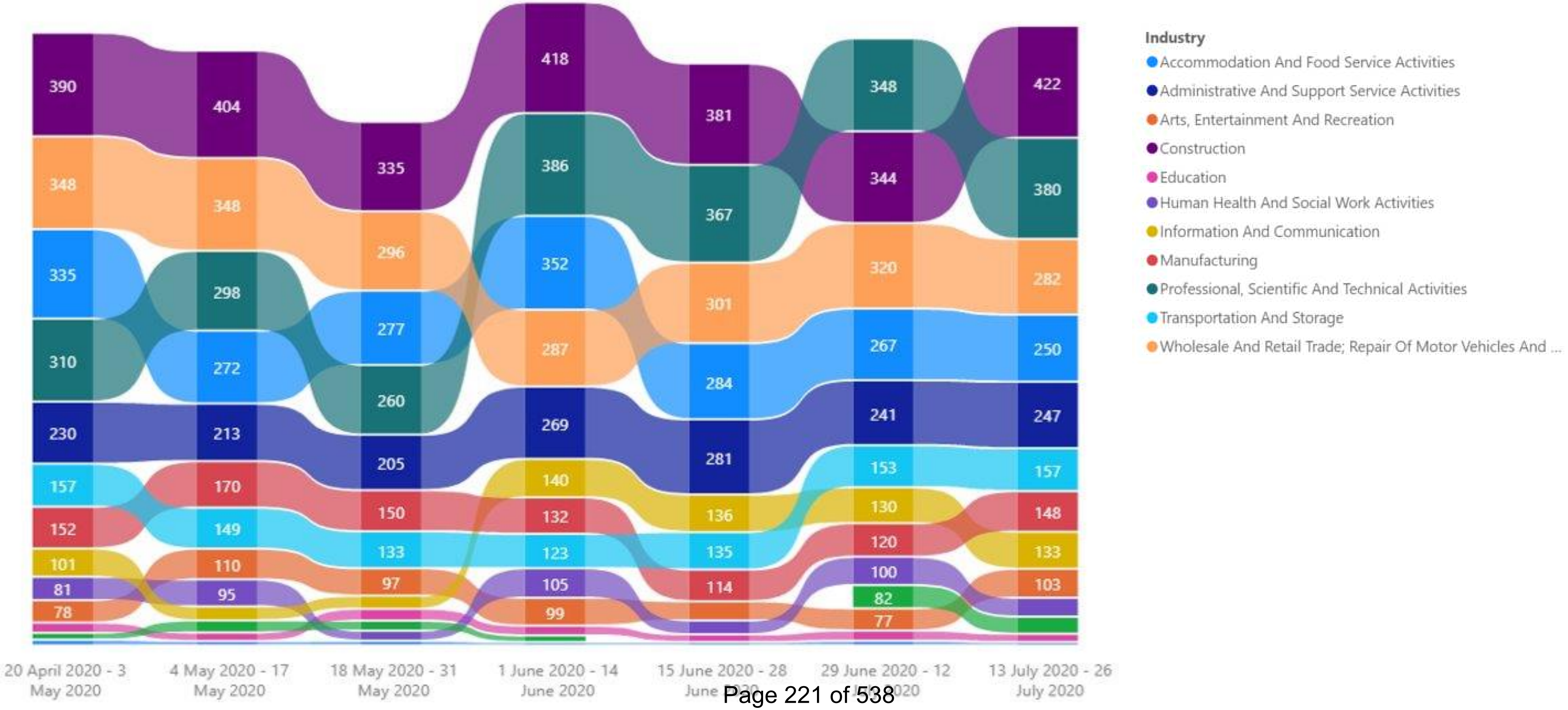


Source: Metro Dynamics analysis of ONS Business Impacts of Coronavirus Survey (ONS BICS); ONS BRES data for CPCA

Continued high numbers of cash-poor businesses points to a fragile business recovery

This chart shows our modelled estimates of the number of CPCA businesses reporting having zero cash reserves or less than 1 month of cash reserves, based on responses to the ONS Business Impacts of Coronavirus Survey (BICS). The chart shows that the cash positions of businesses in some sectors are improving more quickly than others. For example, the number of Wholesale / Retail Trade businesses with less than one of cash reserves has decreased over time, while the number of cash-poor businesses in the Professional, Scientific and Technical sector and in Construction has been increasing. Part of the increase in these may be attributed to the possibility that when businesses resume trading they initially do so with low cash reserves, and more businesses in these sectors are beginning to resume trading after early pauses. However, across all sectors the stubbornly high number of businesses reporting low cash reserves points to the ongoing fragility of the recovery.

CPCA businesses with less than 1 month of cash reserves (modelled estimates)

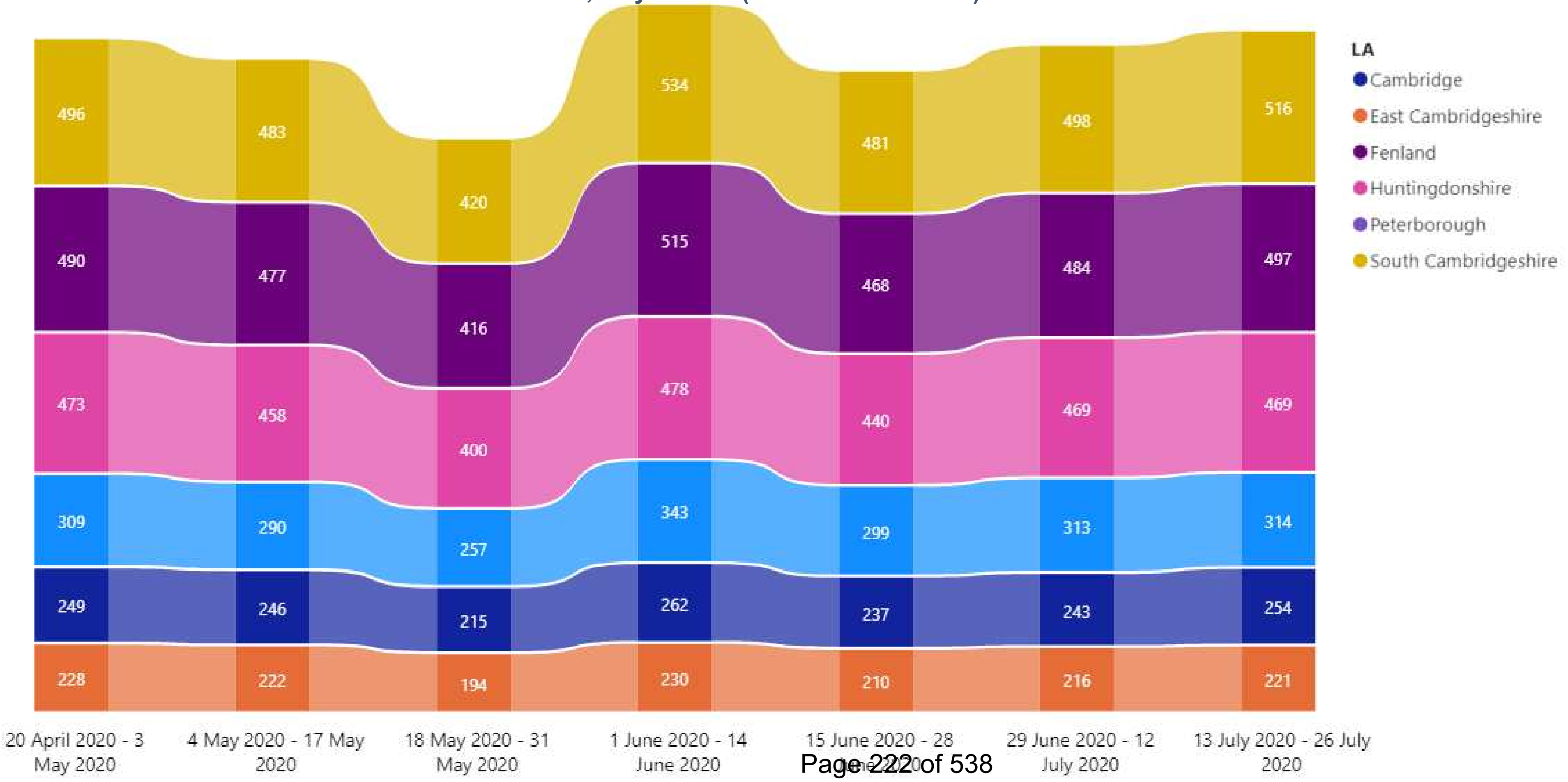


Source: Metro Dynamics analysis of ONS Business Impacts of Coronavirus Survey (ONS BICS); ONS BRES data for CPCA

South Cambridgeshire has seen the sharpest increase in businesses with few or no cash reserves

This chart shows our modelled estimates of the number of CPCA businesses reporting having zero cash reserves or less than 1 month of cash reserves, based on responses to the ONS Business Impacts of Coronavirus Survey (BICS). These estimates are based on the sectoral composition of each local authority and do not account for factors within each local authority that may be influencing business' cash positions. The number of cash-poor businesses has increased very slightly since April, and although there has been a slight improvement since the beginning of June the numbers plateaued over July. Based on the sectoral composition of its economy South Cambridgeshire is likely to have the largest number and to have seen the largest increase in businesses with less than one month of cash reserves.

Businesses with less than 1 month of cash reserves, July 13 – 26 (modelled estimates)

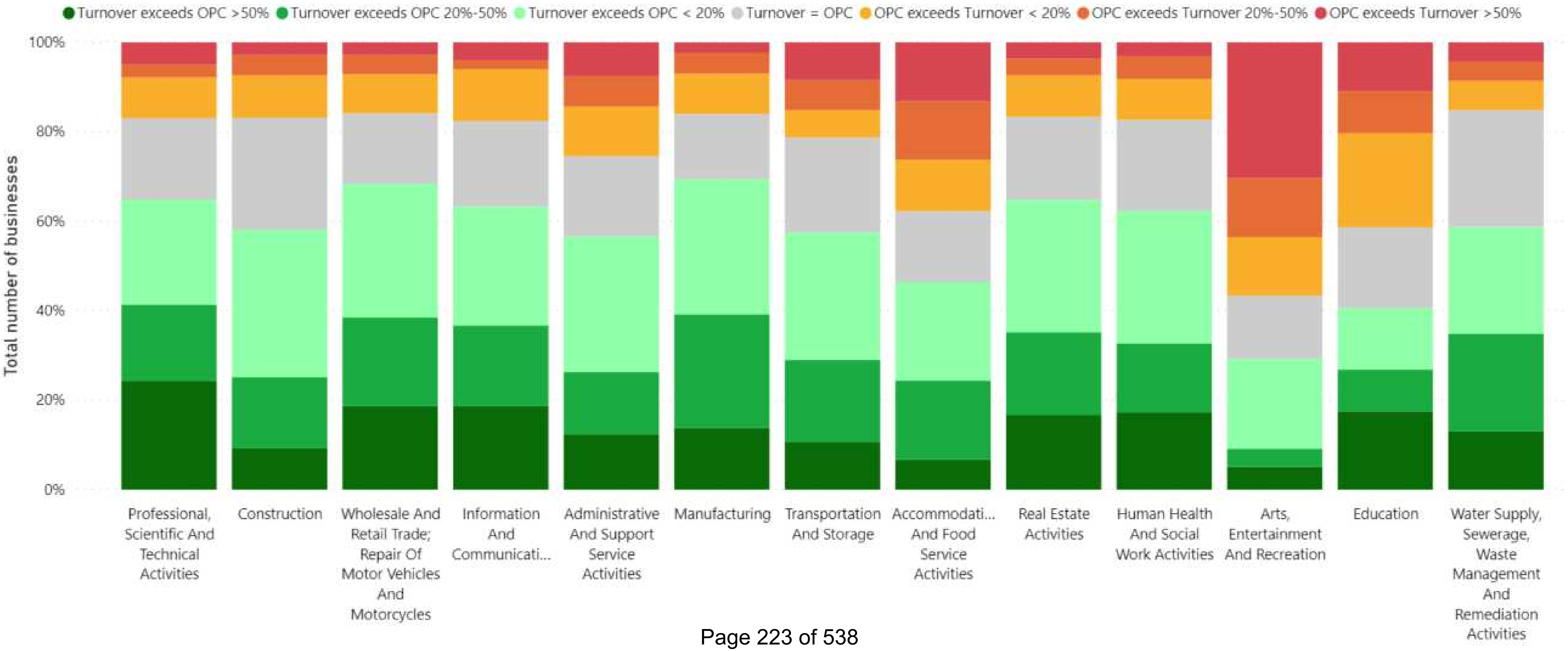


Source: Metro Dynamics analysis of ONS Business Impacts of Coronavirus Survey (ONS BICS); ONS BRES data for CPCA

Many businesses are yet to return to profitability, though some are succeeding again

This chart shows our modelled estimates of the proportion of CPCA businesses which are profitable (in terms of whether their turnover exceeds operating costs) across industries for the last fortnight of July 2020. Unsurprisingly, the sectors which have been most disrupted by the lockdown are also those where more businesses are yet to return to profitability. Of concern is the proportion of businesses in the education sector (CPCA's fourth largest sector by employment) which are reporting their operating costs exceed turnover: in total for the sector just 40% of businesses are thought to be currently profitable.

CPCA business turnover vs operating costs, July 13 – July 26 (modelled estimates)



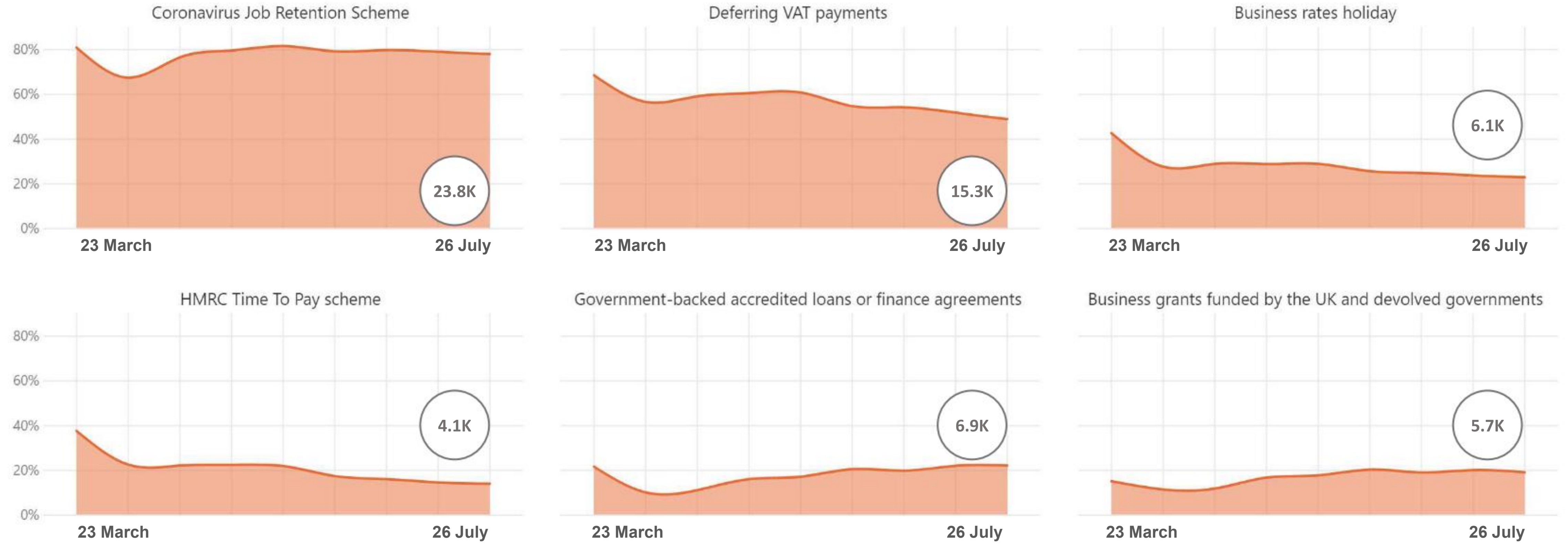
Source: Metro Dynamics analysis of ONS Business Impacts of Coronavirus Survey (ONS BICS); ONS BRES data for CPCA

Since peaks in March and April, business take up of most government support schemes has been steadily declining

The charts below track national business take-up of government support schemes based on responses to the ONS Business Impacts of Coronavirus Survey (BICS). For most support schemes take-up has been steadily declining since peaks in March and April, however almost 80% of national businesses were still making use of the furlough scheme in some form at the end of July, and across all schemes at least 1 in 5 businesses continue to access support.

1.6k = modelled estimates of the number of CPCA businesses using support scheme from 13 July – 26 July

Business use of support schemes, national, all industries, 23 March – 26 July

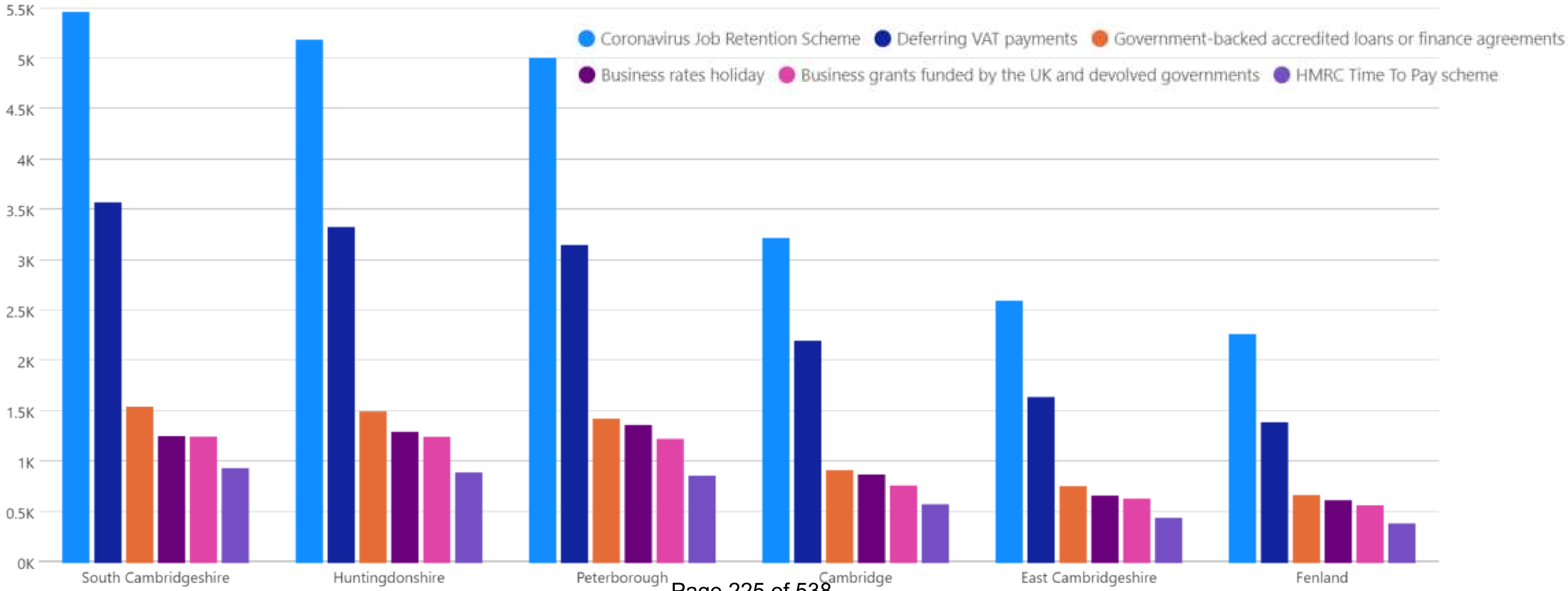


Source: Metro Dynamics analysis of ONS Business Impacts of Coronavirus Survey (ONS BICS)

Modelled estimates of business take-up of support schemes provide insight into the number of businesses across local authorities still using government support

The charts below show modelled estimates of the numbers of businesses using government support schemes based on responses to the ONS Business Impacts of Coronavirus Survey (BICS). These estimates are based on the sectoral composition of each local authority and do not account for factors within each local authority that may be influencing business take-up of government support schemes. This chart makes it clear that many businesses across local authorities continue to make use of the furlough scheme as well as deferred VAT payments. Take up of other schemes is reduced but still substantial.

Modelled estimates of business take-up of government support schemes, local authorities, as at 26 July

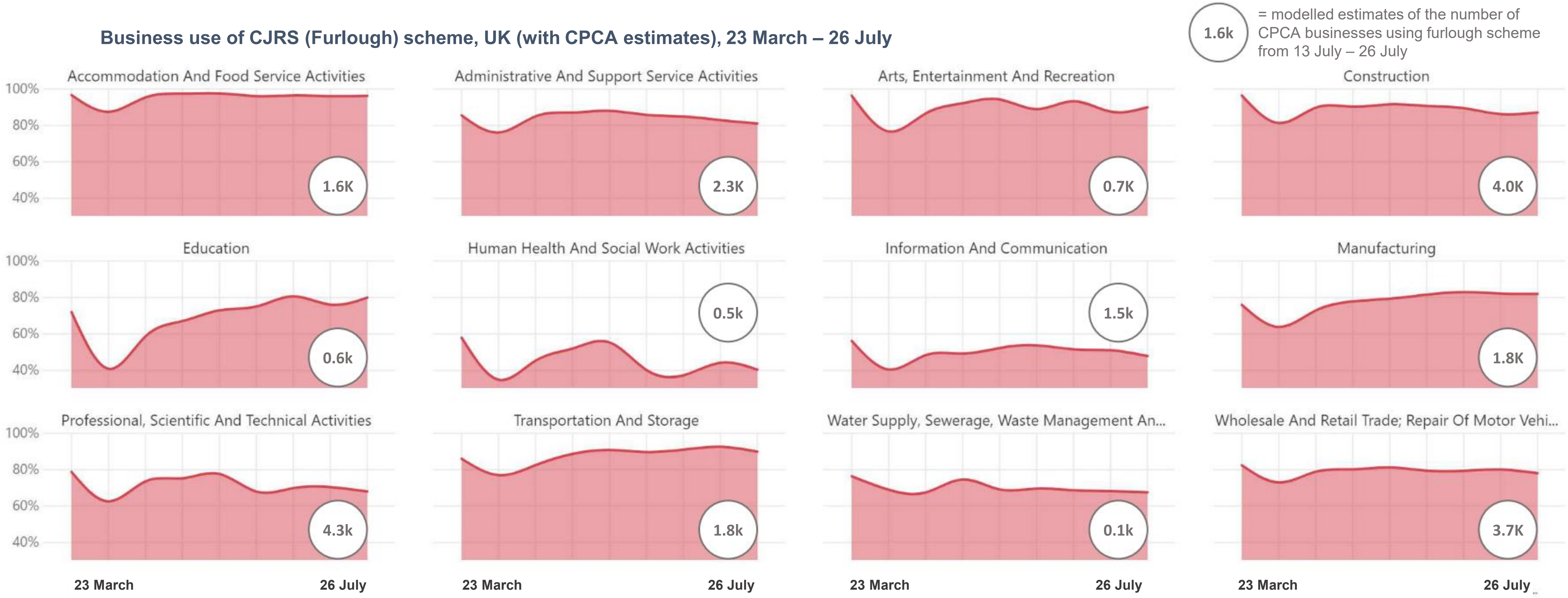


Source: Metro Dynamics analysis of ONS Business Impacts of Coronavirus Survey (ONS BICS); ONS BRES data for CPCA

Many businesses across most industries continue to make use of the furlough scheme

The charts below track business' use of the furlough scheme across sectors based on responses to the ONS Business Impacts of Coronavirus Survey (BICS). The numbers in the bubbles are our modelled estimates of how many businesses across CPCA are making use of the furlough scheme (at least one employee furloughed at that time). Many businesses across all sectors have continued to make use of the scheme. As of the end of July no real decline in use is apparent, highlighting the issues facing businesses when the furlough scheme comes to an end in October.

Business use of CJRS (Furlough) scheme, UK (with CPCA estimates), 23 March – 26 July



Source: Metro Dynamics analysis of ONS Business Impacts of Coronavirus Survey (ONS BICS); ONS BRES data for CPCA

Commercial property vacancy rates are rising, particularly for retail property

These charts show commercial property vacancy rates across CPCA local authorities for industrial property, office property and retail property. In general, vacancy rates have been increasing since lockdown began in most local authorities and across most property types. Sharper increases can be be seen in vacancies in office property in South Cambridgeshire, and for retail property in East Cambridgeshire.

Commercial property (industrial, office, retail) vacancy rates by local authority, 2019 Q1 – 2020 Q3

Labour Market Headline Findings

Across CPCA

Universal Credit

- Universal Credit claimants across CPCA exceeded 60,000 in July, and new claims are rising faster in CPCA than nationally.
- Most new Universal Credit claimants are aged 25-49, although all age groups have seen a rapid increase in new claims.

Jobseeker's Allowance

- Jobseeker's Allowance (JSA) claims across CPCA rose past 3,000 in July.
- Workers of all ages have been making claims for JSA, but younger workers have been making new claims at the fastest rate.
- Across all LAs at least 50% of JSA claimants are aged 25 – 49, with the highest proportion of young claimants in East Cambridgeshire and Fenland.

Furloughed workers

- 114,800 employees across CPCA have been furloughed up to 31 July, an increase of 7% since June.
- 30,300 claims have been made to the self-employment income scheme by workers across CPCA up to 31 July, an increase of 2% since June.

Job postings

- New job postings declined significantly in March and April, with only a muted recovery underway since May. The exceptions are job postings in Health Care, which have stayed stable, and Construction, which has seen a recent rebound in new job postings.
- Average salaries across sectors are rising, but that may be a sign that fewer low wage jobs are being advertised.

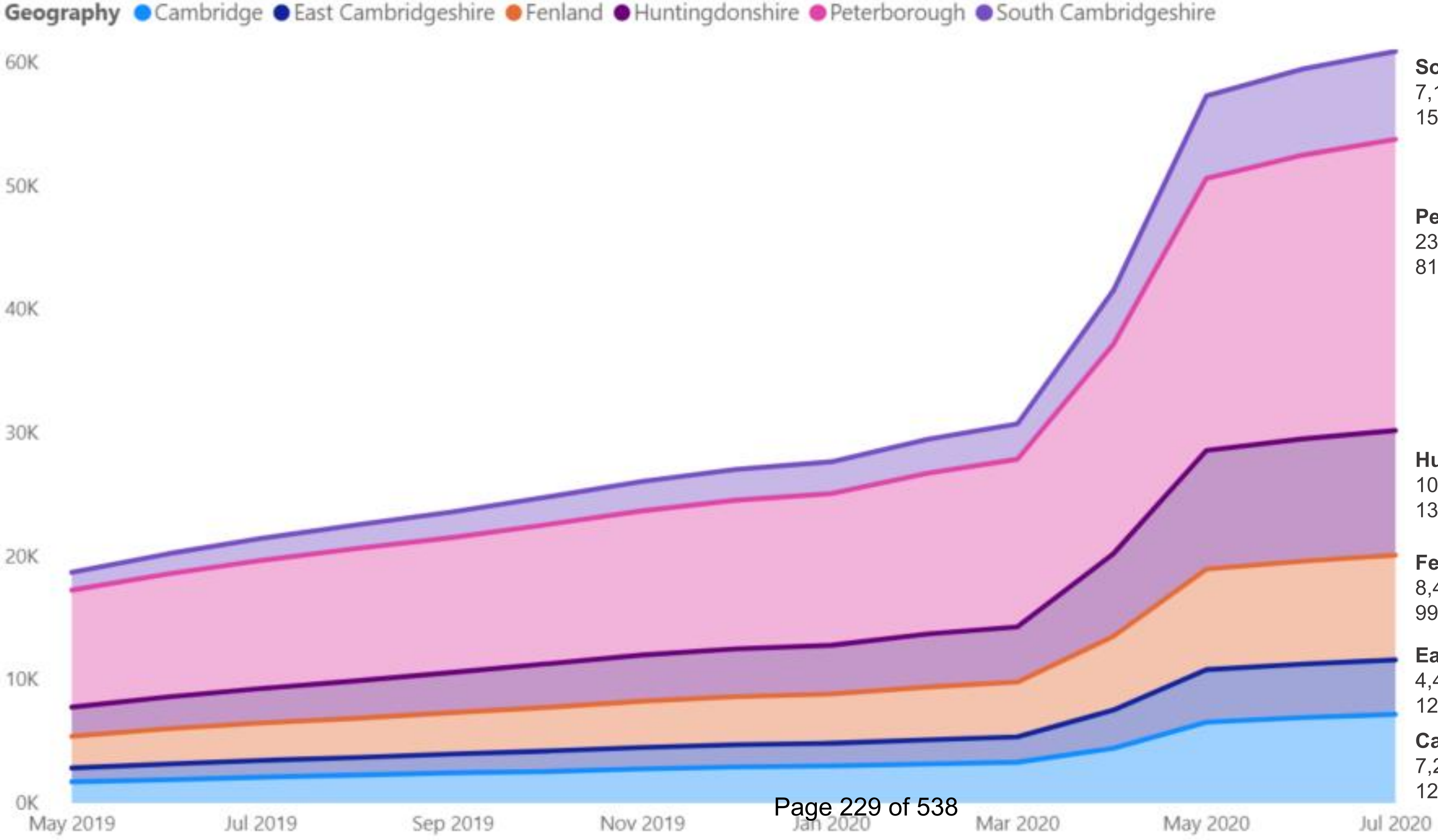
Cambridge	South Cambridgeshire	Peterborough	Huntingdonshire	Fenland	East Cambridgeshire
UC claimants: **7,205**	UC claimants: **7,126**	UC claimants: **23,592**	UC claimants: **10,099**	UC claimants: **8,482**	UC claimants: **4,406**
% increase in claimants Feb – July: **127%**	% increase in claimants Feb – July: **159%**	% increase in claimants Feb – July: **81%**	% increase in claimants Feb – July: **135%**	% increase in claimants Feb – July: **99%**	% increase in claimants Feb – July: **124%**
JSA claimants: **485**	JSA claimants: **495**	JSA claimants: **835**	JSA claimants: **645**	JSA claimants: **410**	JSA claimants: **275**
% increase in claimants Feb – July: **101%**	% increase in claimants Feb – July: **169%**	% increase in claimants Feb – July: **168%**	% increase in claimants Feb – July: **186%**	% increase in claimants Feb – July: **86%**	% increase in claimants Feb – July: **199%**
Employees furloughed: **16,700**	Employees furloughed: **19,900**	Employees furloughed: **28,400**	Employees furloughed: **25,400**	Employees furloughed: **12,600**	Employees furloughed: **11,900**
Self-employed supported: **3,500**	Self-employed supported: **5,900**	Self-employed supported: **7,100**	Self-employed supported: **6,100**	Self-employed supported: **4,100**	Self-employed supported: **3,700**

Greater Cambridge | Greater Peterborough | The Fens

Universal Credit claimants across CPCA exceeded 60,000 in July, and new claims are rising faster in CPCA than nationally

This chart shows cumulative Universal Credit claimants by local authority. Across CPCA there was a 107% increase in claimants from February to July 2020, compared to a 90.3% increase in claimants nationally. Since February, all local authorities except Peterborough have seen faster rises in universal credit claimants than the national average.

Universal Credit claimants by local authority, May 2019 – July 2020



South Cambridgeshire
7,126 claimants (July 2020)
159% increase (Feb to July)

Peterborough
23,592 claimants
81% increase

Huntingdonshire
10,099 claimants
135% increase

Fenland
8,482 claimants
99% increase

East Cambridgeshire
4,406 claimants
124% increase

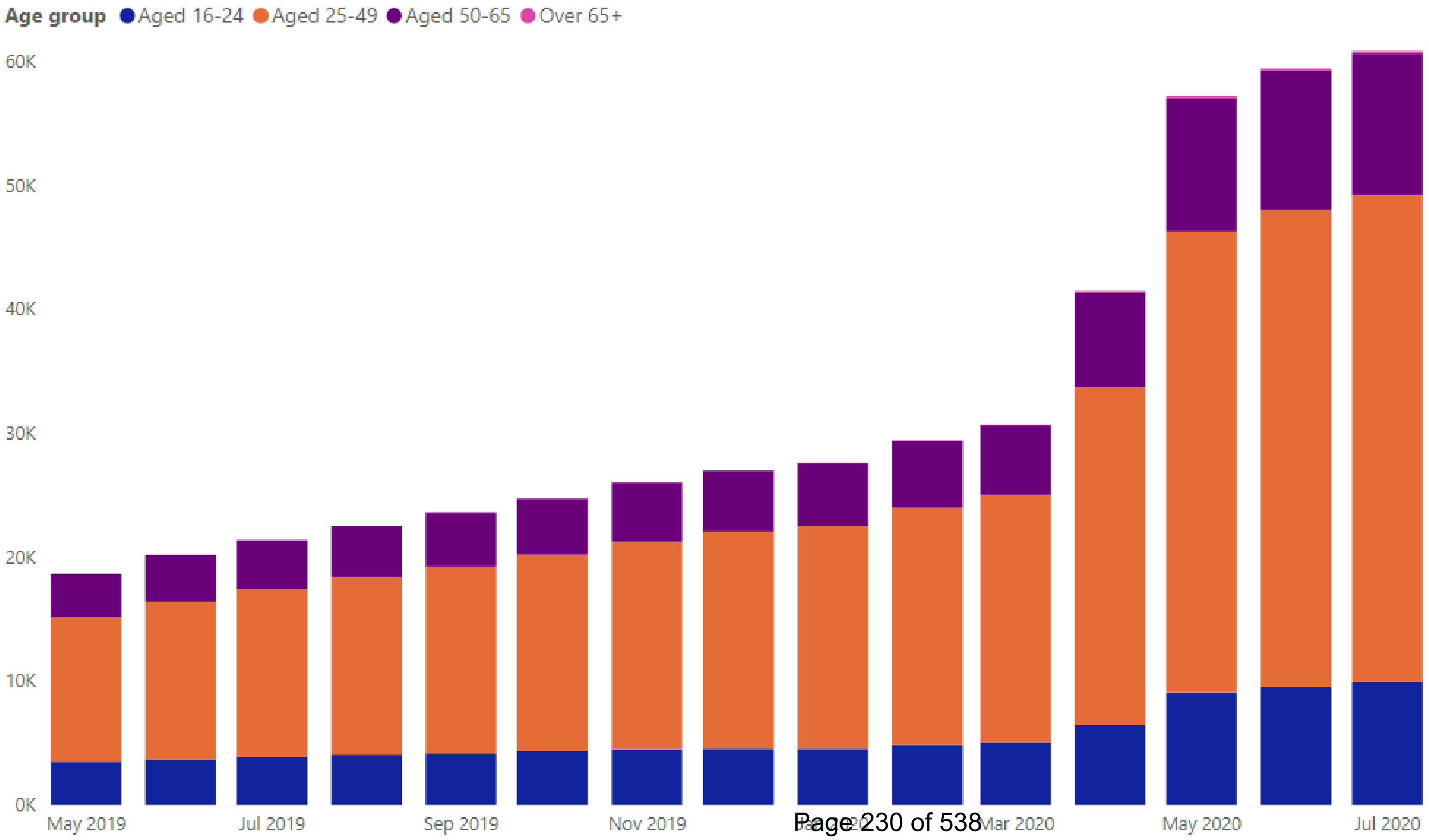
Cambridge
7,205 claimants
127% increase

Source: Metro Dynamics analysis of DWP data

Most new Universal Credit claimants are aged 25-49

This chart shows Universal Credit claimants by age bracket across CPCA. All age brackets have seen substantial increases in universal credit claims, both nationally and for CPCA. In particular, the increase in universal credit claims across CPCA is driven by a 105% increase in claimants aged 25 – 49. As of July 1, there were 39,352 claimants in this age group.

Universal Credit claimants by age bracket, CPCA, May 2019 – July 2020



65+
192 claimants (July 2020)
220% increase (Feb to July for CPCA)
332% increase (Feb to July national)

Aged 50 - 65
11,400 claimants
112% increase (CPCA)
90.5% increase (national)

Aged 25 - 49
39,352 claimants
105% increase (CPCA)
88.9% increase (national)

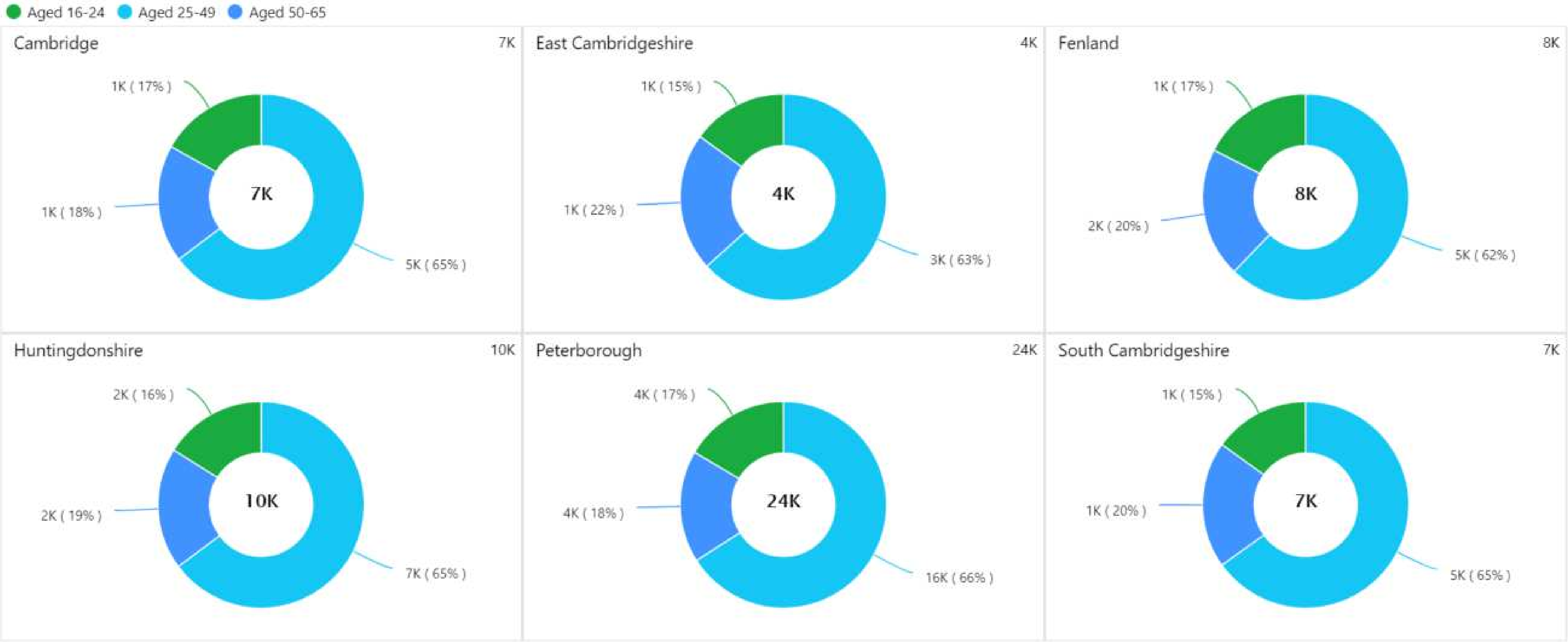
Aged 16 - 24
9,918 claimants
105% increase (CPCA)
93.6% increase (national)

Source: Metro Dynamics analysis of DWP data

Consistent patterns emerge across CPCA's local authorities in the age distribution of Universal Credit claimants

This chart shows Universal Credit claimants by age bracket across local authorities in CPCA at 30 July 2020. All local authorities show a similar proportion of claimants in each age bracket, indicating that across CPCA there are no substantial differences in the ages of residents applying for Universal Credit.

Universal Credit claimants by Age Group, by local authority, 30 July 2020

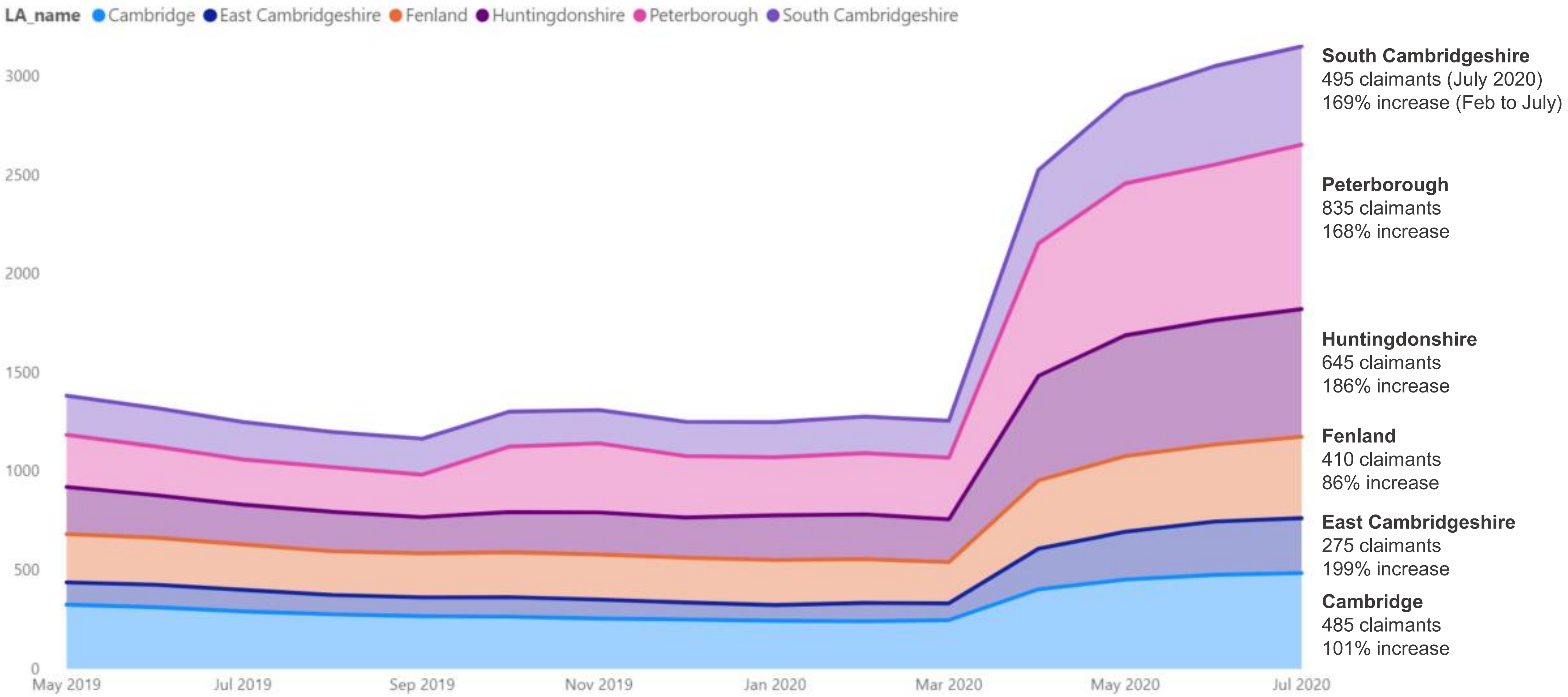


Source: Metro Dynamics analysis of DWP data

Jobseeker's Allowance (JSA) claims across CPCA rose past 3,000 in July

This chart shows cumulative Jobseeker's Allowance claimants by local authority. Across CPCA there was a 147% increase in claimants from February to July 2020 (an extra 1,800 claimants in total), compared to a 86% increase in claimants nationally. All local authorities have experienced a sharp increase in JSA claimants since February. The relatively low numbers of claimants should be kept in mind when considering the size of the percentage increases.

Jobseeker's Allowance (JSA) claimants by local authority, May 2019 – July 2020

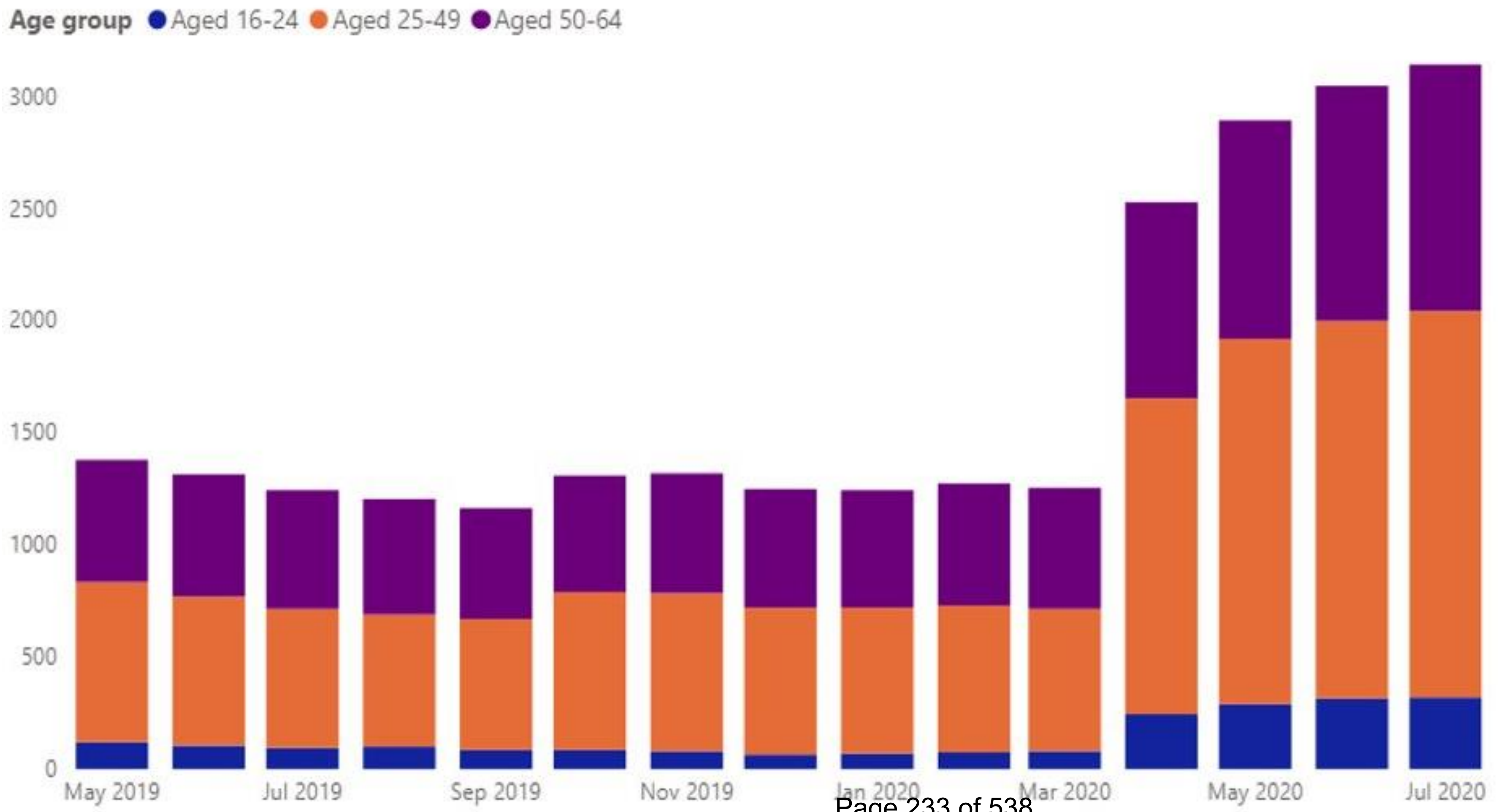


Source: Metro Dynamics analysis of DWP data

Workers of all ages have been making new JSA claims, but younger workers have been making new claims at the fastest rate

This chart shows JSA claimants by age bracket across CPCA. All age brackets have seen substantial increases in JSA claims, both nationally and for CPCA. Similar to the figures for Universal Credit, the increase in Jobseeker's Allowance claimants is driven by large increases in new claimants in the age 25 – 49 bracket. However, nationally and within CPCA it is workers aged 16 – 24 who are making most new claims for JSA, reflecting their precarious position in the jobs market and their relative exposure to shutdown sectors.

Jobseeker's Allowance (JSA) claimants by age bracket, CPCA, May 2019 – July 2020



Aged 50 - 64
1,100 claimants (July 2020)
202% increase (Feb to July for CPCA)
53% increase (Feb to July for national)

Aged 25 - 49
1,725 claimants
262% increase (CPCA)
108% increase (national)

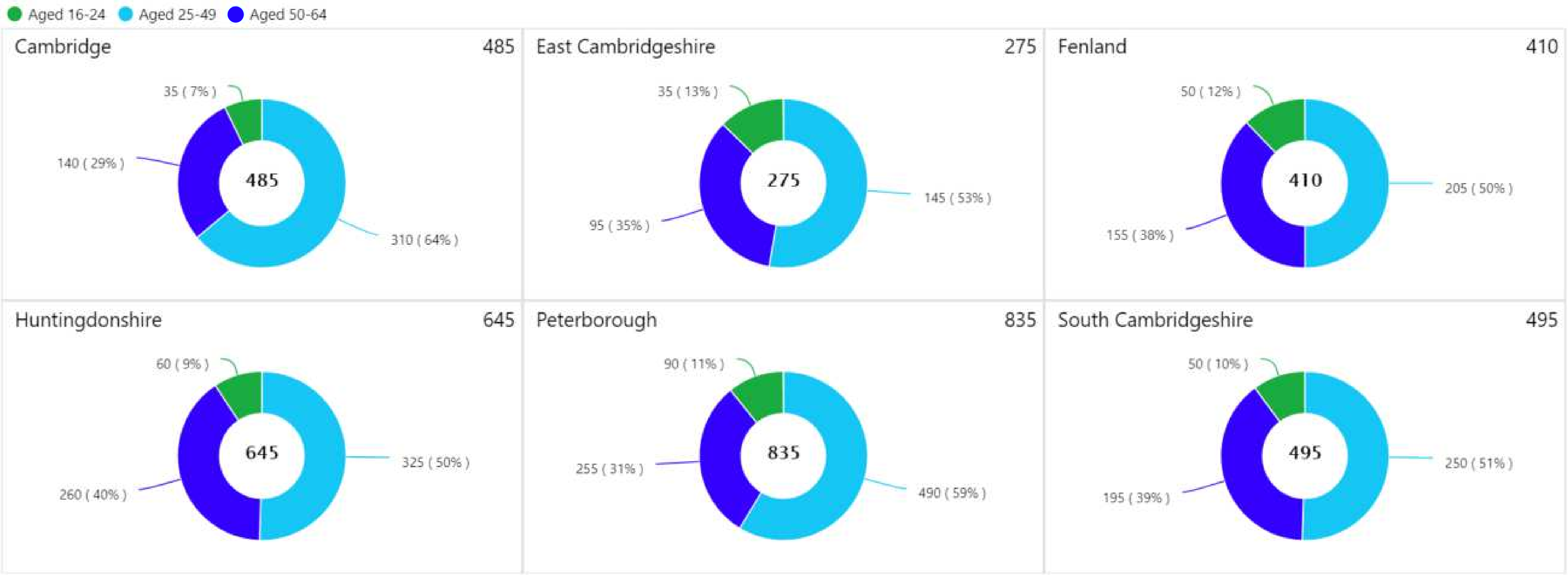
Aged 16 - 24
320 claimants
425% increase (CPCA)
176% increase (national)

Source: Metro Dynamics analysis of DWP data

Across all LAs at least 50% of JSA claimants are aged 25 – 49, with the highest proportion of young claimants in East Cambridgeshire and Fenland

This chart shows JSA claimants by age bracket across local authorities in CPCA for July 2020. When viewed at an LA level, Cambridge stands out for the relatively lower proportions of younger (aged 16 – 24) and older (age 50+) claimants compared to other local authorities.

Jobseeker's Allowance (JSA) claimants by Age Group, by local authority, 30 July 2020



Source: Metro Dynamics analysis of DWP data

114,800 employees across CPCA have been furloughed up to 31 July, an increase of 7% since June

This information, produced by Cambridgeshire Insights, tracks take up of the Coronavirus Job Retention Scheme (furlough). The data covers CJRS claims submitted by employers from the start of the Scheme (1 March 2020) up to 31st July 2020.

114,800 *increase of +7% since June 2020 figures.*

employments have been supported through the national job retention scheme across Cambridgeshire and Peterborough up to 31st July 2020.

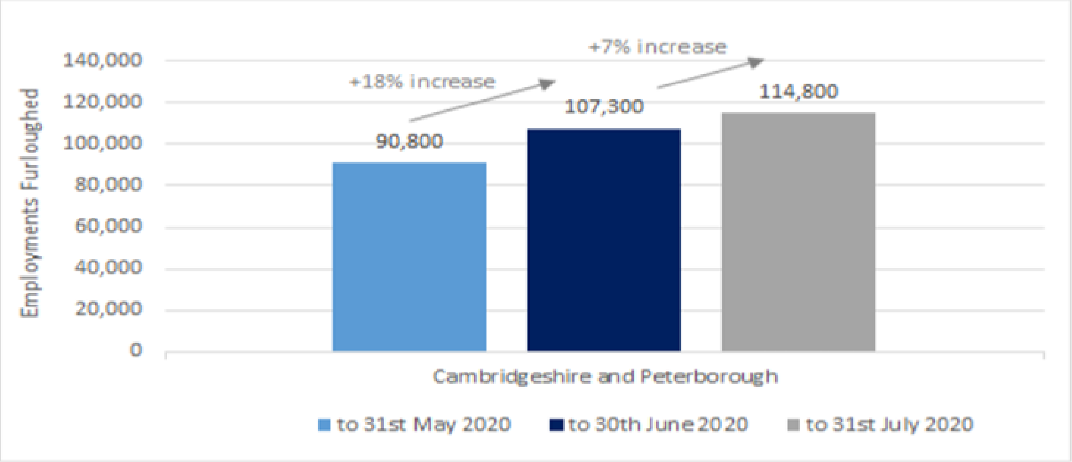
Peterborough 28,400

Cambridgeshire 86,400

representing...

32% overall of Cambridgeshire and Peterborough employees aged 16-64 [1].

compared to 36% across England as a whole



District Data

Number of employments furloughed (July 2020)

Peterborough	28,400	East Cambridgeshire	11,900
Cambridge City	16,700	South Cambridgeshire	19,900
Huntingdonshire	25,400	Fenland	12,600

- Peterborough has the highest number of furloughed employments with 28,400, representing 34% of employees aged 16-64.
- East Cambridgeshire has the lowest number of furloughed employments with 11,900, representing 31% of employees aged 16-64.
- Cambridge has the lowest percentage of employees aged 16-64 furloughed at 27% and Huntingdonshire the highest at 35%.

Source: Cambridgeshire Insights analysis of ONS data

30,300 claims have been made to the self-employment income scheme by workers across CPCA up to 31 July, an increase of 2% since June

This information, produced by Cambridgeshire Insights, tracks take up of the Self-Employment Income Support Scheme. The data covers claims submitted to the scheme from the start of the Scheme (13 May 2020) up to 31st July 2020.

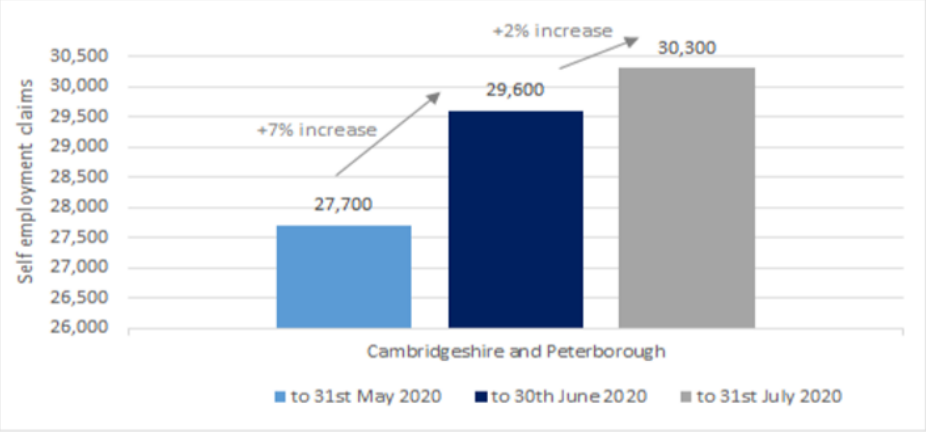
30,300

increase of +2% since June 2020 figures.

claims made to the self employment income support scheme across Cambridgeshire and Peterborough up to 31st July 2020.

totalling.... **£93 million**

- 41,300 self-empoyed individuals were identified by HMRC as potentially eligible for the scheme [2], giving a estimated take-up rate of 73%, slightly lower than the 76% estimated nationally.



District Data

	Number of claims	Value of claims
Peterborough	7,100	£19.2 million
Cambridge City	3,500	£10.5 million
Huntingdonshire	6,100	£19.5 million
East Cambridgeshire	3,700	£12.2 million
South Cambridgeshire	5,900	£19.1 million
Fenland	4,100	£12.5million

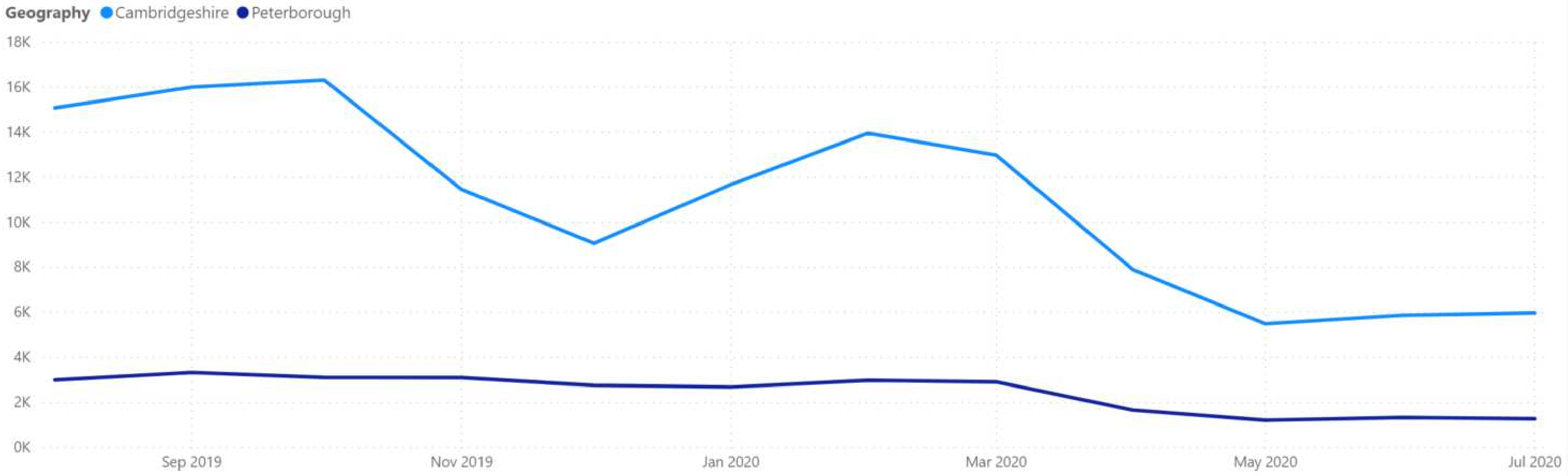
- Peterborough had the highest number of claims to the scheme at 7,100. However, it had the lowest average value per claim (£2,700 per claim), so did not receive the highest claim value.
- Huntingdonshire had the highest claim value at £19.5 million across 6,100 claims, giving a higher average claim value of £3,200 per claim.
- Cambridge City had both the lowest number (3,500) and value (£10.5 million) of claims, with an average of £3,000 per claim.
- East Cambridgeshire and South Cambridgeshire both had the highest average at £3,300 per claim.

Source: Cambridgeshire Insights analysis of ONS data

New job postings declined significantly in March and April, with only a muted recovery underway since May

This chart shows the total number of job vacancies across CPCA for all industries, based on Adzuna data of new job postings. Vacancies declined across both counties in March and, while the downward trend has been arrested since May, there are few signs of recovery. The next pages provide detail on vacancy rates by sector.

Total number of job vacancies, Cambridgeshire and Peterborough, all industries, Sep 2019 – July 2020

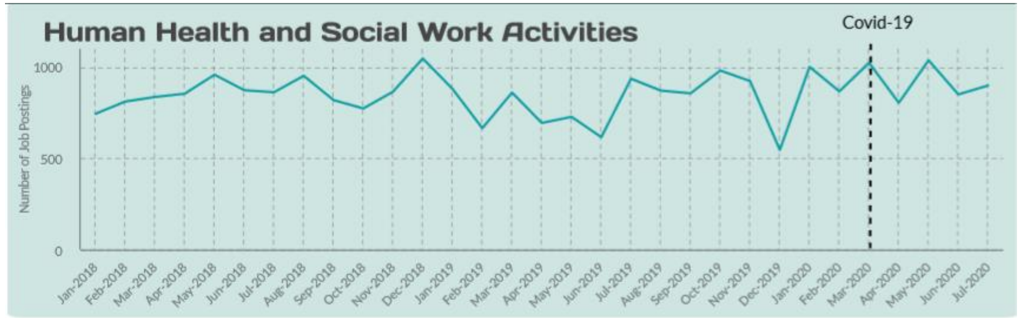


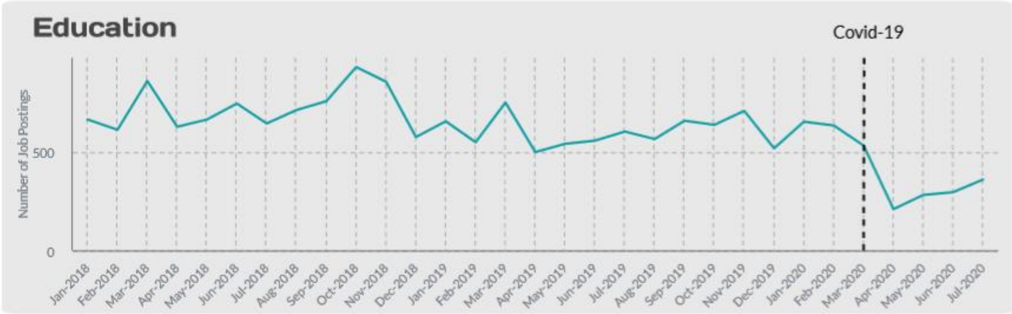
Source: Metro Dynamics analysis of Adzuna data for Cambridgeshire and Peterborough

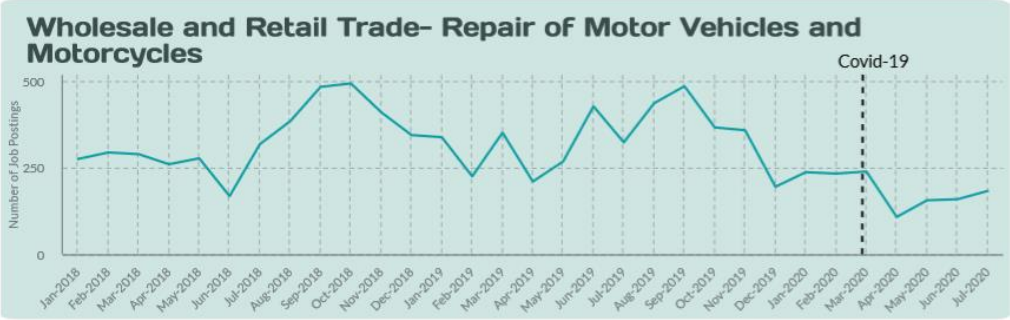
New job postings have fallen across most sectors since March, with only the Healthcare sector bucking the trend

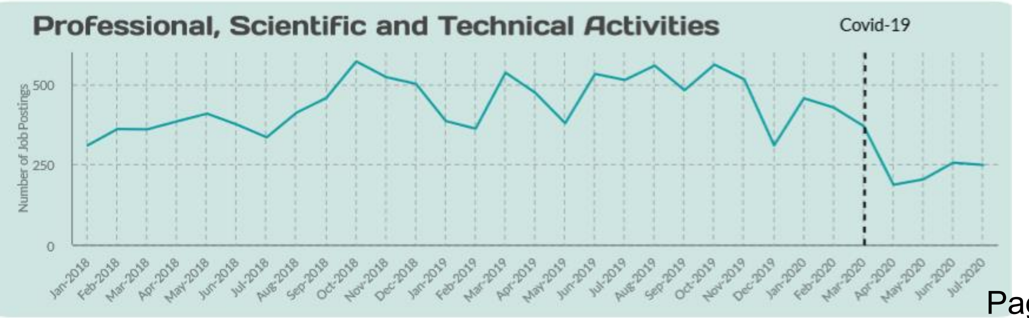
This information, produced by Cambridgeshire Insights, tracks the number of job postings by sector across the CPCA area using Burning Glass data.

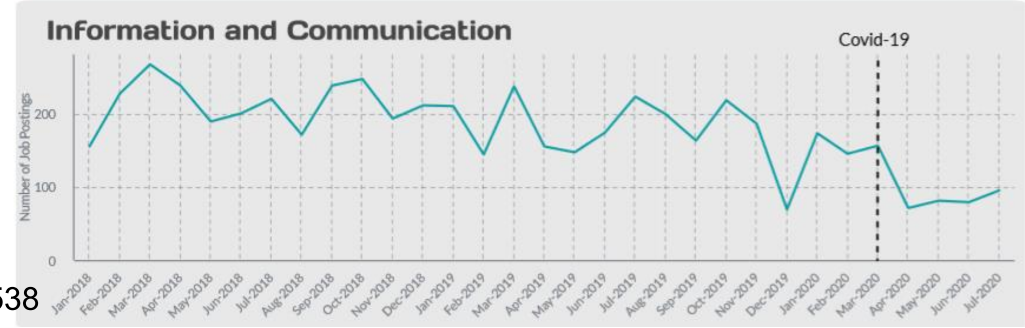
Job vacancies by sector for CPCA, Jan 2018 – July 2020









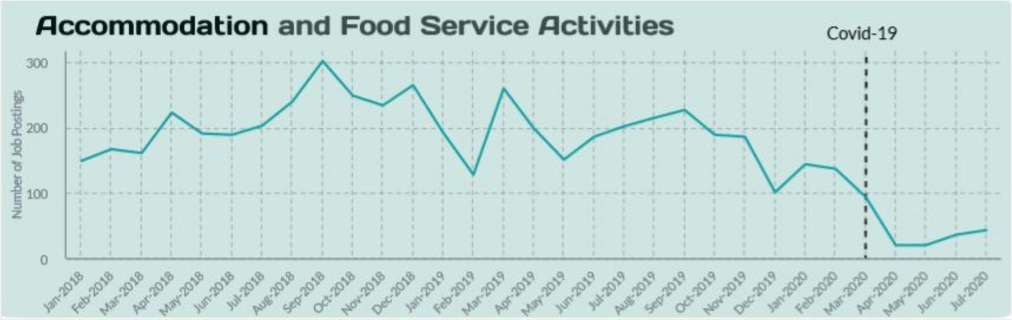


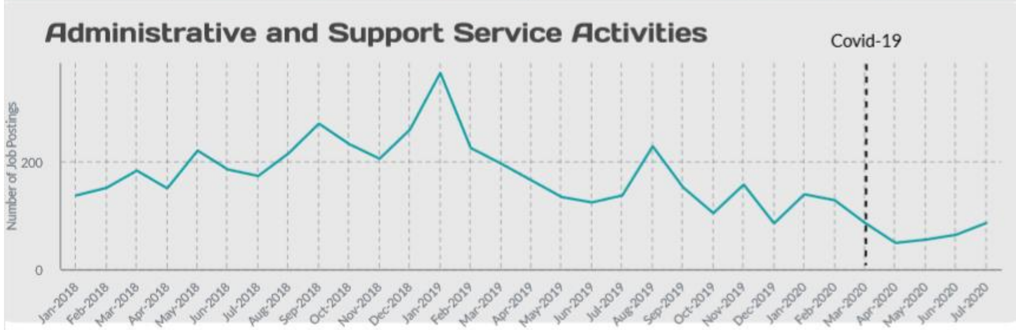
Source: Cambridgeshire Insights analysis of Burning Glass data for C&P

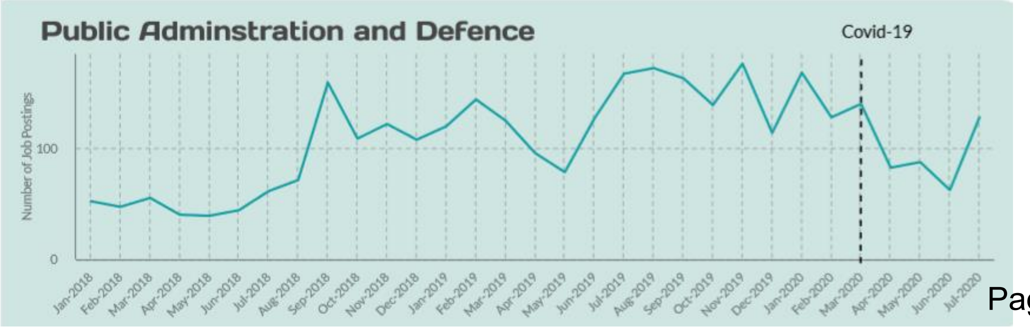
New job postings have fallen across most sectors since March, although a rebound in activity is evident in the construction sector

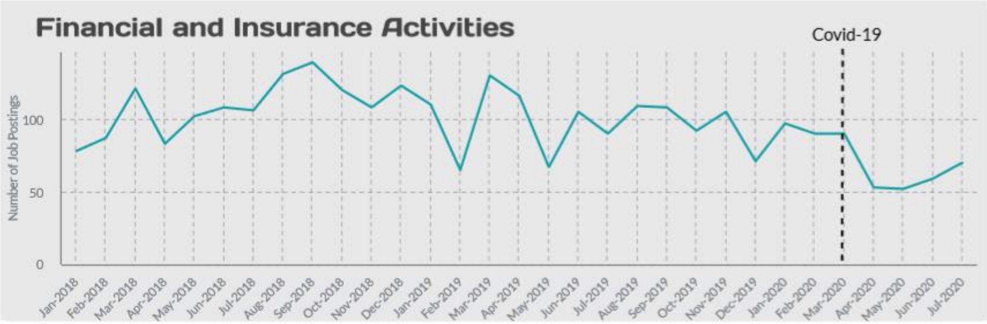
This information, produced by Cambridgeshire Insights, tracks the number of job postings by sector across the CPCA area using Burning Glass data.

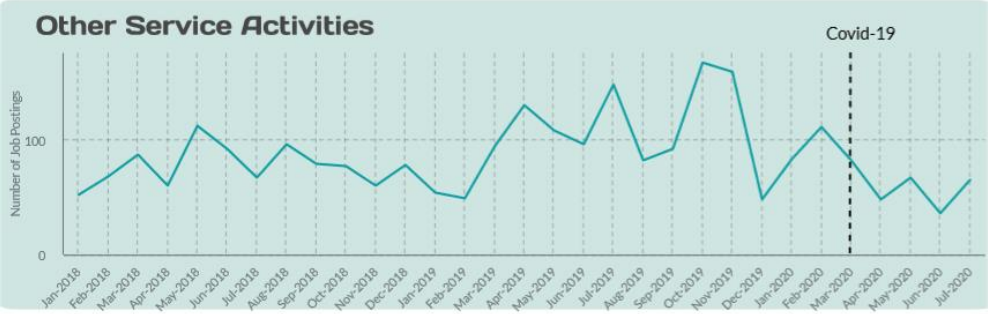
Job vacancies by sector for CPCA, Jan 2018 – July 2020

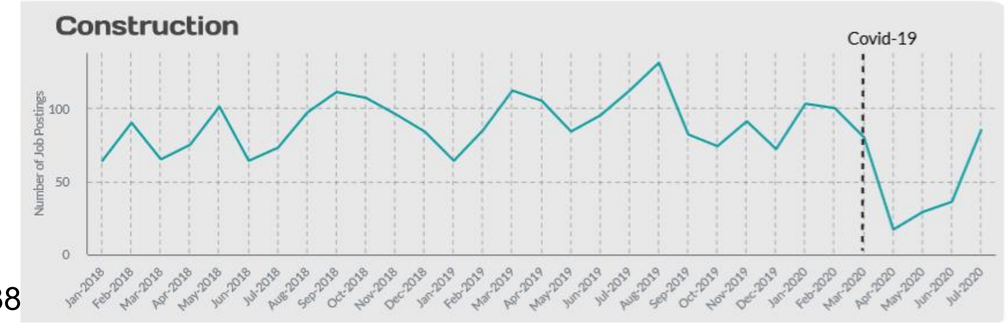










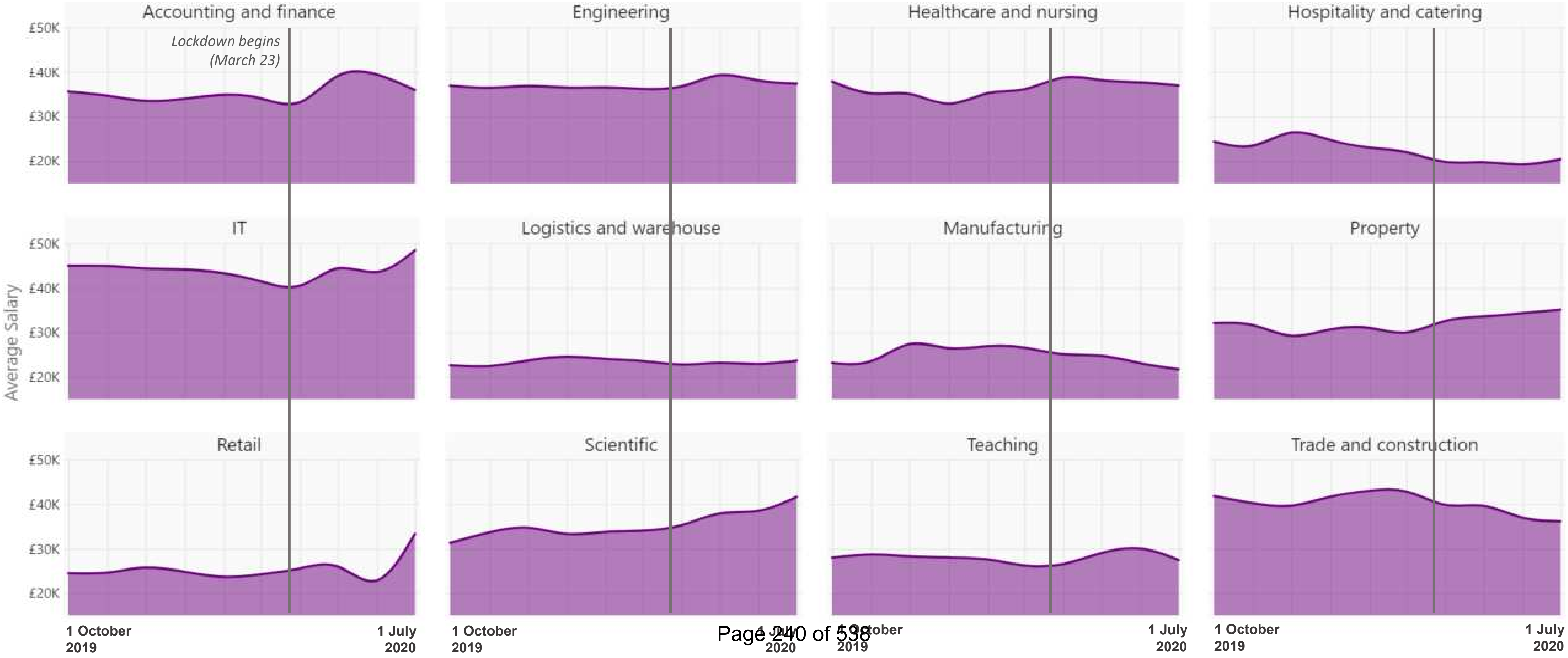


Source: Cambridgeshire Insights analysis of Burning Glass data for C&P

Average salaries across sectors are rising, but that may be a sign that fewer low wage jobs are being advertised

This chart shows average salaries by sector for CPCA, based on Adzuna data which tracks average salaries for new job postings. Since March 2020 volatility has increased in the average salary for new job postings, and in most sectors the average salary appears to have risen. However, one cause for this apparent rise in average salary may be that there are fewer new job postings in lower-wage roles while recruitment for more senior positions continues (though at a subdued level), meaning the average salary of new job postings rises overall.

Average salaries by sector for CPCA, October 2019 – July 2020

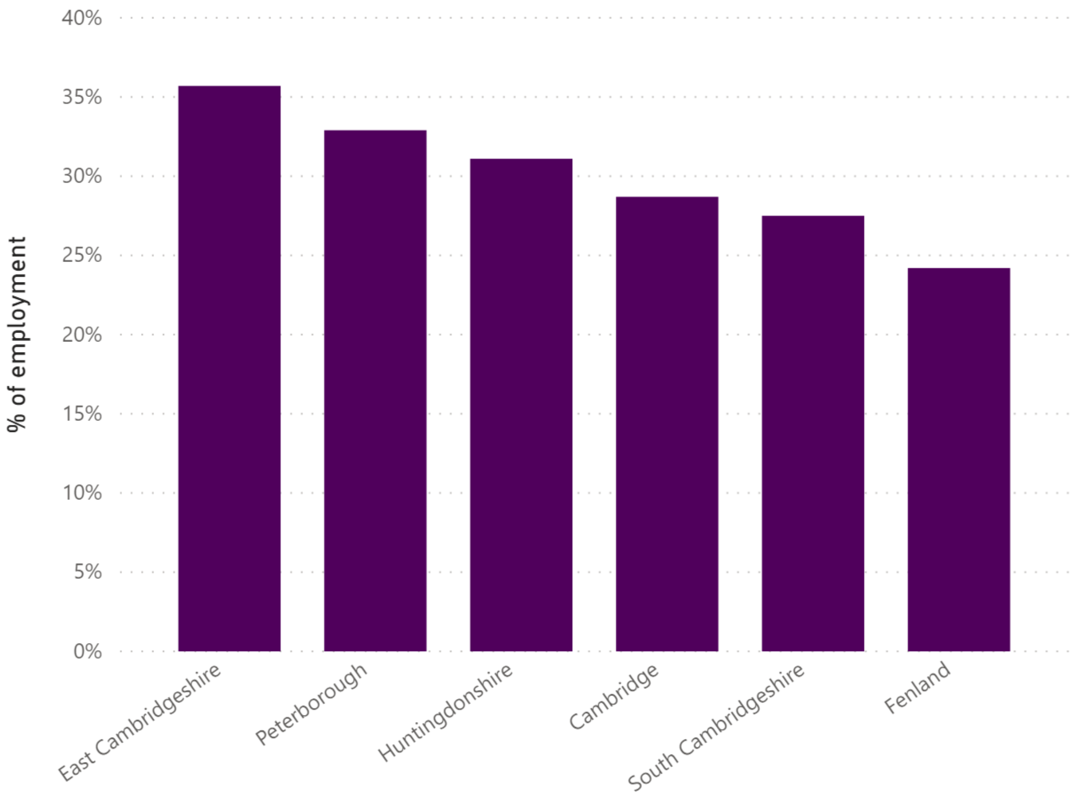


Source: Metro Dynamics analysis of Adzuna data for Cambridgeshire and Peterborough

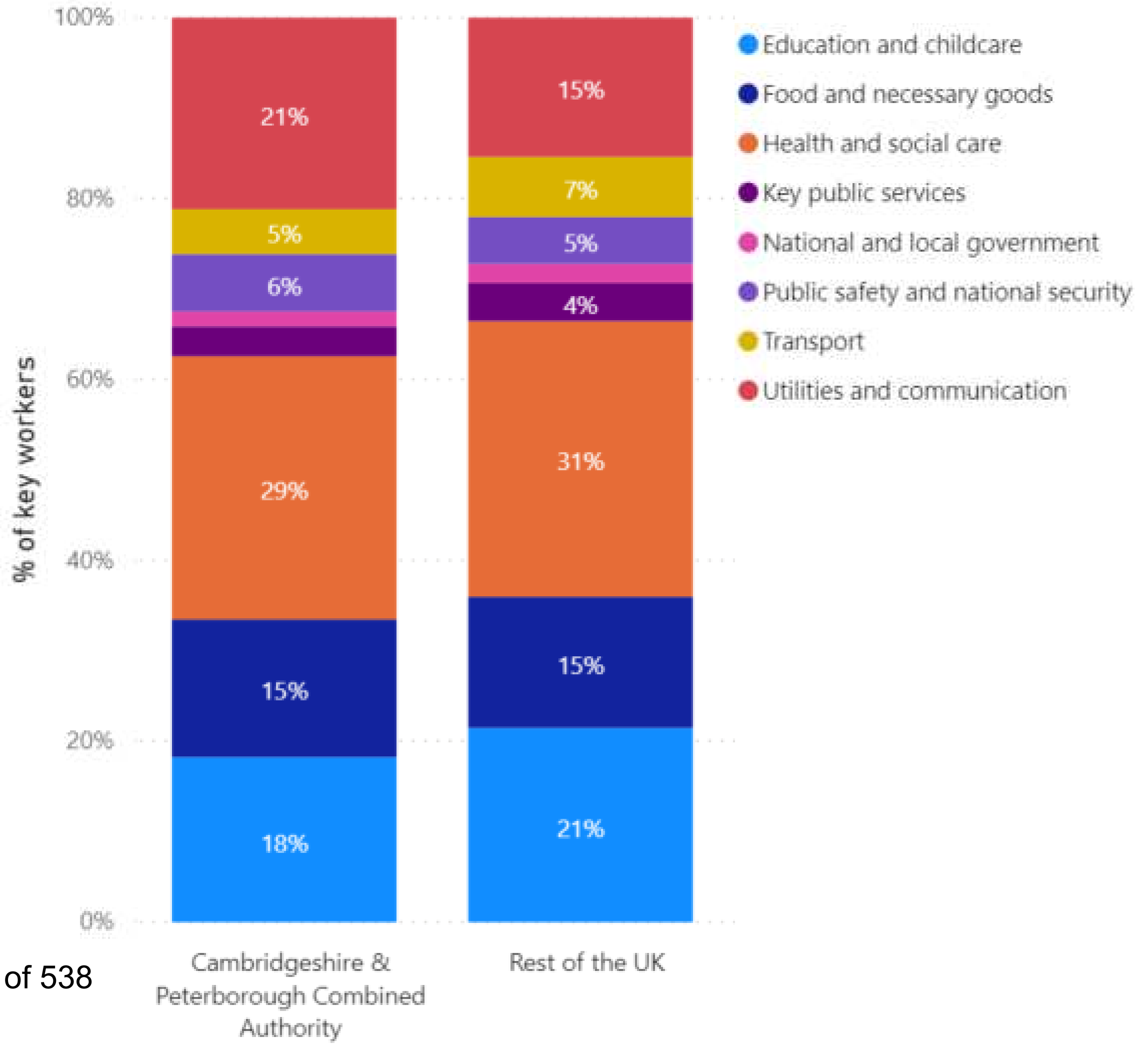
Nearly one in three workers across CPCA is employed in a ‘key worker’ occupation

These charts show the proportion of employment in ‘key worker’ occupations across CPCA and in total by local authority. Key worker employment across CPCA is similar to the national picture, though a slightly higher proportion of workers are employed in utilities and communication occupations. Across local authorities, the highest proportion of employment in key worker occupations is in East Cambridgeshire, at 35%.

% of workers that are ‘key workers’ by CPCA local authority



Key workers by sector, CPCA and the UK

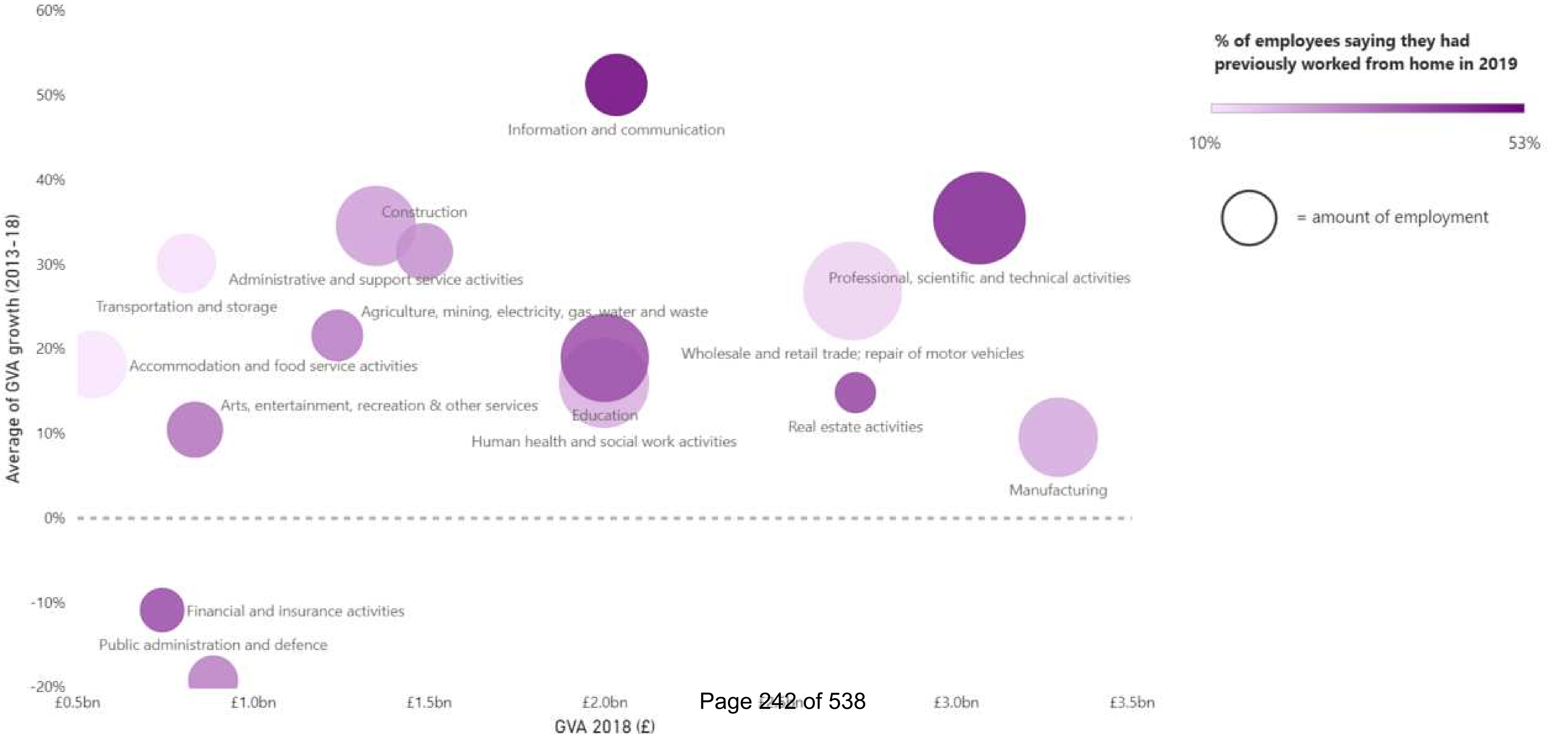


Source: Metro Dynamics analysis of ONS data

Working from home

This chart shows, by sector, the proportion of workers who responded to a 2019 survey saying they had previously worked from home. We have overlaid this survey data on CPCA's sector mix. Each bubble's position on the x-axis shows the size of the sector by gross value added (GVA), on the y-axis the growth in GVA of the sector over 5 years, and the size of the bubble indicates the amount of people employed in that sector in 2018. Workers in some of CPCA's highest growth-potential sectors, including ICT and Professional, Scientific and Technical Activities, had previously worked from home, which may have helped smooth the transition into lockdown for workers in those sectors.

Working from home in UK sectors, by local GVA, GVA growth, and employment

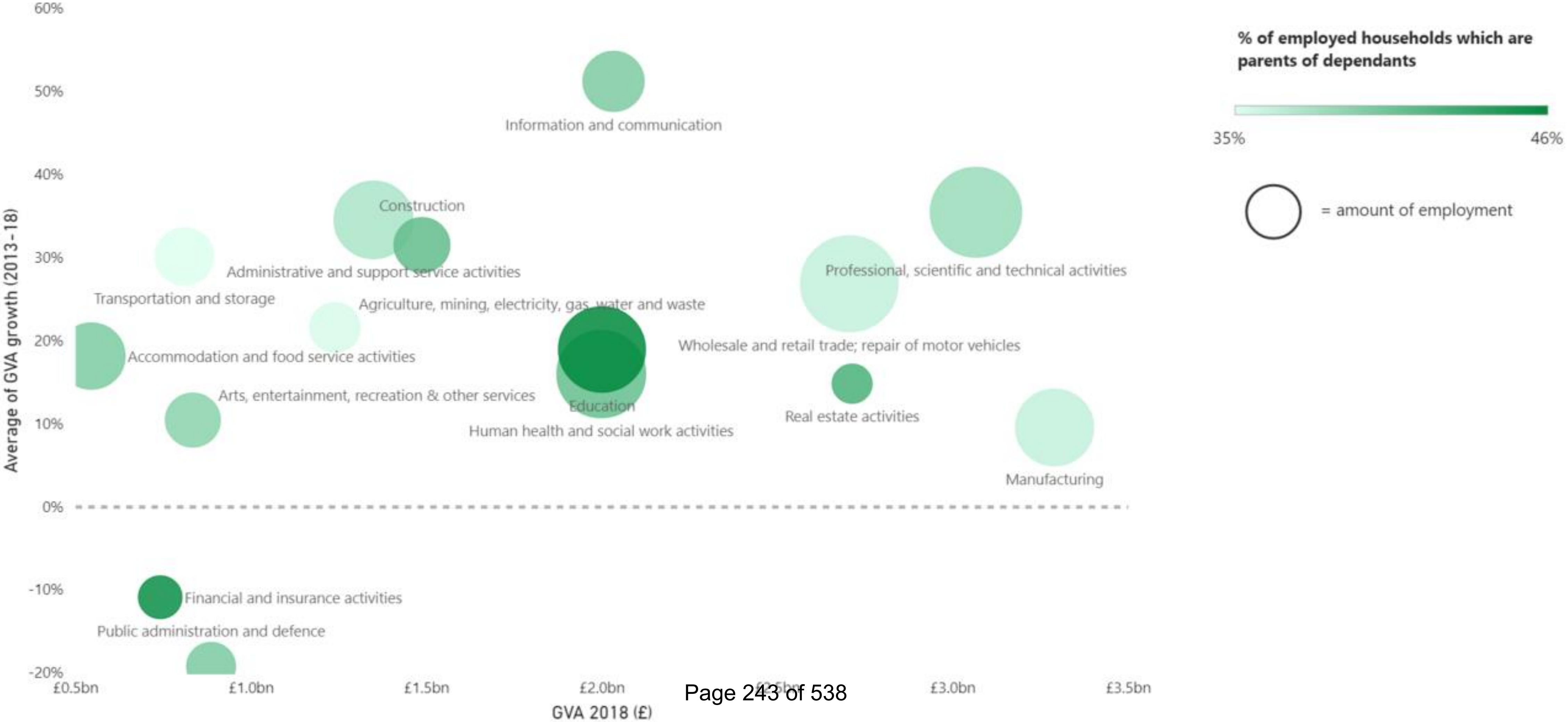


Source: Metro Dynamics analysis of ONS dataset Coronavirus and homeworking in the UK labour market: 2019; ONS Regional Accounts; ONS Business Register and Employment Survey

Parents in the workforce

This chart shows, by sector, the percentage of employed households within that sector which are parents of dependents, as a proxy for the impact of homeschooling during lockdown on economic activity. We have overlaid this survey data on CPCA's sector mix. Each bubble's position on the x-axis shows the size of the sector by gross value added (GVA), on the y-axis the growth in GVA of the sector over 5 years, and the size of the bubble indicates the amount of people employed in that sector in 2018. Workers in the education sector are particularly likely to be parents, though the proportion of workers who are parents exceeds 35% in all sectors.

Parenting in the workforce in UK sectors, by local GVA, GVA growth, and employment



Source: Metro Dynamics analysis of ONS dataset: Coronavirus and employment for parents in the UK; ONS Regional Accounts; ONS Business Register and Employment Survey

Appendix A

01

GVA, Employment and Business Counts

CPCA

Cambridge

East Cambridgeshire

Fenland

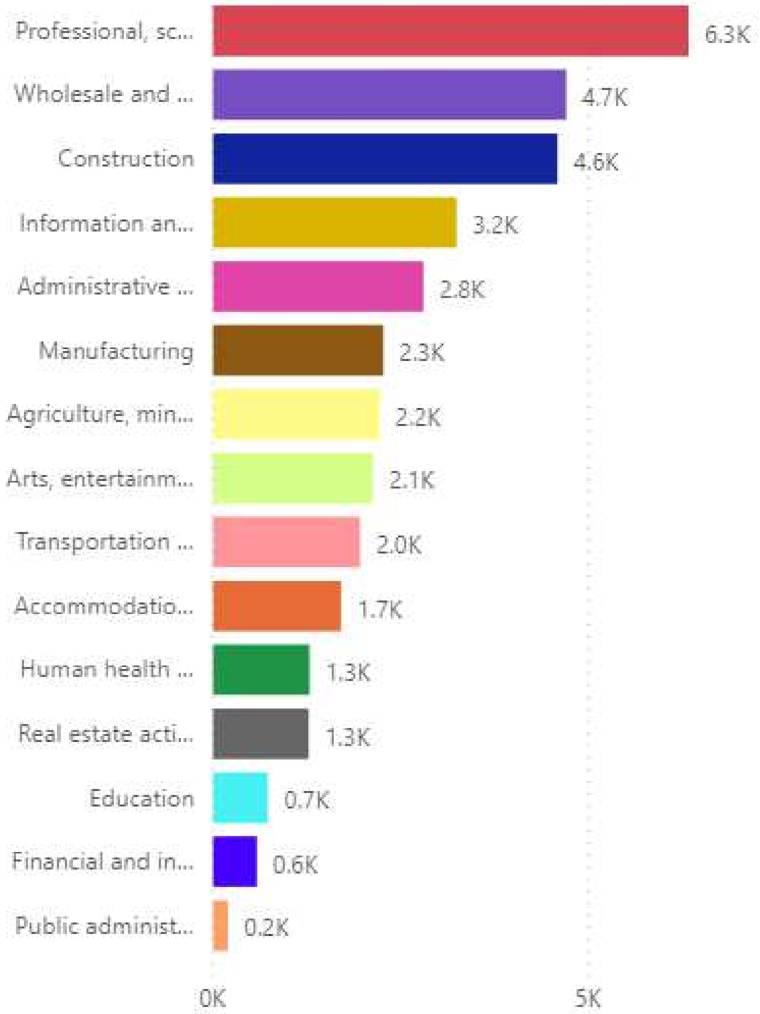
Huntingdonshire

Peterborough

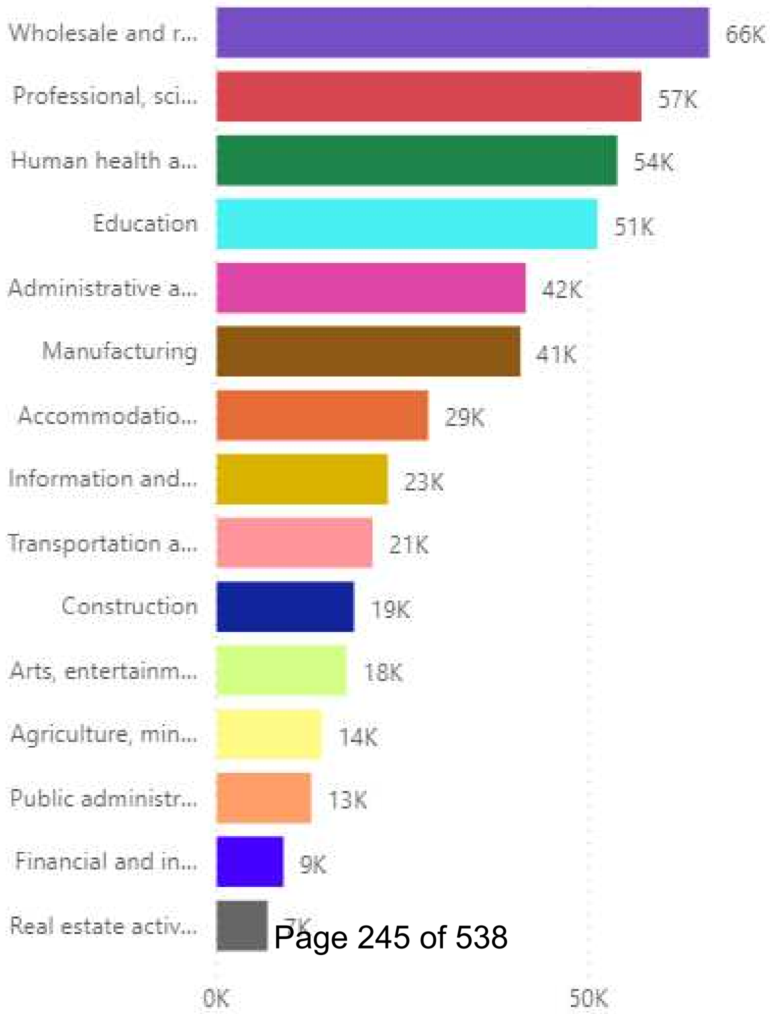
South Cambridgeshire

CPCA

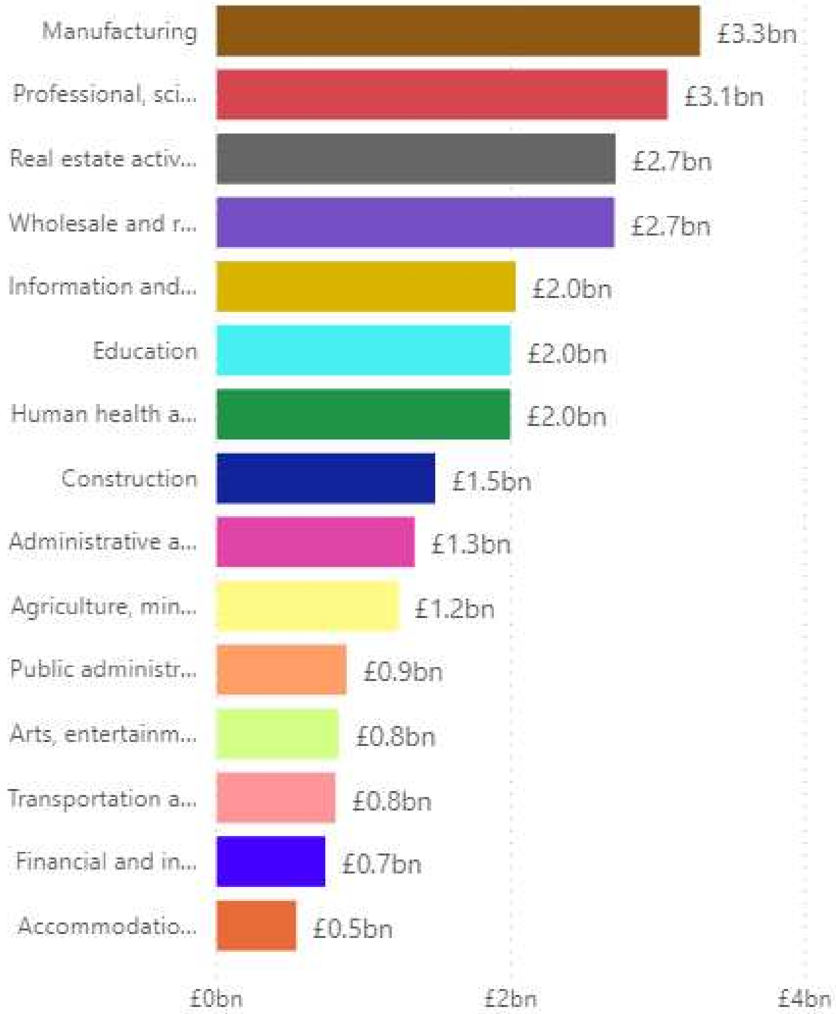
Business counts by sector (2019)



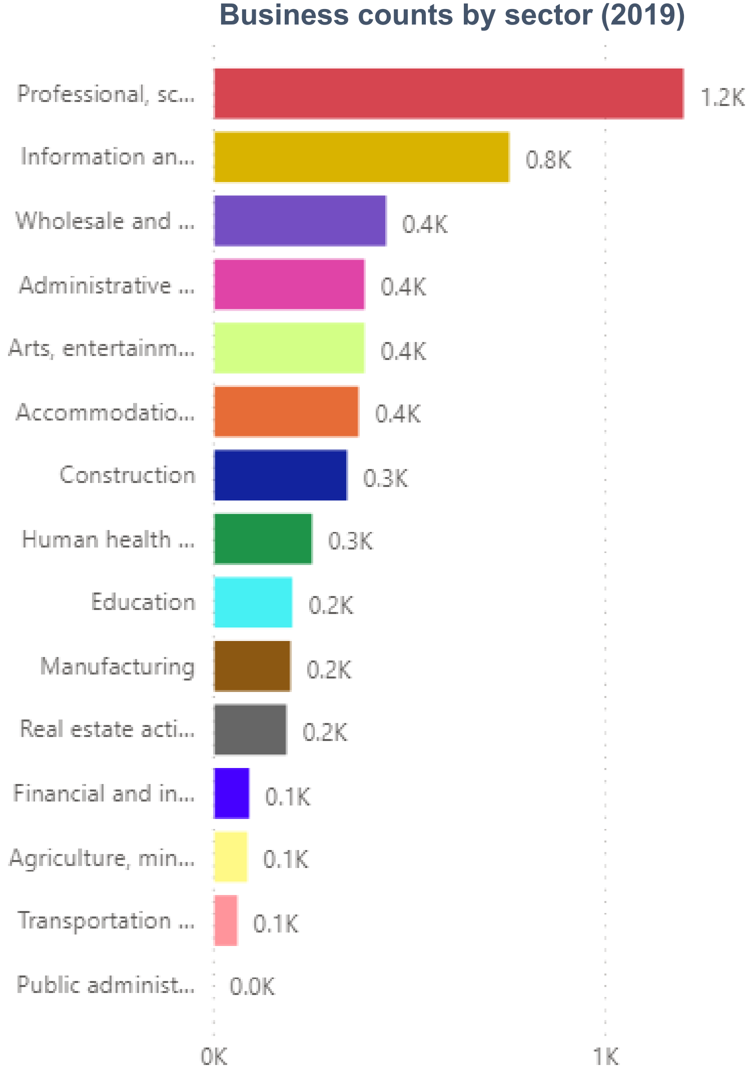
Employment by sector (2018)

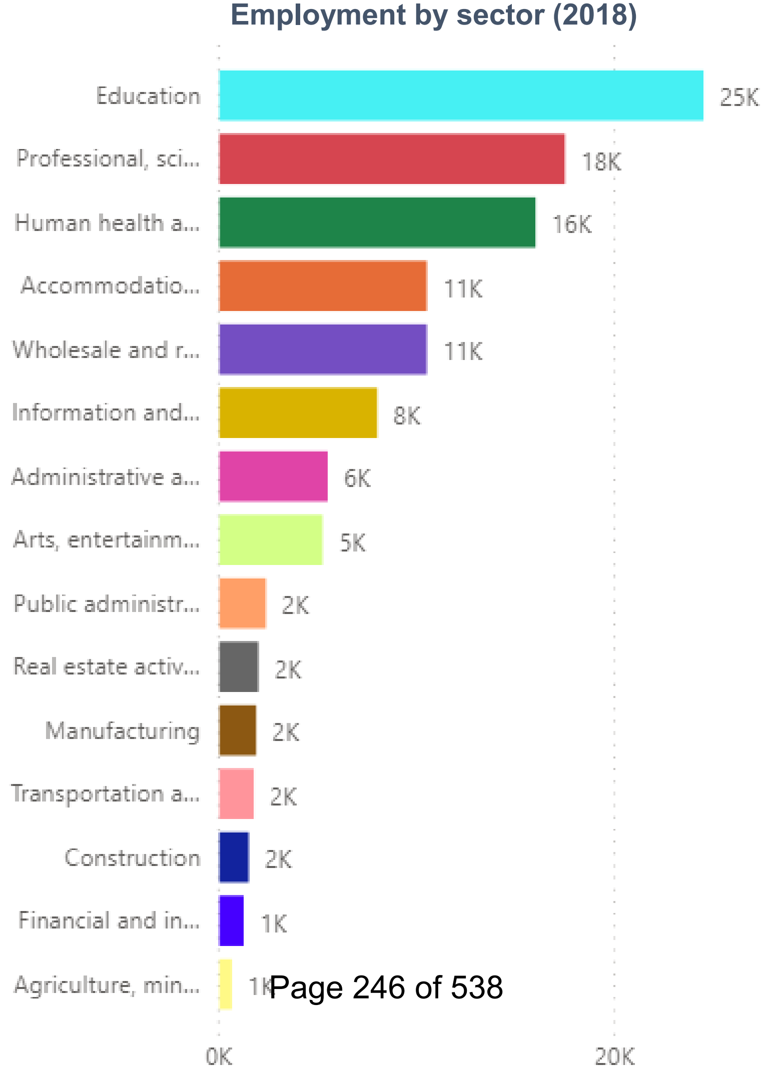


GVA by sector (2018)



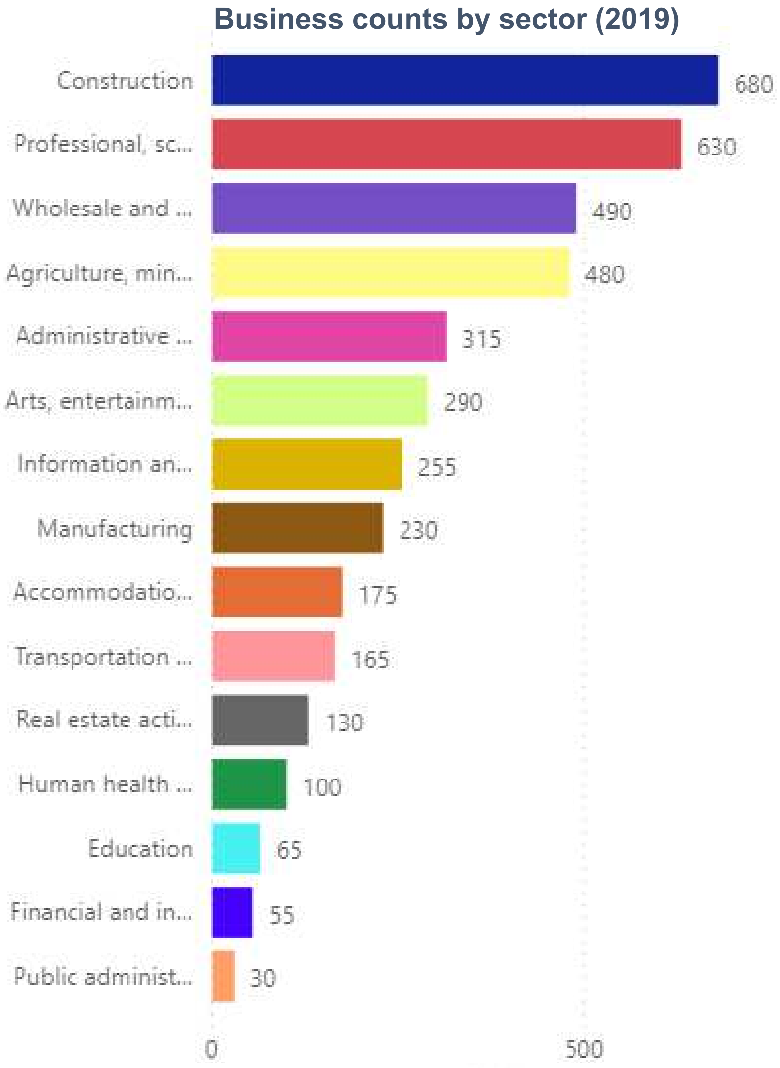
Cambridge

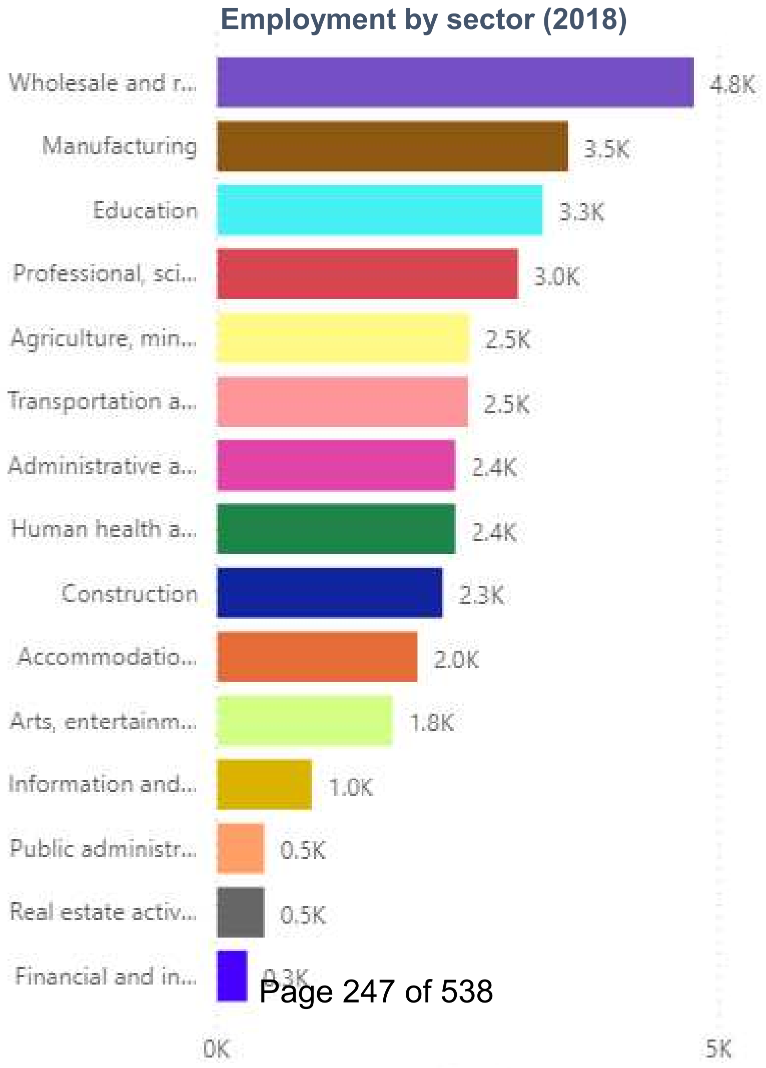

Business counts by sector (2019)
Professional, sc...
Information an...
Wholesale and ...
Administrative ...
Arts, entertainm...
Accommodatio...
Construction
Human health ...
Education
Manufacturing
Real estate acti...
Financial and in...
Agriculture, min...
Transportation ...
Public administ...
1.2K
0.8K
0.4K
0.4K
0.4K
0.4K
0.3K
0.3K
0.2K
0.2K
0.2K
0.1K
0.1K
0.1K
0.0K
0K
1K

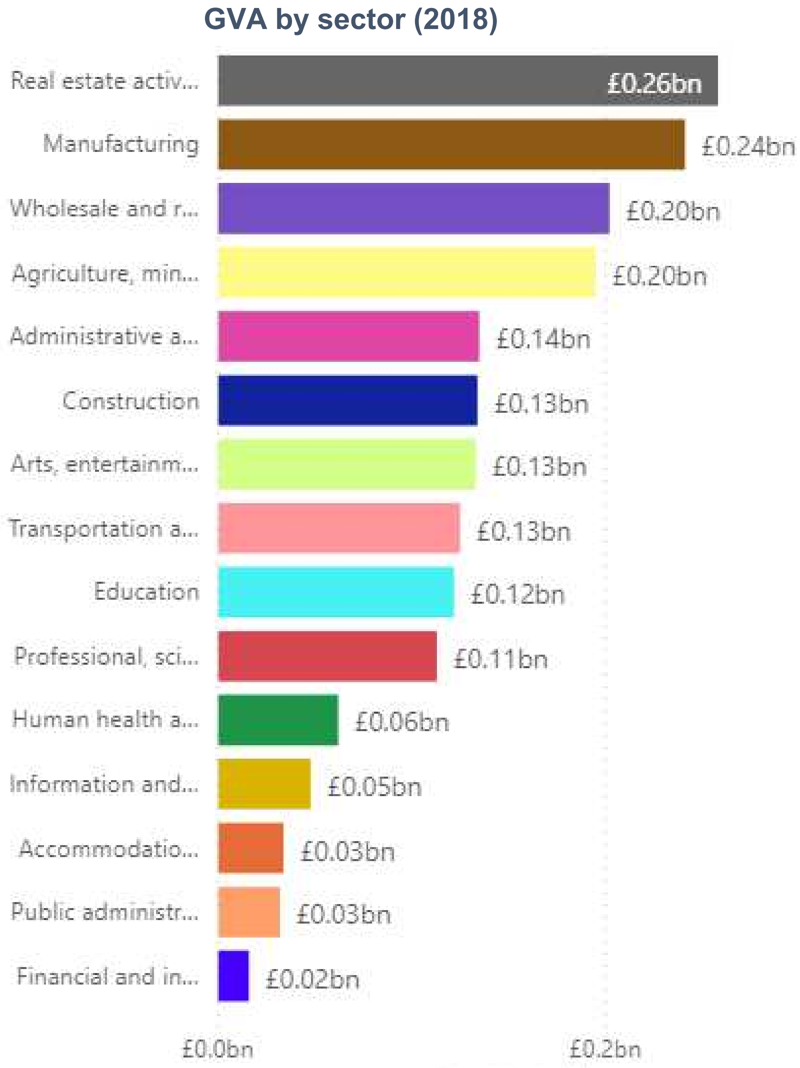

Employment by sector (2018)
Education
Professional, sci...
Human health a...
Accommodatio...
Wholesale and r...
Information and...
Administrative a...
Arts, entertainm...
Public administr...
Real estate activ...
Manufacturing
Transportation a...
Construction
Financial and in...
Agriculture, min...
25K
18K
16K
11K
11K
8K
6K
5K
2K
2K
2K
2K
2K
1K
1K
0K
20K


GVA by sector (2018)
Professional, sci...
Education
Human health a...
Real estate activ...
Information and...
Wholesale and r...
Arts, entertainm...
Manufacturing
Administrative a...
Accommodatio...
Public administr...
Construction
Agriculture, min...
Transportation a...
Financial and in...
£1.5bn
£1.0bn
£0.7bn
£0.6bn
£0.5bn
£0.3bn
£0.2bn
£0.2bn
£0.2bn
£0.2bn
£0.2bn
£0.2bn
£0.1bn
£0.1bn
£0.1bn
£0bn
£1bn
£2bn

East Cambridgeshire

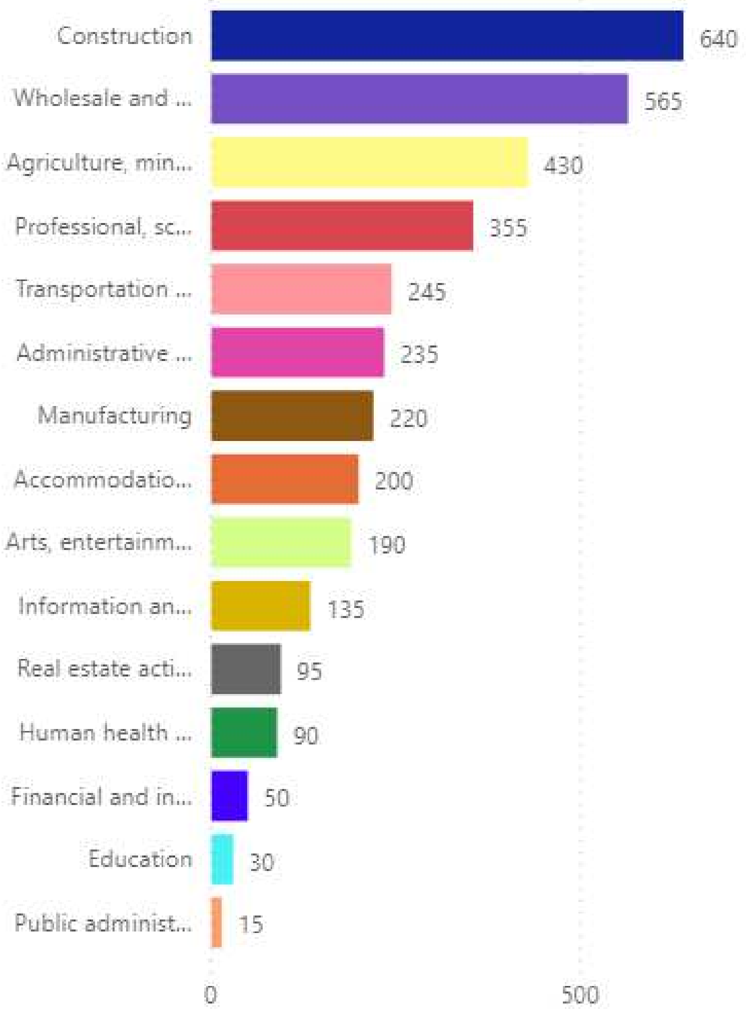




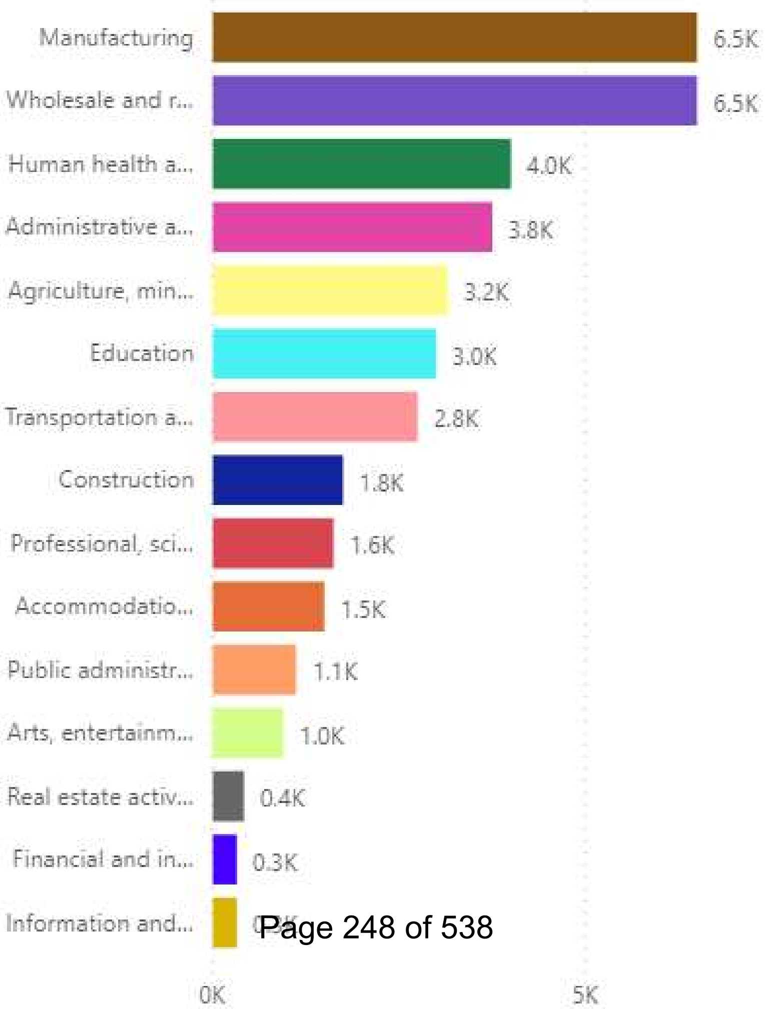


Fenland

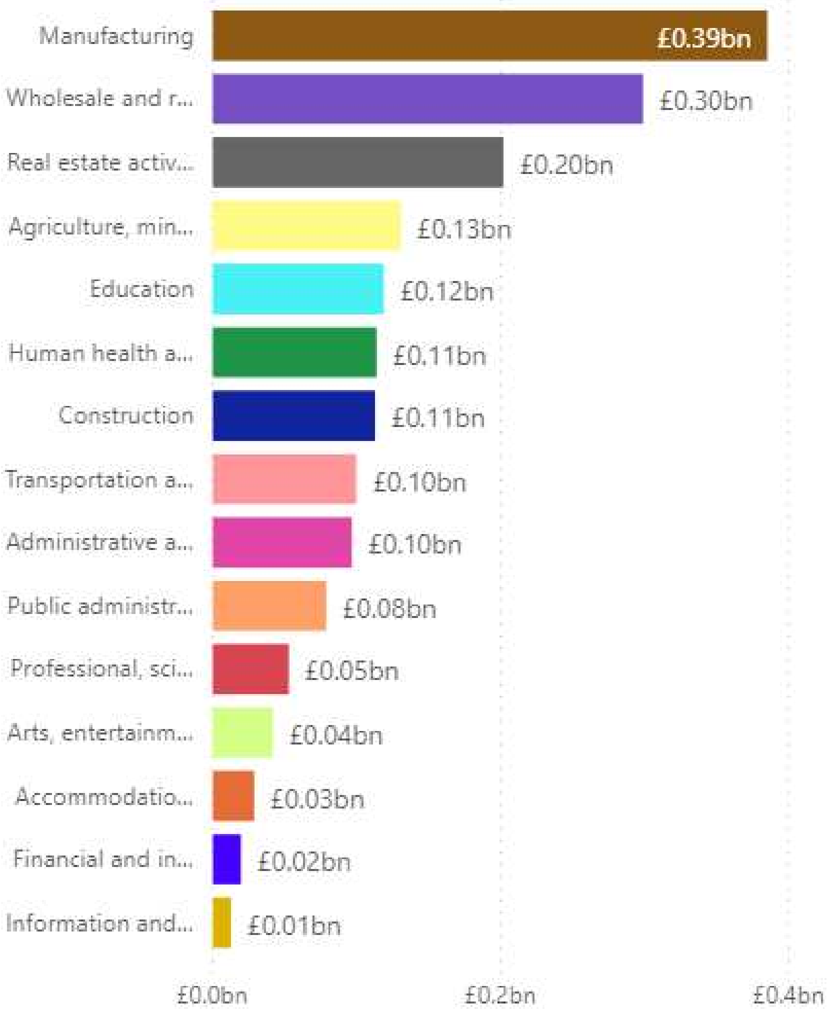
Business counts by sector (2019)



Employment by sector (2018)

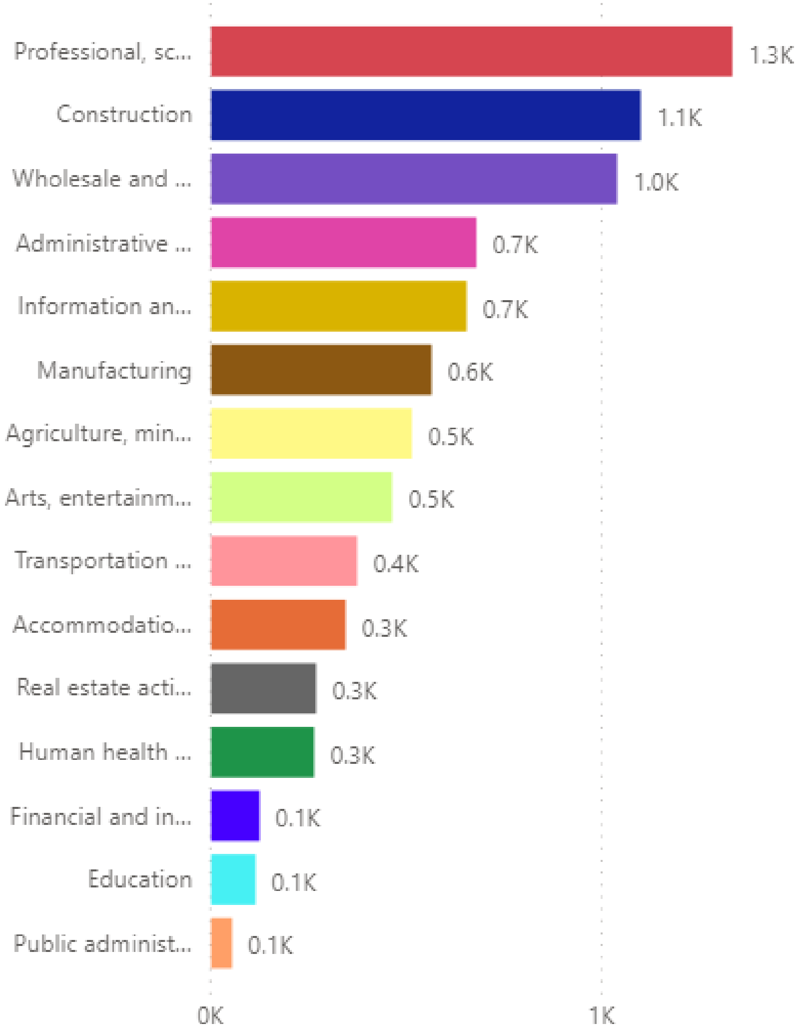


GVA by sector (2018)

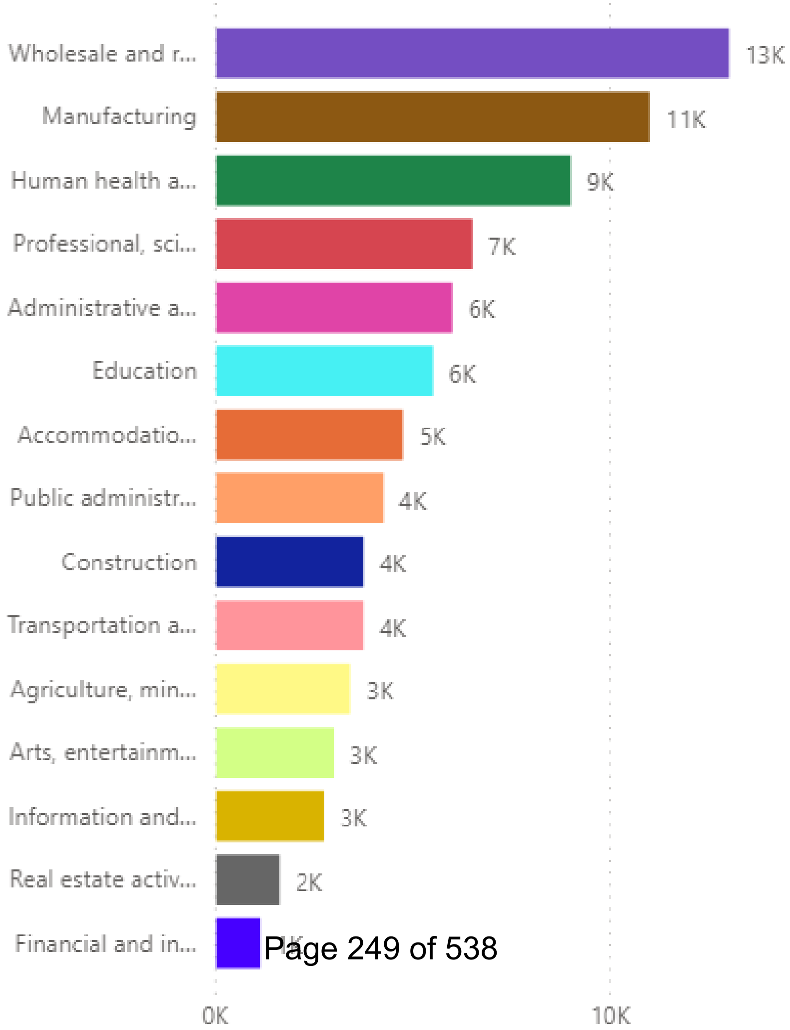


Huntingdonshire

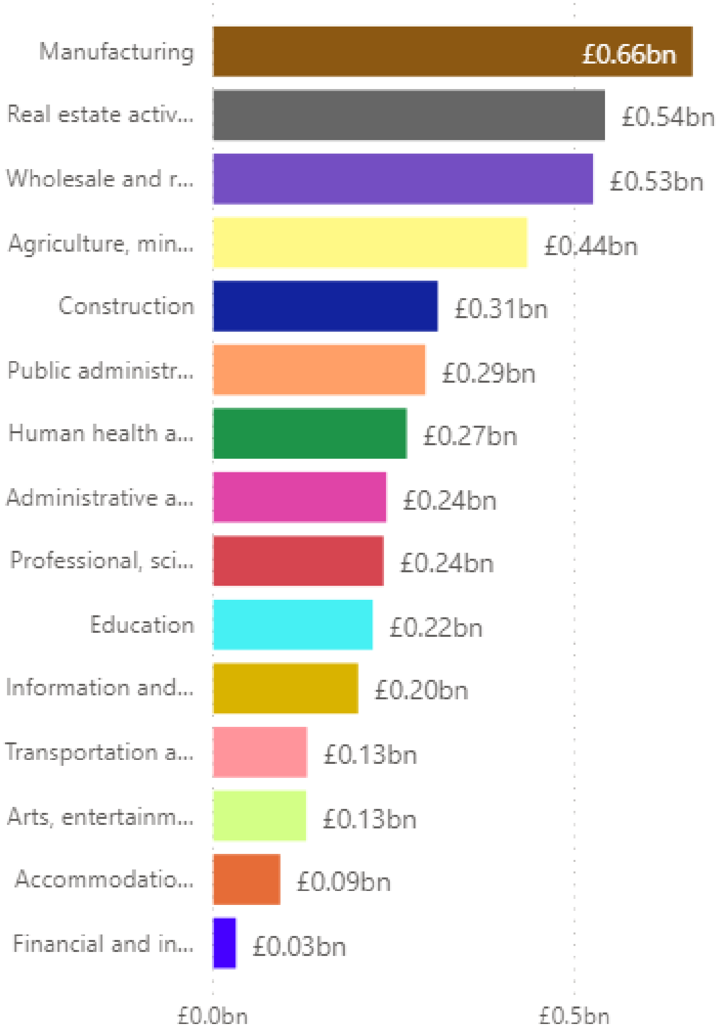
Business counts by sector (2019)



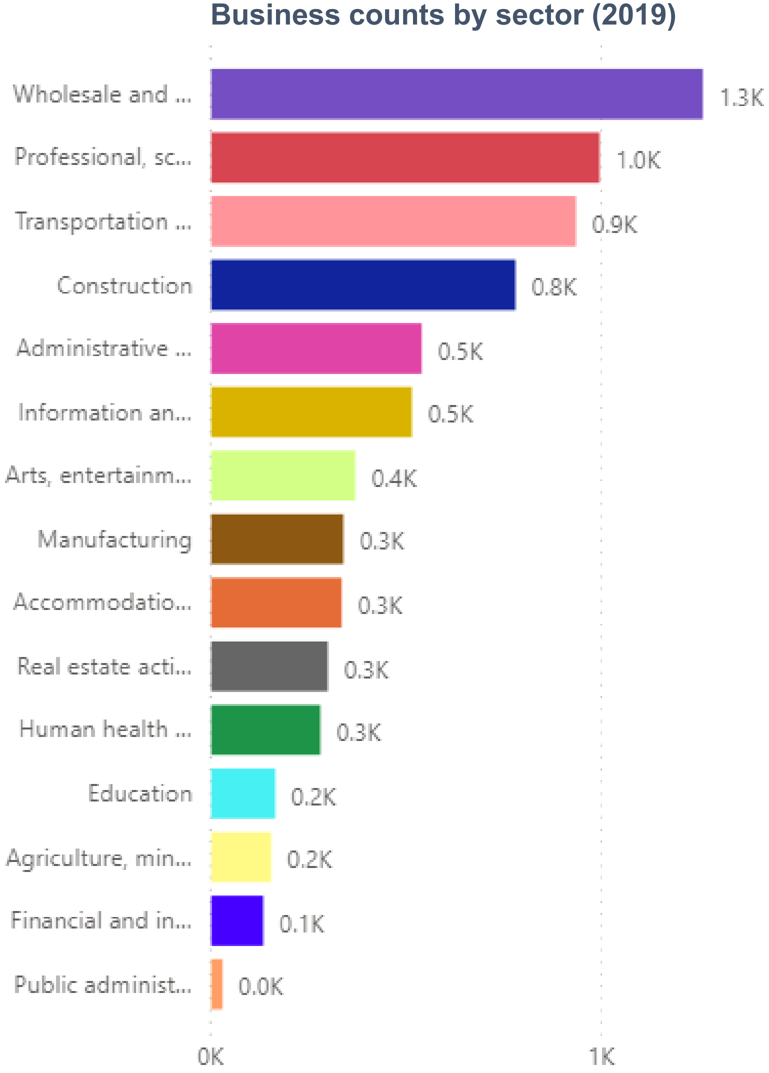
Employment by sector (2018)

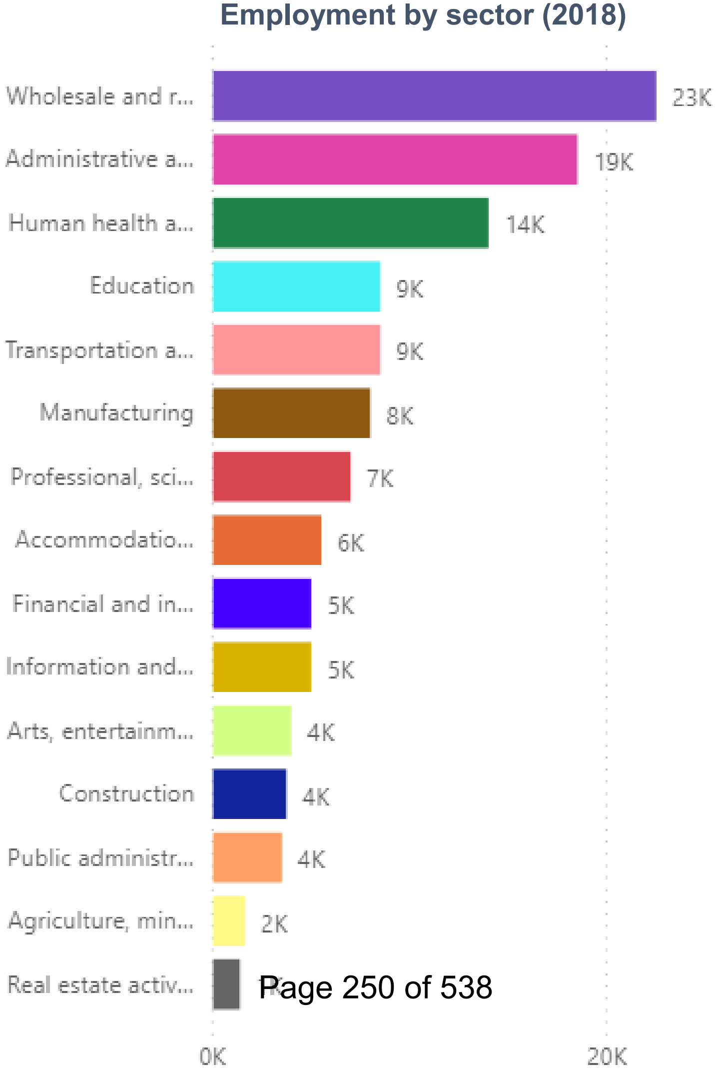


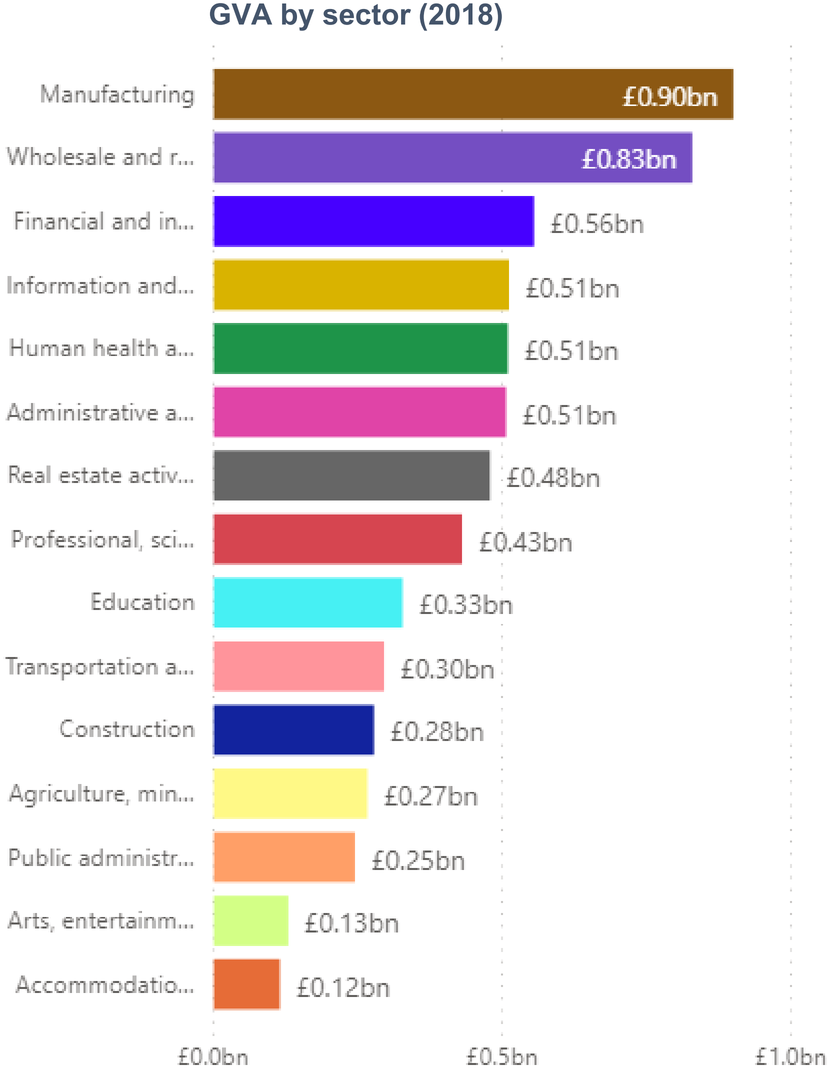
GVA by sector (2018)



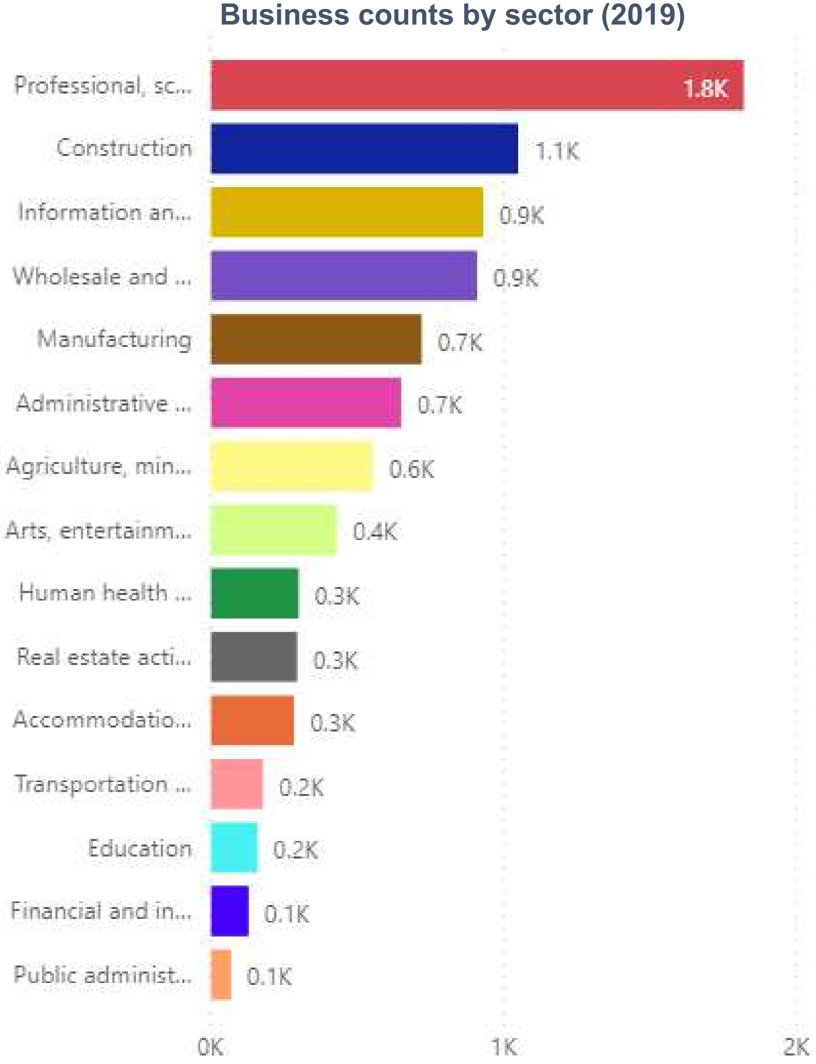
Peterborough

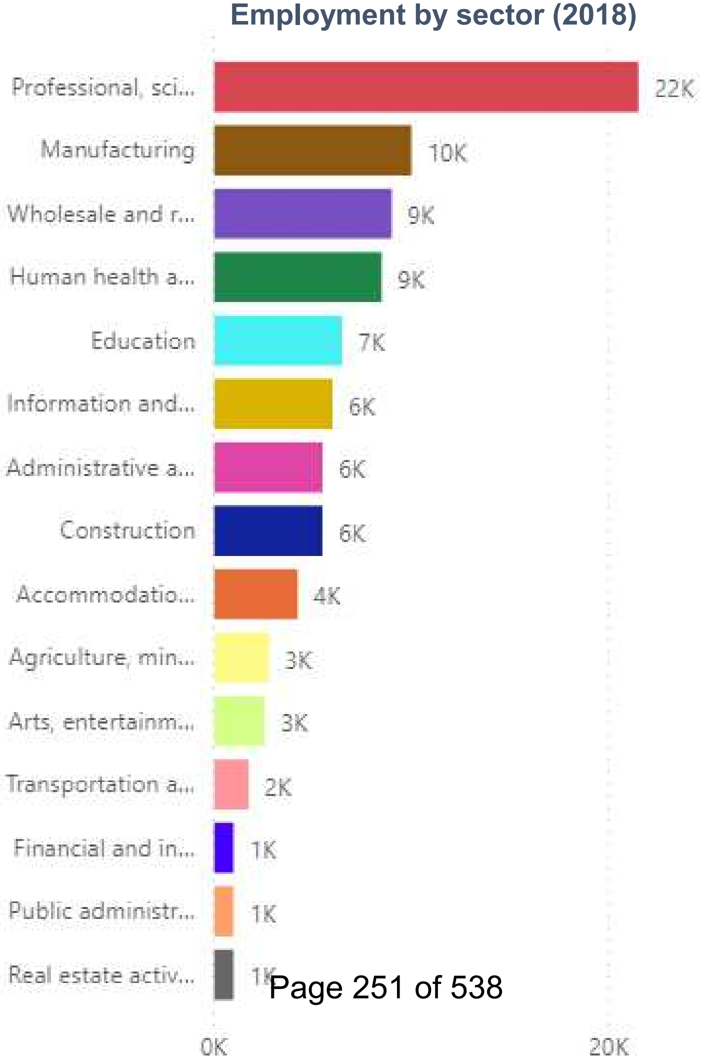






South Cambridgeshire





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SKILLS COMMITTEE	AGENDA ITEM No: 2.3
14 SEPTEMBER 2020	PUBLIC REPORT

COVID-19 LOCAL ECONOMIC RECOVERY STRATEGY

1.0 PURPOSE

1.1. To present the first draft of the Cambridgeshire & Peterborough Covid-19 Local Economic Recovery Strategy.

DECISION REQUIRED	
Lead Member:	**Cllr Holdich**
Lead Officer:	**John T Hill, Director of Business & Skills**
Forward Plan Ref:	**Key Decision: No**
The Skills Committee is invited to: (a) recommend the Combined Authority Board approve the first draft of the Local Economic Recovery Strategy (LERS) for Cambridgeshire & Peterborough.	

2.0 BACKGROUND

2.1. In March 2020, the Economic Recovery Strategy Group (ERSG), as part of the wider Local Resilience Forum, was formed to respond to the Economic and Business Impacts of Covid-19.

2.2. The ERSG comprises of Local Authorities officers together with Representatives of local Business Membership Organisations. A full list of contributors has been included within the main strategy.

2.3. Since inception, the ERSG has committed to developing a joint Local Economic Recovery Strategy (LERS) which lays down a roadmap formed of specific interventions which will aim to accelerate the recovery of our local economy.

2.4. In addition, Business Board members have been engaged over two Workshops to also provide valuable input and insight.

3.0 LOCAL ECONOMIC RECOVERY STARTEGY (LERS)

3.1. This first version of LERS comprises of the following documents:

(a) Main document (Appendix 1) comprising of:
   i. Strategic Mission and Top-Level Strategy
   ii. The Data Upon which we base our Decisions
   iii. The Strategic Approach:
   iv. Implementation and Investment

(b) Interventions Explained (Appendix 2)
(c) City, District & Town Level Recovery Strategies (Appendix 3)
(d) Business Board LGF investments (Appendix 4)

3.2. The LERS will be a live document which will be adapted as appropriate to respond when both anticipated and new impacts on the local Economy and Business evolve and become clearer. These further insights will principally be gained through our parallel programme of COVID Insight work with Metro Dynamics.

3.3. It is therefore anticipated further refreshed versions of the LERS may be presented to Skills, Business and Combined Authority Boards in Autumn 2020 and Spring 2021 to then enable any changes in interventions to be actioned thereafter.

4.0 STRATEGY DEVELOPMENT AND SIGN-OFF

4.1. This Local Economic Recovery Strategy is a co-created product of the Covid-19 Local Economic Recovery Sub-Group, consisting of Local Authority economic development officers in partnership with representatives of all the key local business organisations. All Local Authority and business representatives have played an active role in shaping this strategy, within a highly collaborative and very positive environment. The vision and interventions developed by this group have been subsequently workshopped and developed by a sub-group of the CPCA's Business Board and undergone a local consultation process with 100 businesses. The Local Authority officer, business representative and individual business leader input that has created the proposed strategy is recommended for adoption by the Business Board as its Covid-19 adapted version of the Local Industrial Strategy.

4.2. This will be subsequently offered for ratification by the CPCA Board on the 30th September. Individual Local Authorities are expected to present this "whole of economy" strategy to their cabinets for endorsement during October and November, which will lead to local recovery plans being developed in alignment.

5.0 FINANCIAL IMPLICATIONS

5.1. There are no financial implications

6.0 LEGAL IMPLICATIONS

6.1. There are no legal implications

7.0 IMPLICATIONS FOR NATURE

7.1. There are no implications for nature

8.0 OTHER SIGNIFICANT IMPLICATIONS

8.1. There are no other significant implications

9.0 APPENDICES

9.1. Appendix 1 – LERS Main Strategy Document

9.2. Appendix 2 – Interventions Explained (LERS Appendix 1)

9.3. Appendix 3 - City, District & Town Level Recovery Strategies (LERS Appendix 2)

9.4. Appendix 4 – Business Board LGF Investments (LERS Appendix 3)

Background Papers	**Location**
None	

Cambridgeshire & Peterborough
Local Economic Recovery Strategy (LERS)

Final Draft: Economic Recovery Sub-Group

LATEST (1 SEPT)

CONTENTS

ACKNOWLEDGEMENTS

This strategy has been a collaborative process strengthened by significant co-ownership and broader business community, education and public consultation. This Local Economic Recovery Strategy is a co-created product of the Covid-19 Local Economic Recovery Sub-Group, consisting of Local Authority economic development officers in partnership with representatives of all the key local business organisations. All Local Authority and business representatives have played an active role in shaping this strategy, within a highly collaborative and very positive environment. The vision and interventions developed by this group have been subsequently workshopped and developed by a sub-group of the CPCA's Business Board and undergone a local consultation process with 100 businesses.

The Local Authority officer, business representative and individual business leader input that has created the proposed strategy is recommended for adoption by the Business Board as its Covid-19 adapted version of the Local Industrial Strategy. This will be subsequently offered for political ratification by the CPCA main Board on the 30th September. Individual Local Authorities are expected to present this "whole of economy" strategy to their cabinets for endorsement during October and November, which will lead to local recovery plans being developed in alignment.

The strategy is further underpinned by a common understanding that to lead the region to economic recovery, behaviours will also need to change in order to support the interventions proposed. All those involved in the creation of this strategy share a steadfast drive to make things happen and do things in new and innovative ways that are more collaborative and more impactful than ever before, setting the Cambridgeshire & Peterborough economy as a trailblazer and exemplar of sustainable and sustained economic recovery and renewal for the rest of the UK.

Contributors to development of the Cambridgeshire & Peterborough Local Economic Recovery Strategy include:

Cambridgeshire & Peterborough Combined Authority & Business Board
Cambridgeshire County Council
Cambridge City Council
Huntingdonshire District Council
Fenland District Council
East Cambridgeshire District Council
South Cambridgeshire District Council
Peterborough City Council
Greater Cambridge Partnership
Public Health England
Police Commission
Cambridgeshire Chambers of Commerce
Federation of Small Businesses
Opportunity Peterborough
Cambridge Network
Cambridge Ahead
Confederation of British Industry
ICAEW

FOREWORD

Since March, employers and employees have had to encounter unforeseen challenges and we have seen incomparable levels of adaptability and resilience. As the economy reopens in the weeks and months ahead, employers will need to continue to meet a series of challenges and obstacles head-on to ensure survival before they can consider resuming on a new and very different journey of growth.

Many employers in our region have also been directly involved in the national and international fight against the disease, from the global development and testing of vaccines, to uncovering effective medical treatments, through to the design and engineering of new ventilators for hospitals. In a time of crisis, this has highlighted the importance of innovation to our own economies and of the UK.

Our region’s Employees will also face huge challenges in the future. Many are already facing huge uncertainty with the very real threat of redundancy or, at least, a seismic change in their job looming. 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.

The huge and unprecedented response by National and Local Government that has provided vital lifelines to Business Leaders and Owners. But without the specific interventions as set out in this strategy, the recovery will be longer, less inclusive and the gaps between our sub-economies will widen. In addition, this strategy sets out a clear and shared vision for a more inclusive, digitally enabled and greener recovery that leads to much greater, future resilience, more evenly felt, across our economy.

Moreover, the one much promoted positive to arise from the economic and social lockdown has been a measurable improvement in environmental quality. Significant reductions in congestion, air pollution and waste over a short space of time have brought the importance of sustainability into sharp focus. Building such considerations into our strategy through approaches such as the circular economy can help businesses to reduce costs and eliminate waste whilst improving their resilience and sustainability performance.

1. *THE* RECOVERY MISSION & TOP-LEVEL STRATEGY

1.1 *The* Mission

With a regional focus on providing a sustainable and healthy region in which we live and work, our Covid-19 Economic Recovery Strategy Mission is to:

"To lead the nation out of recession - by accelerating the recovery, rebound and renewal of our economy and achieving our ambition to double GVA by 2025 - in a new and more digitally enabled, greener, healthier and more inclusive way than ever before.

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. Our local strategy is constructed to address the key phases of recovery and consists of 5 Pillars of delivery:





Accelerating Start-Ups, Scale-Ups & Set-Ups	Accelerating Hi-Tech Jobs Growth	Accelerating Recovery in Construction	Accelerating Upskilling & Retraining	Accelerating a Greener and more Sustainable Economy
£19.67m to coach and finance firms to grow, attract new firm to the area and link people into 13,745 new jobs	£37.57m into 14 new innovation centres and incubators for Tech-Firms to stimulate 38,677 high-tech jobs	£62M into improving our road and rail networks to create and safeguard 5,200 jobs	£32.82m to build education capacity, £11.5m for adult skills and £10m for apprentices, to train 33,000 people into existing jobs plus 22,142 new jobs	A Natural Capital Investment Plan for a circular economy that embraces Net Zero Carbon ambitions, acceleratres delivery of more resilient infrastructure and green skills

These 5 pillars align with and reflect the themes of the Local Industrial Strategy to set out what we aim to do:

- **People:** Through local collaboration and strong leadership, deliver a fair and inclusive economy by empowering local people to access the education and skills needed to meet the needs of the local economy and business, both now and in the future.

- **Ideas:** Ensuring that the area's economic base grows by harnessing innovation, enhancing Cambridge's position nationally and globally, especially around life science, artificial intelligence and data technologies, whilst bringing innovation-based growth to Peterborough and the Fens too.

- **Business Environment:** Accelerating and sustaining higher levels of business growth in start-ups and scale-ups, whilst attracting new and more knowledge intensive firms to our economy, to drive both growth and productivity.

- **Infrastructure:** Enhancing the current transport and housing infrastructure that is hampering growth in the south, whilst investing in commercial infrastructure to bring inclusive growth to the north.

- **Place:** Tailoring interventions to meet the needs of our cities and districts at local level.

This is further strengthened by our ability and potential to deliver:

- The Cambridge City region is the fastest growing economy in the UK – most likely ability to reverse the £3.7bn GVA impact by 2025 and recover to previous growth trajectory, which is vital for the UK's sustainable economy.

- One of a minority net contributor to the Treasury, with the potential to regain that position to aid Government in the recovery period.

- Breadbasket of England –over 50% of the UK's grade 1 highest quality land for food growing in the country, which is critical to sustainable food production and future food security in the UK. The Fens are also considered one of the country's greatest natural assets and wet ecosystems.

- A microcosm of the UK as a whole – with the potential to harness the strengths of the three local economies to demonstrate best practice in recovery.

- Global leadership in Life Sciences, Agritech and Education with 16% of the UK's knowledge intensive business services, with high potential for productivity and growth in recovery.

- Cambridge has more patent applications per 100,000 population than any city in the UK and more than west EU countries put together. Peterborough is also in top 15 UK Cities for patent applications, so the area leads in innovation.

- Peterborough has major cluster in environmental technologies supporting the drive for green recovery.

- Peterborough and Cambridge are "smart cities", using technology to support digital advances.

1.2 *The* Strategy in Summary

The premise of our economic strategy provides a varied range of interventions that will create positive impact over the near/medium term whilst also laying the road for longer term and sustainable recovery.

Cambridgeshire and Peterborough is an industrially diverse region, made up of three connected but distinct sub-economies. This recovery strategy reflects our commitment to respond effectively to the specific needs of Greater Peterborough, the Fens, and Greater Cambridge – whilst building the connections and relationships that will unlock the full economic potential of the whole region.

Our interventions for the medium-term recovery over the next 12-18 months will help ensure the C&P economy rebounds faster and with growth that is more inclusive, greener and sustained longer at higher rebound rates than would have naturally occurred. This also includes a specific focus being placed on those sectors and places in most need and with the longest forecast recovery rates so they start to recover sooner.

Planning for longer-term recovery by making strategic investments that enable greater future resilience, strengthen our economic assets, and address the inherent disparities across sectors and place, that have presented barriers to greater inclusive growth in the past, including:

- Skills deficits in the north of the economy.
- Lower quality employments in the north.
- Matching provision with rapidly changing demands for commercial space, particularly across our priority sectors.
- Broadening the base of our knowledge intensive companies so that economic opportunities in resilient growth sectors are brought to more Cambridgeshire and Peterborough communities.
- Maintaining our standing as a world-leading centre for innovation – ensuring that international businesses continue to choose to grow or relocate here, and in doing so create inclusive opportunities.
- Providing an attractive commercial and quality of life offer across our Cities and Market Towns for businesses relocating from major cities like the capital.
- Ensuring that CPCA economy is developed sustainably to actively contribute to tackling Climate Change and adapting to its impacts.

Supporting appendices:

Details on all our proposed interventions can be found in **Appendix 1: LERS Interventions Explained.**

Details on proposed intervention priorities and actions at local level can be found in **Appendix 2: City, Districts and Town Level Recovery Strategies.**

In addition, of course, are the many other, powerful interventions and initiatives of the Business Board, the wider Combined Authority and its key partners, that make up the 5 Pillars of our COVID 19 Local Economic Recovery Strategy. Details on Business Board LGF investments that will support economic recovery by creating 50,644 new jobs to 2042 can be found in **Appendix 3: Business Board LGF Investments.**

1.3 *The* Interventions in Summary

	PEOPLE			**IDEAS**			**BUSINESS ENVIRONMENT**			**INFRASTRUCTURE**			**PLACE**		
	Recover	***Rebound***	***Renew***	***Recover***	***Rebound***	***Renew***	***Recover***	***Rebound***	***Renew***	***Recover***	***Rebound***	***Renew***	***Recover***	***Rebound***	***Renew***
ACCELERATING START-UPS, SCALE-UPS AND SET-UPS	Support for Displaced Workers to Transition into Entrepreneurship	£500k of Capital Grants & Start-Up Advice for Employees Transitioning to Entrepreneurship				£500k of Innovate to Grow Grants for Small Firms with Big Ideas	Entrepreneurship and Business Growth £145k investment to Support for the Visitor Economy to Recover & Adapt £50m investment in Recovery and Development of the Creative Economy	£29m investment into new Rebound & Grow Coaching Service	£4m investment into new Inward Investment Service to Attract more Firms		Adapting Commercial Space Provision to Remote Working			£13.1m of investment to Support for City & Town Centre Firms to Rebound	
ACCELERATING HI-TECH JOBS GROWTH			£30m investment into a new University for Peterborough		Manufacturing Innovation Eco-System in the North of the Economy	£5m investment into new Manufacturing & Agri-Tech Innovation Launch Pads		A £500m Life Science Innovation Network to Produce a New Generation of Unicorns	£18m equity investment into three new Life Science and Transport Tech-Accelerators		Advanced Digital Infrastructure Deployments to Support Accelerators and Incubators				

ACCELERATING RECOVERY IN CONSTRUCTION		£1.7m investment to increase Skills Capacity in the Construction Sector to Support a Boost in Infrastructure Investment	Guaranteed Training & Interviews for Jobs in Healthcare & Construction								£100m investment in Stimulating the Housing Market (£100k Homes Revolving Loan Fund)				
ACCELERATING UPSKILLING & RETRAINING	Connecting Displaced Talent into Re-Skilling & Jobs Faster	Improved Careers Advice to Better Connect School Leavers with Jobs New Funding for Training for School & College Leavers Unable to Find a Job	Local Piloting of a New National Retraining Scheme £20m of Locally Integrated funding Local Integration Focussing of all Post 18 Vocational Education to Support Retraining of Workers in Transition Across Sectors							More Resources into Schools to Better Connect Leavers with Jobs	Helping FE Providers to Adapt to More Remote Learning Revenue Support for Education Providers to Stabilise Finances at Lower Volumes				

ACCELERATING A GREENER AND MORE SUSTAINABLE ECONOMY		Improved Learner Access to Digital Skills Development	Focusing Recovery & Growth Where it Can Improve Health & Wellbeing Most					Resource and Waste Circular Economy Business Models	Framework for Sustainable Economic Development	Increasing Provision to Improve Digital Skills £320k of Adult Skills Capital Support for Digital Transformation of Delivery	£1m CPCA Digital Infrastructure Programme “Keeping Everyone Connected”			Local Authority Planning Adaptions for Housing & Schools Renewal £155m investment into development of new Council Homes	

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2. *THE* DATA: *UPON WHICH WE BASE OUR DECISIONS*

The Cambridgeshire and Peterborough Combined Authority (CPCA) and the Greater Cambridge Partnership (GCP) jointly commissioned a report from consultants, Hatch Regeneris, in order to understand the projected economic impact of the Covid-19 lockdown. This section summarises the findings of the ‘Hatch’ report[1] and then uses further evidence from Cambridgeshire County Council’s Research Group to draw conclusions from this work to inform the Economic Recovery Strategy.

2.1 Immediate Impact

The ‘Hatch’ report uses Office of Budget Responsibility (OBR) estimates to conclude that the immediate economic impact of the shut down on Cambridgeshire and Peterborough will be an estimated £3.7b reduction in GVA[2]; or a loss of 13% compared to the previous year. This loss is not expected to be evenly distributed across the different sectors of the economy. The greatest percentage loss of activity is estimated to be in Education (-38%), Accommodation and Food (-36%) and Construction (-30%); the report goes on to provide detail on the sector impact at a district level. Based on previous growth, Hatch assume a future aggregate loss to the Cambridgeshire and Peterborough economy of £21.7b with the region not returning to previous levels of output until 2031 at the earliest.

This outlook, in the context of the UK economy as a whole, is not universally supported by economic commentators primarily as it does not take into account government policy interventions. Later paragraphs will consider what alternative scenarios exist for the recovery of the local economy.

2.2 Impact on Businesses

The ‘Hatch’ report draws on local and national business surveys. Almost half (46%) of business respondents reported that they had effectively shut down during the Covid-19 lockdown and more than 17% reported that there ‘was a good chance’ that the business wouldn’t recover. Around two thirds of businesses had furloughed staff under the Government’s Job Retention Scheme. Other short-term measures included businesses looking to reduce immediate overheads such as seeking rent or business rate reductions. Medium-term impacts were based upon a concern that there won’t be an immediate uptick in demand for goods and services once the lockdown ends. This would mean that some job roles would be made redundant rather than returned from furlough.

There was also expected to be some reassessment of supply chain resilience following the disruption. Longer-term impacts centred on an acceleration in trends already seen within the economy. Businesses are likely to reassess both the cost

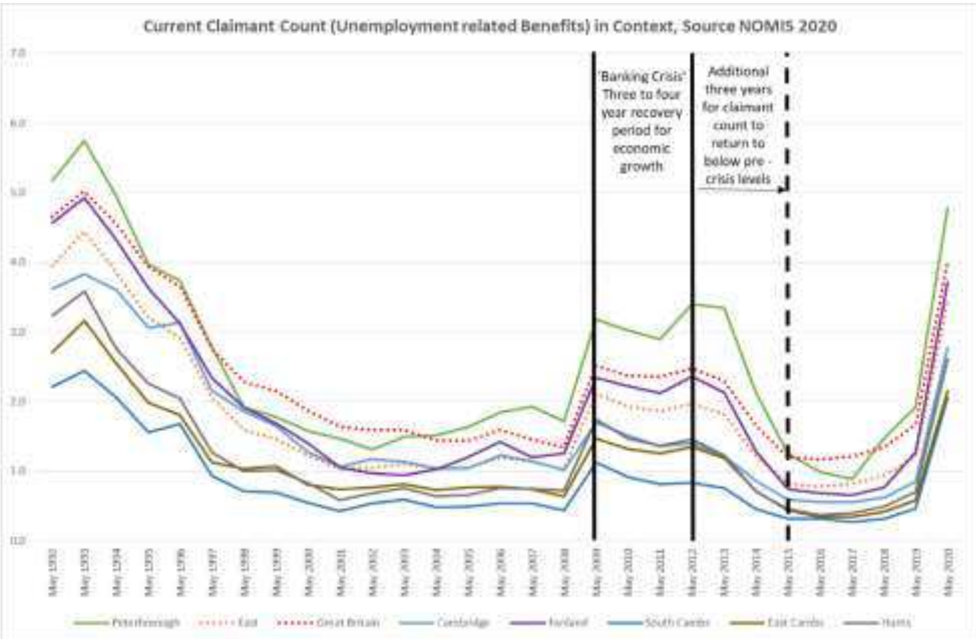
[1] Cambridgeshire and Peterborough | Covid-19: Understanding economic impacts and informing the response
[2] GVA or Gross Value Added is a metric used to describe the total volume of economic output for a geographical region or sector of the economy.

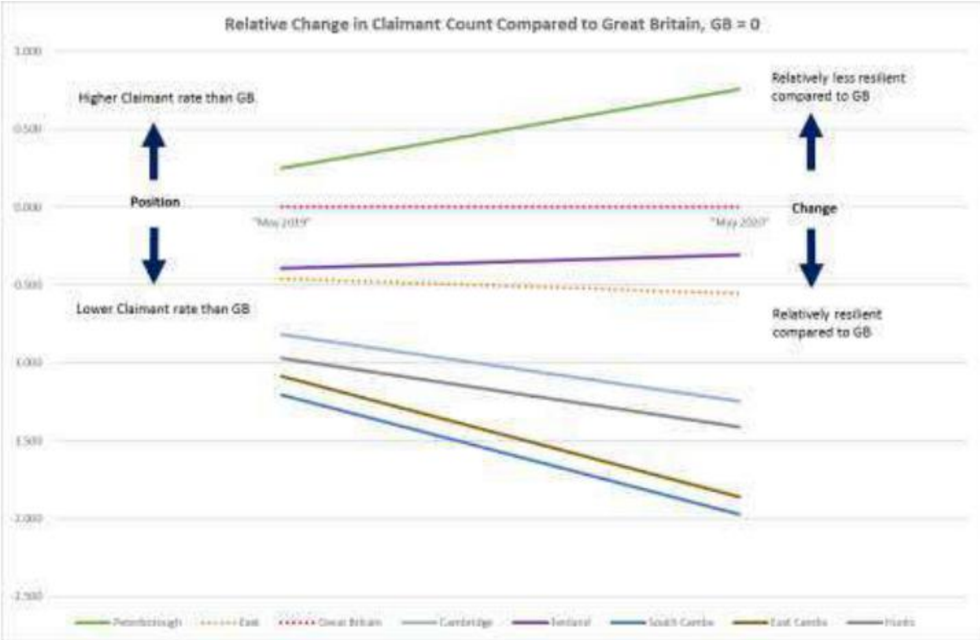
and the use of commercial property space, with some downsizing premises to take advantage of the acceleration of homeworking. Impacts on further education could possibly see an increase in the rate at which the labour market demands higher, level three or above, qualifications. Infrastructure demands are also likely to be different, focusing on the roll out of digital connectivity and changes in usage patterns for public transport.

2.3 Impact on Jobs

There are 18,000 more claimants of unemployment-related benefits within the Cambridgeshire and Peterborough region, comparing May 2020 with May 2019. Claimant rates are also higher compared to the 2008 banking crisis. The extent to which these high numbers persist will depend on the 'shape' of the recovery (discussed in later paragraphs). It should be noted though that whilst Cambridgeshire and Peterborough returned to economic growth in 2012, relatively high claimant rates persisted through into 2015.

One of the areas for action locally should be a focus on supporting those who could potentially 'fall out' of the job market in the same way as a result of the current recession.





The increase in claimants has exacerbated the sub-regional inequalities identified within the CPIER[3]. *Peterborough's claimant rate has worsened significantly compared to that of Great Britain* whereas areas in the south of the Cambridgeshire and Peterborough region have seen relatively low increases in claimant count compared to the country as a whole. Fenland has seen a slight worsening compared to Great Britain but may have been partly insulated from the economic shock due to the relative importance of the food production and processing sectors in the area which have continued to operate during the lockdown.

2.4 Impact on Economic Sectors

The number of claimants is dwarfed by the reported (HMRC July 2020[4]) 107,300 jobs (25% of all jobs) in the CPCA area that are currently protected by the Job Retention Scheme. Local and national intelligence reports that a proportion of businesses expect to make redundancies as the scheme comes to an end in October 2020, although at this time it is difficult to estimate the number that will be affected and how the January 2021 job retention bonus will affect the situation.

One way to provide a sense of relative risk by sector is to consider the national profile of businesses temporarily closed according to the on-going ONS Business Impact of Covid-19 (BIC) Survey[5] and combine this with the furlough profile[6] and local employee data[7]. The assumption being that the risk of further redundancies is far greater for sectors where many businesses are still paused (as at end June 2020) compared to those that have a proportion of workers on furlough but are also continuing some business activity. This provides a first estimate for Cambridgeshire

[3] Cambridgeshire and Peterborough Independent Economic Review

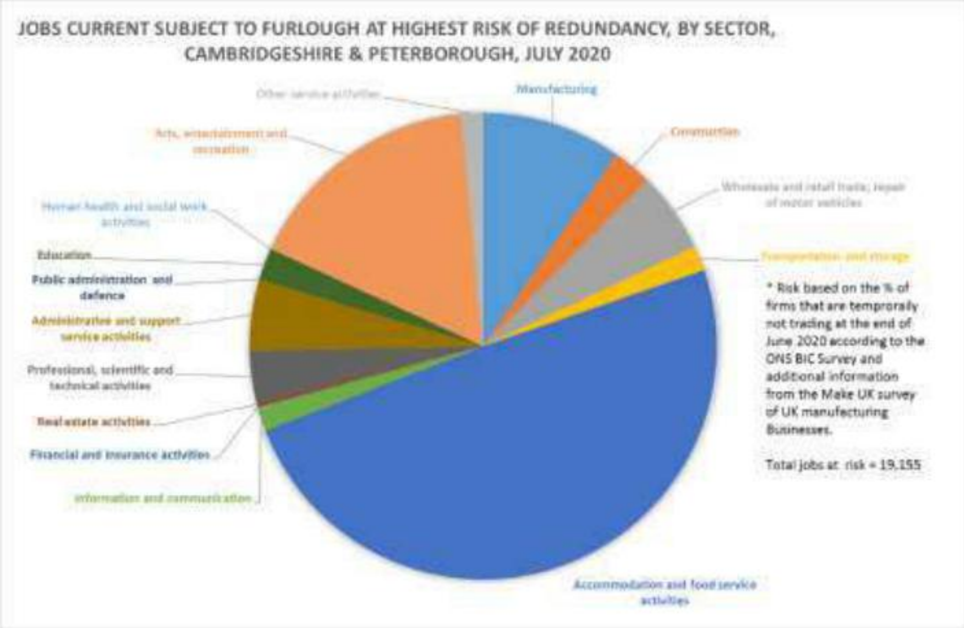
[4] https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-july-2020

[5] https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults

[6] Local Profile has been requested from HMRC, Eastern Region Profile has been used 17th July 2020.

[7] Employee Jobs, 2018, Source NOMIS

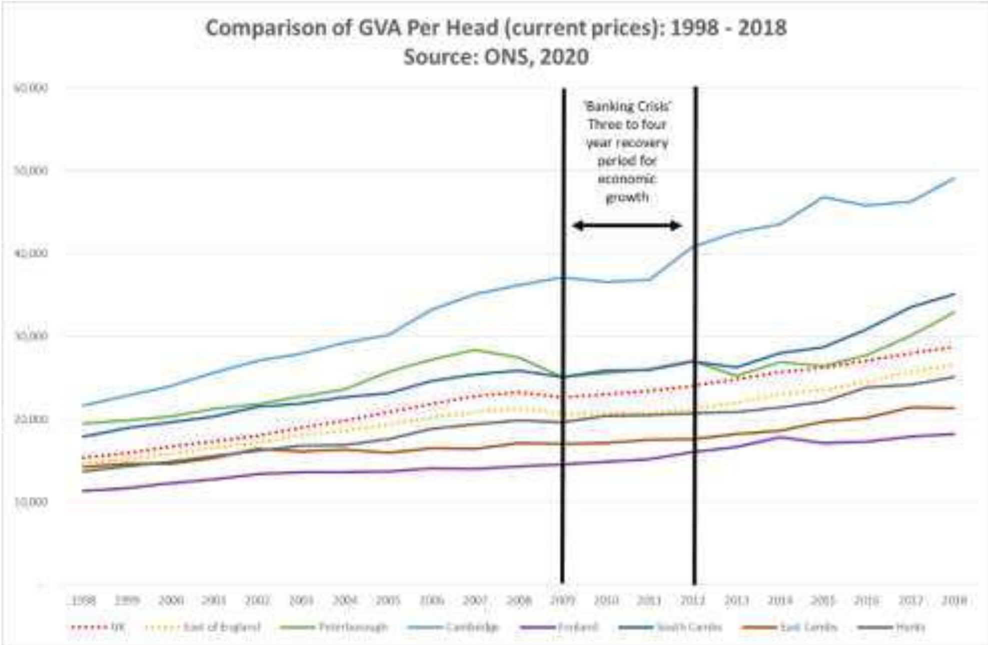
and Peterborough of approximately 17% of jobs currently being protected by furlough possibly becoming redundant when the scheme ends; materially, this would double the current claimant rate. Approximately half the jobs at risk are in the Accommodation and Food sector with a further 18% in Arts and Entertainment and 6% within Retail.



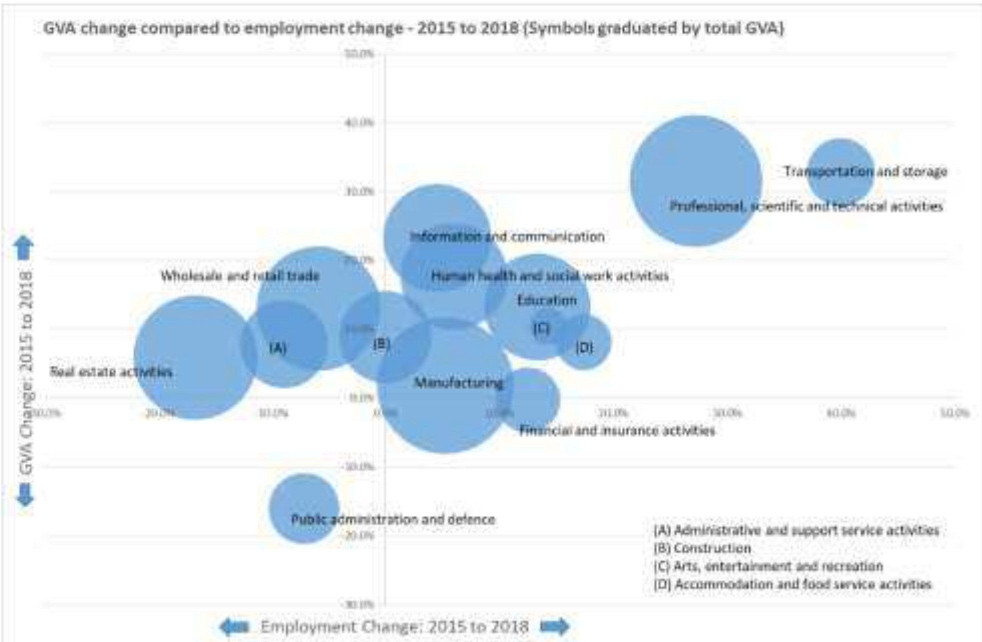
Commentary from Cambridge Econometrics[8] supports this assumption with an anticipated transition from economic problems centred upon 'production' (the lockdown impacting supply chains and the creation of economic value) to problems of 'consumption'; in particular a contraction in demand for consumer goods and services. We have been able to incorporate a more specialist survey from MakeUK of manufacturing businesses into the methodology, this reports that 53% of manufacturing firms with some staff on furlough expect to make redundancies for the most part affecting up to 25% of the workforce. Applying this to our local profile for furlough employees implies that around 1,800 local manufacturing jobs are at risk.

This is supported by further evidence from HR1 returns (statutory redundancy notices) which for June 2020 show four-hundred plus jobs in the former LEP area in the manufacturing sector 'at risk'. Prior to the Covid-19 crisis there were identifiable trends within the Cambridgeshire and Peterborough economy. The long-term (1998 – 2018) trend in Gross Value Added (GVA) broadly illustrates that the 2008/09 'Banking Crisis' recession led to a three- to four-year (depending on district) stagnation in economic growth before a very strong recovery led primarily by Cambridge and South Cambridgeshire and latterly by Peterborough. Indeed, Cambridge recovered the economic value lost during the 2008/09 recession much quicker than other areas, effectively leading the UK out of recession.

[8] https://www.camecon.com/blog/the-economics-of-the-coronavirus-pandemic/



The sectors leading both employment and GVA growth over the previous three years (2015 – 2018) for the CPCA area have been Professional, Scientific and Technical Activities (based in the Greater Cambridge area), Information and Communication, Education, Transport and Storage, and Human Health and Social Work Activities.



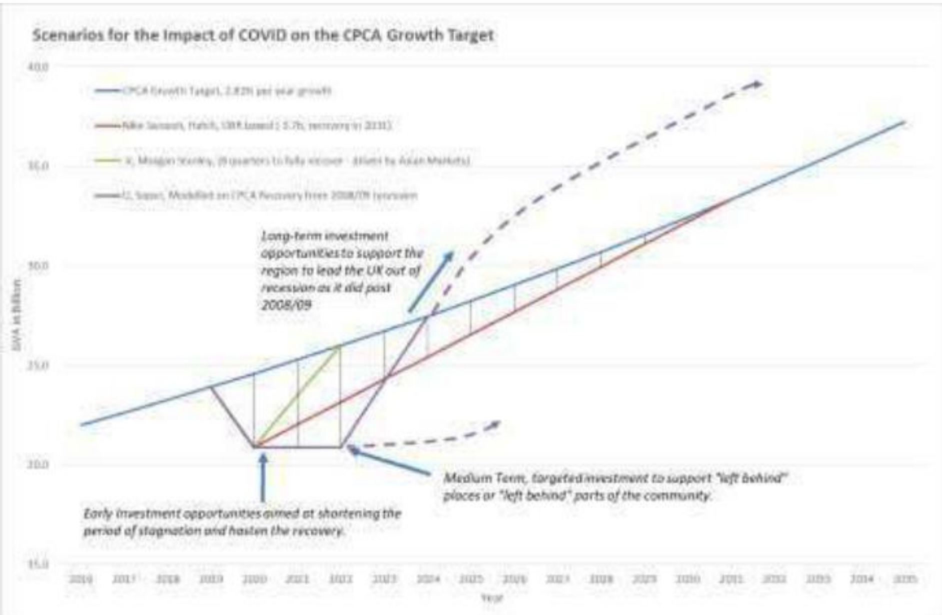
Interestingly, sectors expected to be worse hit by the current crisis have grown alongside the sectors mentioned above, e.g. Accommodation and Food Services, but contribute a relatively low proportion of the area's GVA. Indeed, whilst employment in the Accommodation and Food sector is high, approximately 27,000 employee jobs, productivity is low (approximately £20k GVA per job compared to £54k per job in the Professional, Scientific and Technical sector). Alongside this, the level of skill (measured in terms of average qualification levels) is also relatively low in the areas most at risk of further redundancies. This underlines the potential 'skills challenge' that the area faces; can people losing work in one sector be supported to transfer to higher skilled and more productive work in another sector?

2.5 Understanding the Shape of the Recovery

Given the area's relative economic strength, there is reason to look at additional recovery scenarios alongside the one proposed within the 'Hatch' report, keeping in mind that the purpose of looking at additional scenarios is to test different policy responses. The most optimistic of models, the 'V'-shaped recovery, shows the world economy returning to normal relatively quickly. The model illustrated is that proposed by Morgan Stanley, which is driven particularly by renewed growth in the far-east. Under this scenario, the Cambridgeshire and Peterborough economy essentially recovers by the end of 2022 (although higher unemployment rates may persist beyond this).

The drawback of this model is that it is dependent on Covid-19 being controlled around the world, including in large consumer markets such as the USA, and on the rapid implementation of a vaccine. The Bank of England[9], through its chief economist has suggested that early market signals suggest an element of 'bounce back' with the economy recovering 'up to half' of its lost output. For the analysis in this section, the author has developed a custom 'U'-shaped model ('Soper' scenario below) of recovery primarily based on the previous economic recovery and the area's strength in specific sectors as discussed above.

The Partnership's Economic Recovery Group has deemed this as the most useful scenario, as challenging policy questions can be asked at different stages. This scenario has since been reflected in the work of Capital Economics and also the EY Item Club (forecasters, who use similar economic model to the Treasury), suggesting UK unemployment will rise to 9% from 3.9% before a full recovery by 2024.



[9] https://www.bbc.co.uk/news/business-53473616

2.6 *The* Impact of Brexit

As of August 2020, the outcome of the post-Brexit trade talks between the EU and the British Government remain uncertain. According to the Bank of England the positive side of an outcome being reached in the talks is the 'reduction in drag' on investment; whereby investment that is currently 'on hold' is made in the UK once its trading position becomes clear. Set against this is the potential for additional trade barriers with the EU hampering business activity.

The London School of Economics (LSE) is one of the first organisations to produce a combined analysis of Covid-19 and Brexit[10]. Their analysis shows that sectors affected by Brexit are generally different to those currently impacted by Covid-19. When comparing the effect of Covid-19 with the predicted impact of increased trade barriers with the EU, there is some evidence that those less hit by Covid-19 are likely to suffer more from Brexit e.g. Electrical and Optical Equipment and Chemicals and Chemical Products are examples of such sectors.

That is not to say there will be a 'double whammy' rather the impact of Brexit will overlap, or possibly be partially masked by Covid-19. For example, the Institute of Economic Affairs suggests that "any costs from a change in our relationship with the EU are likely to be trivial" compared to the impact of Covid-19 on GDP". The worst scenarios for Brexit (UK Government, 2018) suggested an 8% reduction in GDP over a period of years whereas the Covid-19 crisis is already estimated to have reduced UK GDP by 13.8% in a single year.

Regardless of the outcome of talks it is evident that the resources expended in responding to Covid-19 has set back planning for Brexit at both a government and business level. The government is determined to meet the current Brexit timetable therefore adaptation for 1st January 2021 may necessarily be hurried. This is where the most probably local policy response lies, in supporting businesses with rapid adaption once the position for January 2021 is clear.

[10] https://www.lse.ac.uk/News/Latest-news-from-LSE/2020/g-July-20/Brexit-hit-looms-for-industries-that-escaped-worst-of-pandemic

3. *THE* STRATEGIC APPROACH: *MITIGATING IMPACTS, CREATING A SPRINGBOARD FOR RENEWAL & GROWTH*

3.1 *The* Opportunity

The Cambridgeshire & Peterborough 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. The regions 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 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, offers a fantastic opportunity to support our brightest firms to adapt to grow faster, longer and more sustainably, given the right support and investment.

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 our previous growth trajectory and our previous contribution of £5bn pa to Treasury to help finance recover in other areas of the UK, especially in the midlands and north. The spine of our strategy focuses on solutions based on:

- programmes already planned within the LIS, for mobilisation in the 3rd quarter of this year, adapted to post Covid-19 recovery conditions.
- entirely new interventions funded through combinations of local and national funding.
- local tailoring and facilitation of national programmes to take account of our specific economy and communities, optimising them for local conditions and amplifying their impact All of this is underpinned by a focus on sustainability and building future economic resilience as described previously.

3.2 *The* Challenges

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), by 0.3% to the 2.8%. With around 418,000[1] jobs in our economy 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 was previously naturally occurring without our intervention.

To meet this challenge, the Business Rebound & Growth Service was tasked 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.

In addition, there are the many other, powerful interventions and initiatives of the Business Board, the wider Combined Authority and its partners such as GCP, that make up the five pillars of our Covid-19 Local Economic Recovery Strategy. These amount to a further 10,000 new jobs created over the next decade, or 2,500 pa, providing the potential to nearly double the impact we need to double our economy.

Hence it is clear, that both the original Local Industrial Strategy and now the Local Economic Recovery Strategy is more than capable of enabling our businesses and people to rebound and regrow to still meet and beat our target to double our economy by 2025[11]. Except now in an even more digitally enabled, greener and more inclusive manner than before.

3.3 *The* Phases of Recovery

- **Recover:** Mitigating local labour and property market scarring, in terms of retraining for those who have lost jobs and maintaining house building and sales. We have set plans for this phase to run between October 2020 and September 2023, this being the horizon for funding most partners have for the typical interventions required. Should recovery take longer this strategy will be revised.

- **Rebound:** Accelerating regrowth, ensuring firms are supported to adapt and regrow, with effective access to new staff and skills to maximise the bounce in our recovery. This phase is subject to scenario forecasts between two quarters and two years. Our strategy is designed to accelerate rebound whilst being able to adapt to delays.

- **Renew:** Investing in critical infrastructure that will reduce the barriers to growth for our hardest hit and slowest recover places, whilst ensuring future growth is

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[11] Cambridgeshire & Peterborough Combined Authority Growth Ambition Statement

greener. In the main, the types of intervention that produce a genuinely renewing impact will be agreed and planned now, but launch and run over the next five to ten years, some like the CAM, even longer

3.4 *The* Priority Sectors

The LIS identified four priority sectors upon which to focus our strategy 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 the interventions we design and develop to drive recovery and support regrowth. Post Covid-19 there may be new and emerging sectors and we need to be able to rapidly respond to these as and when they materialise. Currently, the identified sectors additional sectors 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.

- **Health & Care**: Early indications were that there was likely to be greater demand for health care professionals, potentially on the back of more people being supported in the community and greater use of technology. Whilst there is no data yet to support this in terms of job vacancies it is anticipated demand for health and care jobs, construction and education roles (associated with retraining) will be growth areas.

3.5 *The* Need for Partners in Local Authority to Plan Ahead

Under the current pandemic and its impact on the economy, it is even more important than usual to recognise the potential for the local economic geographies to lead activity and drive recovery, not only in their own area, but in supporting national recovery as well.

A distinguishing feature of the area is how strongly it has grown. Economic growth has outpaced UK growth over the last decade. This has been driven primarily, but not entirely, by rapid business creation and expansion in the south – Cambridge and South Cambridgeshire. This business is innovation rich – in fact Cambridge had the highest number of patent applications per 100,000 people for any city in the UK (double the next highest) city. Greater Cambridge is one of a minority of places that is a net financial contributor to the country. In 2014/15, the Cambridge economy generated an estimated £3bn in taxes for the Exchequer, double the £1.5bn cost of public expenditure here.

In this unprecedented situation, it is difficult to predict over what period recovery can occur, but, subject to new waves of virus, we have experience from other economic recessions, where local economies bounced back faster than in some other areas of the country, to reset their net contributions and to support the area’s growth. Critical to recovery in this case is activity which supports the retention of current employment, supports businesses to restructure where required, supports skills development and transfer for those transitioning employment, but as importantly, supports the creation of new jobs and related infrastructure. Further strengthened by a strong innovation and skills base, this gives Cambridgeshire & Peterborough a differentiation from other areas in the UK.

We know that we have the potential to enable job creation with the right levers. Indeed, although prior to Covid-19, last year alone Cambridge technology and life sciences companies grew their employment base by 16% and 8% respectively.

Even before Covid-19, the CPIER (2018), had already identified challenges to such growth in particular with infrastructure around housing as well as transport. In addressing both of those, the recovery approach needs to continue an evolving paradigm around housing.

Changes in employment practice resulting in more flexibility in working from home for some, the demographic changes which see us living for longer but having changing needs in housing as we age, as well as evolving demands for younger generations, will see developing requirements for different tenures.

The desired trajectory towards net zero carbon homes, the use of innovative automation to make our lives easier, reducing the need to travel or promoting easy public, pedestrian and cycle access, and increasing the part the environment for the housing plays in supporting health and wellbeing as well as amenity space etc, are all increasingly important. This to build upon the fact that Cambridgeshire & Peterborough have one of the lowest ratios of greenspace/rich wildlife areas.

The Devolution Deal for Cambridgeshire and Peterborough provides the base for greater sub-regional and local decision making and leadership in how we influence and shape our area's future growth and prosperity and meet the expectations of our residents.

The publication of Phase One of our Strategic Spatial Framework and Quality Charter for Cambridgeshire and Peterborough is an important milestone in achieving that ambition, meshing with our infrastructure investments, robust Local Plans and the pace of investment and development already well underway.

Establishing and delivering the appropriate community development and social cohesion from the earliest stages is also vital. Ensuring we provide those things through a tenure-blind approach for all those who need them in as close proximity to their employment and facilities as possible is critical.

3.6 *The* Need for Partners in Government to Investment

A complementary, Investment Prospectus, has been produced to set out the major infrastructure investments our economy needs to harness recovery as an opportunity for renewal and accelerated growth. These will deliver a combination of improved inclusivity in our growth, levelling up places like Peterborough and the fens, whilst protecting and enhancing Greater Cambridge's position as a global player in life sciences and digital technologies, as part of our partnerships across the OxCam Arc.

This will include the continuation of Combined Authority Gainshare funding to enable many of the commitments made within this strategy, but also a small number of strategic investments into key projects, requested from Government, through the 2020 Comprehensive Spending Review, such as:

- Delivering the Cambridge Autonomous Metro Phase 1 implementation by 2030
- Delivering Cambridge to Ely A10 enhancements by 2025
- Dualling of the A47 by 2028
- 1,000 more £100k homes by 2026 through an expanded £100m loans fund

- Delivering Peterborough University expansion to 10,000 students by 2030
- Delivering Peterborough Station Quarter commercial district by 2028

3.7 *The* Layers of Implementation & Impact

Whilst designed for the Cambridgeshire & Peterborough economy, taking into consideration the strengths, weaknesses, opportunities and threats for each of our three sub-economies this strategy recognises that there are complementary challenges and plans above and below our scope of operation.

Centrally, Government has produced its **National Economic Recovery Strategy** and we have worked intensively with Ministers, as well as officials in the Whitehall Economic Recovery Working Group, and partners in the M9 Group of Mayoral Combined Authorities and the LEP Network to input into that strategy.

Some of the interventions we propose are designed to provide local facilitation of key governments schemes to tailor them locally in their implementation and focus onto our specific needs by sector or place etc.

Regionally, the OxCam Arc has produced an Arc Economic Prospectus for recovery, and the Combined Authority has been working through the Arc's structures, and especially with the three LEPs and universities group to formulate and agree this. The prospectus, builds on the vision for the Arc, contained within all four constituent Local Industrial Strategies for the Arc, and amplifies the themes in our Recovery Strategy, to bring together greater levels of resource to ensure recovery here and across the Arc is built on growth that is:

- Innovative and based future of industries.
- Greener through a transition to net zero carbon emissions.
- Small business based, backing start-ups, scale-ups and unicorns.
- Inclusive, levelling up economic performance and skills.
- Global, open for business and international.

Locally, councils and the GCP have or have planned to produced city, town or district recovery plans and each of these partners has worked to co-create this strategy to ensure it complements theirs, and adds value to them through the additional resources that the Combined Authority can bring to bear, both directly and through the influence of the Mayor in central government and through the M9.

Local recovery plans will focus on the various themes such as the social, community, economy and environment needs within an area and these objectives will need to align with the other recovery plans that are geographically based for example around the Oxfordshire-Cambridge Arc, Cambridgeshire and Peterborough Combined Authority and Cambridgeshire County Council all of which will have received specific funding to support the recovery process. Within local areas the engagement with town councils particularly on reopening the high street and parish councils on supporting local communities will be important.

Whilst there are many ways that the recovery work can be cut the alignment between the different layers of the Local Resilience Framework will also be critical. Various thematic groups have been established including the Business Recovery Group that oversees this work and whilst the focus of each group will be thematic there will also be many cross-cutting themes such as unemployment, skills, travel, safety and funding that will be captured and aligned wherever possible.

CAMBRIDGESHIRE & PETERBOROUGH

LOCAL ECONOMIC RECOVERY STRATEGY: APPENDIX 1 – INTERVENTIONS EXPLAINED

Pillar 1: Accelerating Start-Ups, Scale-Ups and Set-Ups

The key message for all businesses is to find ways to capture what they have learned from the unforeseen and forced Covid-19 experience. Over a very short timeframe, businesses had to rapidly adopt new technologies to facilitate, amongst other things, mass home working. They have reviewed supply-chains and many will have moved into new markets. Returning to "business as usual" may not be the best strategy. Asking the right questions will be key as will acting on the answers. Not only will this help companies recover from the economic shock to their systems, it will also build and embed resilience against future shocks whatever their source.

1. 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 –

    - **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.

2. Innovate to Grow Service for Small Firms with Big Ideas

The CPCA will introduce a new £500,000 Innovation Grant Scheme to help our highest potential businesses enlist external expertise that in turn secures UK & European R&D Grant Funding of £1m upwards for the development of new and innovative products and services.

Accommodated within the Business Growth Service, this Grant scheme will fund up to 50% of external R&D Grant Application writing experts. Due to the rich creative spirit within our economy, we have the ambition to increase this fund five-fold over the next three years.

3. Capital Grants & Start-Up Advice for Employees Transitioning to Entrepreneurship

Post Covid-19 labour market conditions, created by a significant increase in displaced workers coupled with a contraction in job opportunities will produce fierce competition for new, 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.

From a financing perspective, Young Adults over recent years have faced similar challenges to establish themselves on the Housing Market but have successfully done so through programmes such as Help to Buy/Shared Ownership/Parental Guarantees etc. With this in mind, similar models could be explored and developed locally, in partnership with HMG and HMRC to grant finance start-ups, alongside local interventions such as business rate discounts and local capital equipment grants.

More mature displaced workers, who are some years short of retirement and keen to explore entrepreneurship, might also be encouraged to embark on a start-up venture through finance unlocked from their home-equity, through tax breaks or early access to pension pots. Each of these cohorts of potential entrepreneurs, offer an exciting mix of talent, attributes, and experience, and should be proactively harnessed for the benefit of local economies.

The CPCA will refocus its Growth Hub to encourage potential entrepreneurs to start new businesses and provide 50% grants to fund the capital costs of start-up and professional advice to help them scale-up, from successful entrepreneurs and business consultants.

4. Entrepreneurship and Business Growth

An expected area for further employment post Covid-19 and key to the economic recovery is start-up and entrepreneurial businesses.

Working with the already established British Library's Business and Intellectual Property Centre in Peterborough and Cambridge Library., support can be given to entrepreneurs and small businesses to successfully launch, develop and grow their business.

This support is designed to be easy to access and offers valuable market research & data using an extensive range of free software, online business resources, business support and e-learning. Though this partnership there are also further free British Library business information, tips, resources and training.

5. A New Inward Investment Service to Attract More Firms

A new service to strengthen the economic "bounce" in our economy by targeting and engaging not just international foreign investors, but also national 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 for, based on the many elements of this recovery strategy. This will be a free of charge service to SMEs and offered commercially to large international investors to: "Attract, Develop, Deliver and Support firms to relocate into our economy. This £4m investment from the CPCA, will replace a much smaller, pre-Covid-19 service that operates only in Peterborough, and will operate a tiered model to attract regional relocations into The Fens, national relocations into Greater Peterborough and global relocations into Greater Cambridge. The Covid-19 adapted service is expected to generate over 1,200 new jobs during the rebound phase of recovery.

This 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.

6. 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.

7. Recovery and Development of the Creative Economy

Develop Greater Cambridge Vision as a leader in creative industries. As part of that work, the City Council would be keen to lead a plan for £50m major capital redevelopment of current facilities, to deliver an enhanced mixed economy of creative businesses, flexible event, studio, incubation and exhibition space for current and new creative tech and start-up companies within the city and surrounding communities. This would be supported by talent development and management and monitoring support networks.

8. Support for Displaced Workers to Transition into Entrepreneurship

Post Covid-19 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.

9. Support for City & Town Centre Firms to Rebound

City Centres - a new city centre improvement fund, provided by the CPCA Business Board, through its Local Growth Fund to support the regeneration of the City Centres moving 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. Furthermore, local authority partners are actively looking at longer term assessments on change of use from retail to other use.

Town Centres - an adaption of the existing Market Towns Fund provided by the CPCA through its devolved Gainshare Funding as a ringfenced fund will enable a co-ordinated approach to the changes required post Covid-19 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.

10. Adapting Commercial Space Provision to Remote Working

The Covid-19 pandemic has potentially changed the way that many organisations will look at their need for, and use of workspace. Although many will return to the workplace once the situation is more clear, many will use the opportunity to review their requirements, and to plan their futures around more flexible and agile workforces, and the adoption of technology and digital platforms to improve efficiency and productivity, adapt to market demands, support staff, and increase their sustainability. This means that commercial space needs will change and there is a need to support adaptation of buildings to future needs, and to reduce the potential voids. A programme to include the planning and land-use, business and skills support will be developed. Understanding changes in demand for commercial space, and tapping into opportunities

Across many industries and types of location new trends for commercial space are already emerging. Understanding immediate demand changes as well as longer-term substantive changes will be a core success factor for local recovery strategies. Changes in demand across office space, laboratories, logistics, manufacturing and the make-up of city and town centres have been instigated or accelerated by the pandemic. In Cambridgeshire and Peterborough the particular dynamics of these changes will vary across the three sub-economies and individual towns and cities. Inevitably this will present challenges and difficulties to local economies, but it can also present opportunities. For example, in relation to strong demand for laboratory space or for well-connected market towns as certain commercial activity moves out of the capital.

It is therefore important to this Local Economic Recovery Strategy that Local Authorities work closely with industry to gain early insight into these changes, and use this insight to consider ways in which place-leaders can mitigate challenges and tap into opportunities. This will be focussed in particular in the medium/long-term needs of the Priority Sectors identified in this Strategy, and for Market Towns. At an appropriate point in the implementation of this Strategy, a commercial space demand analysis will be produced for each Priority Sector and for Market Towns.

Pillar 2: Accelerating Hi-Tech Jobs Growth

11. A New University for Peterborough

Establishment of a new university in Peterborough to remove the higher education cold spot, that has contributed to the Post-COVID economic vulnerability of the City and will make it more difficult to recover in the longer term. In comparison to the average city in the UK, and within a workforce of 103,000, Peterborough needs be able to mobilise 17,000 more workers at these higher skills levels, to become competitive as a place, and arrest four decades of decline in prosperity and health outcomes and be able to recover from the COVID economic in the longer term.

The CPCA has procured Anglia Ruskin University to deliver a new university for Peterborough. The university phase 1 building will enable delivery of a curriculum matched to the growth needs of local businesses, providing new opportunities for communities to gain access to higher level skills, better paid employment and enhanced life-chances. The core strategy has been developed to tackle the current market failure in HE in Peterborough include:

- A clear focus on under-represented groups and those “left behind” i.e. those who cannot or will not travel to existing providers.
- A solution based on a limited physical experience and a relatively modest campus development with 60% off-campus teaching provision.
- A phased approach which evolves with the needs of the region and is facilitated by successive successful phases of development
- An effective and collaborative relationship between education providers in the city to build a clear pipeline of students and raise aspirations

The CPCA, ARU and PCC will invest £30m to create a facility to deliver 3,000 graduates per annum and 14,000 jobs over a decade.

Although the new University will help to address the higher level skills gap we have in the north of the County, it is critical that pathways to HE exist for local residents to access these opportunities by develop their skills and qualification levels thus creating a pipeline of University students. Therefore, working with the Local Authority, T-Levels and Access courses for adults will be developed to ensure that the opportunities offered by the new University can be maximised to the benefit of local business and people.

12. New Manufacturing & Agri-Tech Innovation Launch Pads

These will be innovative co-investments between local firms and the CPCA’s Local Growth Fund into buildings and equipment to deliver town and city-based innovation centres. Each will comprise all or some of the key features of; apprenticeship academies, technology research centres and spin-out or scale-up incubators. The CPCA’s £20m of funding will enable 5 centres to be built across Cambridge, Peterborough and The Fens, all complete by spring 2021.

In the meantime, they will provide vital construction employment to support short-term recovery, along with new technology, products, skilled workers and incubated firms, contributing 1000 new jobs and 350 Apprenticeships to accelerate rebound.

The centres will include:

- A Metalcraft Advanced Manufacturing Launchpad to create incubator space within Chatteris and the redevelopment and expansion of the Apprenticeship training facility currently on site for advanced manufacturing businesses across Fenland. This centre will create 50 new jobs and 300 Apprenticeships

- A Photocentric Additive Manufacturing Launchpad in Peterborough to create a new head office including R&D space focusing on the development of new 3D printing technology. This centre will create 1000 jobs over next 4 years and 50 Apprenticeships.

- A NIAB Agritech Launchpad in Cambridge to create start-up business space for AgriTech firms, offering access to labs and scientific support. This centre will create 50 new jobs and new opportunities for collaboration amongst Agri-Tech businesses and Academics/Scientists.

- Endurance Transport Technologies, Hunts - creation of an innovation launchpad focused on future mobility, logistics and clean energy. The launchpad will provide support for start-up businesses, deliver high level skills and will focus on major innovations in the sector.

- Composites, Chatteris – establishment of a composite repair centre to complement the main composite development, design and build business.

13. Three New Life Science and Transport Tech-Accelerators

A total of £7m of CPCA investment will form part of an £18m bundle of public and private sector growth funding in the form of equity investments for our highest potential and fastest growing small firms.

This innovative public-private sector partnership will share risk with global and local investors in growing 80 new technology-based spin-outs and start-ups in Cambridge, and contributing 2150 new jobs to accelerate our economies rebound potential. This includes:

- A Start Codon Tech-Accelerator to invest equity and mentor high potential life science firms supported by the Start Codon team at the Milner Institute on Cambridge Biomedical Campus. This will create 1700 jobs over investment period of 5 years through investing and mentoring 45 companies.

- An Illumina Genomics Tech-Accelerator to support and mentor high potential start up med tech firms at Granta Park, providing financial investment in equity shares of £100k per company for accelerated development of research and technology in genomics applications. This will create 400 jobs from 30 companies mentored.

- An Ascendal Transport Tech-Accelerator to create a Special Purpose Vehicle for the testing and proof of concept development of future transport technology options just off the A14, north of Cambridge. This will initially support 9 start-up or early stage companies with technologies that require real-world testing and commercialisation through this programme. This will create 200 jobs.

14. A Manufacturing Innovation Eco-System in the North of the Economy

A £18m investment to establish the first independent R&D centre for Peterborough, to create the core for an Innovation Eco-System. This will generate significantly greater growth in high-value, knowledge intensive jobs in the north of the economy.

As for a number of cities in the UK, the establishment of a university and associated innovation eco-system could produce the knowledge engine to drive the increased worker skills to raise business productivity, innovation, and knowledge intensity, capable of shifting the gradient of the economic recovery rate, in these left-behind towns.

However, replicating the “Cambridge Phenomenon” that has taken decades to organically evolve and develop requires a specifically designed and long-term programme of interventions that balance supply of improved human capital with the demand for it. Filling the higher-level skills gap in Peterborough and The Fens, will have limited impact without effective measures to significantly grow the business and industrial demand for those skills. This will require, concurrent development of the innovation and business support eco-system to grow indigenous high-value firms and attract new ones to the city.

Place based, and integrated university and innovation eco-systems that act as a focus for sector-cluster development have been developed successfully around the world, and ours will be based on the Franhofer Model for Technical Universities. It has been chosen for its powerful partnership approach between the university itself, and a co-located independent Research Institute. This will provide the platform for a high value manufacturing innovation eco-system with a Technical University at its core. This in turn will drive place-based, sector cluster, growth founded in technological innovation, that will transform the knowledge intensity of products, services and jobs, which will in turn, arrest four decades of decline in prosperity and reset the city’s potential rate of recovery.

The research centre will be operated by a partner with a global manufacturing **sector network** of 700 research and technology customers, across 4500 sites in 80 countries, with combined revenues of £35bn and an annual R&D activity of £1.5bn pa. In addition, residing in the Research Centre, there will be **6 academic partners** operating 8 University Innovation Centres to create a Multi-University Research Super-Hub.

15. Advanced Digital Infrastructure Deployments to Support Accelerators and Incubators

Emerging technologies and advanced data techniques which can fuel innovation and high value growth in areas such as transport, life sciences, healthcare and Agri-Tech are critically dependent on having leading edge digital connectivity infrastructure and services readily available for small businesses and research institutes as well as larger more established businesses. All new accelerators and incubator spaces require leading edge digital infrastructure services.

This includes gigabit capable full fibre infrastructure for all new buildings established as part of these workstreams (7,18,19) and the installation of 5G networks in all locations to support testing, trials and innovation. These include the provision of private 5G networks where required, integrated with commercial 5G deployments as needed.

16. A Life Science Innovation Network to Produce a New Generation of Unicorns

As part of the OxCam Arc Investment Prospectus, the CPCA and University of Cambridge will be working with partners across the Arc to secure £500m within the Comprehensive Spending Review to establish of an OxCam Arc-wide life science innovation network to produce a new generation of unicorns in Cambridge and Oxford.

In the longer-term, transformative growth and renewal of our economy, is likely to be delivered through innovation-based growth and a greater knowledge intensity of our firms' offerings and the jobs that help produce them. Whilst medium-term rebound is most enabled through small and medium-sized firms, able to be supported scale rapidly, the Cambridge science base and innovation eco-system, has demonstrated it is capable of producing billion-dollar start-ups, the so-called Unicorns. More unicorns have been created between Oxford and Cambridge than in the rest of the UK's cities put together.

By working across the OxCam Arc, to link the innovation eco-systems of Oxford and Cambridge, focussed onto the key technologies and sectors, within which the two cities are already globally pre-eminent, we could create the opportunity to become an innovation growth economy to rival San Francisco, Toronto, Boston or Seoul. To achieve this, all three LEPs and our Combined authority would need to partner with Government to invest together in such a global undertaking.

The scientific community's response to the challenge of developing a vaccine and anti-body therapy to Covid-19, has demonstrated, that unprecedented achievements can be made through collaboration and breaking down perceived barriers to the integration of resources. Harnessing the two cities' scientific leadership in life sciences, data analytics and artificial intelligence, through the integration and coordination of their laboratories and testbed facilities could deliver as much economic success as we have seen in the fight against the pandemic.

The Arc Universities Group (AUG) should be given the opportunity to develop and propose, to both local and national government, an ambitious vision for Arc scientific integration, from discovery, to testbeds and production scale-up and spin-outs. New investment as well as collaboration and sharing of resources, will be needed to overcome the current inefficiencies in converting science into marketable medical devices, therapies and vaccines. This will require new capital infrastructure as well as revenue funding to create the human links in the chains and networks that will need to be built.

This would be an ambitious undertaking requiring hundreds of millions of pounds and a long-term commitment over at least a decade. However, what could result is one or even several more unicorn, billion-dollar businesses able to generate not just economic growth, but long-term economic sustainability through a greener and more knowledge intensive economy.

Pillar 3: Accelerating Recovery in Construction

17. Increasing Skills Capacity in the Construction Sector to Support a Boost in Infrastructure Investment

The Combined Authority will increase the prioritisation of its Local Growth Fund's to focus more on capital investments to grow local FE capacity to raise skills quality and volumes in the construction sector. Resulting from the forecast upsurge in infrastructure investment locally and across the OxCam Arc, the forecast local labour demand is for 108,500 by 2022 with around 61% of these being employed in skilled trades. This is to support a £1.3bn housing market and a £764m roads investment, set to rise further with the planned upgrading of the A428, A47, A10, A505 and A428 OxCam Expressway.

Construction, therefore, is forecast to grow over the coming period, during which several other sectors will struggle to recover - notably retail, leisure and hospitality. As a result, significant labour flows are predicted between these sectors, creating the need for reskilling of workers in transit between sectors. The CPCA intends to respond to this through £2.5m of capital investments in an FE Construction Hub in Huntingdon, with further, similar investments targeted for Wisbech and Peterborough.

18. Guaranteed Training & Interviews for Jobs in Healthcare & Construction

Building on the already successful £5m pilot of the DWP funded Health and Care Sector Work Academy, that the Local Authority deliver on behalf of the CPCA, other Sector Work based academies will be developed. These will be aligned to geographically based employment sectors to ensure local business needs are met. The Government's additional Sector Based Work Academies initiative will be used to increase the number of sector-based work academies in our area.

One example of the planned academies is the planned Construction & Infrastructure Work Academy will involve partners including the CITB, and will provide training for Town planners, Construction managers, Fire safety engineers, Electrical installation engineers, Domestic appliance engineers, House builders.

19. Stimulating the Housing Market - £100k Homes

The Centre for Economics and Business Research think tank predicted in early June that 'house prices will fall by 13 per cent by the end of the year' due to the pandemic.

It has revealed that the effect will vary across the country depending on how badly a region's workforce was hit. The think tank predicts that house prices in Yorkshire and the Humber and Northern Ireland will fall most.

In these regions the main industries of manufacturing, construction, retail and hospitality have been hit the hardest - 'Although the government have offered up a vast package of support, this lack of demand will mean some businesses cease to operate,' explains the CEBR, many workers will lose their jobs and a lot more will face a cut in incomes.' 'Housing is the single biggest expenditure item for most households, which means that the shortfall in incomes has a tremendous potential to disrupt the UK's housing markets,' the CEBR adds''. The May 20 Nationwide housing data showed a month on month fall in house prices of 1.7%, further evidence of an ongoing market decline. To forecast the potential impact going forward, there is merit in looking at previous recessions and house price crashes, the most recent and significant being 2007. From Jun 2007 to Dec 2008, prices dropped 20% and recovered only after 6 years. New home sales declined from the beginning of the recession in December 2007 and failed to fully recover until 2012. This resulted in a significant loss of economic housing output and capacity.

As the market for private sale units shrank with higher risk and uncertainty about the volume of sales, anticipated sale prices and any profit that might be achieved, housebuilders downsized their operations to match. The effect was the loss of capacity and production.

However, the CPCA's current £100k Homes programme could be expanded and harnessed to encouraging housebuilders to keep building at higher rates, at least temporarily for 1-2 years to build majority or wholly affordable housing schemes instead of market housing.

This would allow developers the opportunity to complete (and still start) building market units and convert them to a shared ownership or affordable rental tenure. Such a scheme would maintain developers cashflows, contractors' workloads and provide continuity for the housing market whilst simultaneously increasing the overall long-term pool of affordable housing and maintaining overall economic activity from the housing sector, avoiding the worst excesses of a contraction of the housebuilding industry.

An even more powerful stimulus is being pursued by the CPCA to deliver potentially three new garden towns linked to the Mayors proposed Cambridge Autonomous Metro scheme. Each scheme could deliver approximately 6,000 new houses, including affordable houses & commercial space, all connected by the CAM. This would require around £20m over the next few years to harness the delivery expertise and leadership of the private sector and demonstrating public-sector commitment to attract private investment.

Pillar 4: Accelerating Upskilling & Retraining

20. More Resources into Schools to Better Connect Leavers with Jobs

As well as supporting the “Class of 2020” into employment right now, we need to build for the future by much better connecting careers guidance in schools to the local labour market. Young people coming through school need to be provided with a clear line of sight to the range of options available to them, and employers need a better pipeline of homegrown talent ready to fill the jobs that our local economy will be generating.

The improvements and enhancements to careers advice in schools in this strategy, are drawn from the Cambridge Ahead report[1]. This research finds that there is significant disconnect between career guidance in schools and the workplace. If not addressed this disconnect will continue to undermine recovery. Addressing the disconnect needs to focus on the capacity of schools themselves, and the ways providers and employers can support schools to do more.

More resources will be channelled into schools to better connect leavers with jobs through:

- **Increasing funding for the engagement and coordination** of employers to provide Careers Advice into schools in partnership with the Careers Enterprise Company. This will be co-funded by the GCP and the CPCA in Greater Cambridge and the CPCA alone, elsewhere, and available from October 2020.

- A Greater Cambridge pilot for the wider economy to **encourage more large local employers to generate more active engagement with schools**, leading to more work mentoring, work experience, and industry placements. Cambridge Ahead will be deliver this pilot through its 48 Members across the Greater Cambridge sub-economy.

- The Mayor will carry forward local demands into government for **dedicated budgets for schools to build their in-house capacity, as the foundation for better and more balanced career education**, and to enable lasting connections to be built with local employers. This will include the potential to devolve pilots or such interventions, co-designed between the M9 Mayors and Ministers

The three interventions above will be specifically focused on addressing recommendations set out by the Cambridge Ahead report, namely:

- To ensure all schools to have a dedicated careers leader to coordinate career guidance and access to funding for improved guidance.

- To raise awareness and understanding amongst teachers and staff of technical education pathways for learners, giving them equal emphasis.

- To facilitate more engagement with employers, building closer relationships between providers, schools and businesses, to improve learners understanding of the skills required in the labour market locally.

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

- To engage more employers through regular events to highlight the benefits associated with school engagement and to work with Government, through the Mayor, to develop potential tax or business rates incentives around schools engagement.

- To encourage more mentoring by employers, of older learners relating to job demands and working life, enabled through a significant increase in high quality industry placements.

- To engage more parents in helping learners make key career decisions by integrating them into and strengthening their role in the career guidance process and activities.

- To make the Department for Education's Career Enterprise Company (a whole owned subsidiary of the DfE) the default partner for schools for the provision of information about providers of career guidance, through an online portal offering a comprehensive list of providers available, a clear and comprehensive comparison of their services and the cost associated with them (including funding where available).

- To use the DfE's Career Enterprise Company to establish sector-wide measures of quality for career advice in schools and monitor local providers of against them, including schools and employer feedback to continue to improve provision.

- To use Ofsted to review the effectiveness of the Gatsby Benchmarks and to develop new standard metrics to assess and monitor the quality of career guidance provision as an integral part of the Ofsted evaluation of all secondary schools.

21. Local Piloting of a New National Retraining Scheme

The CPCA will fund an £80k pilot for adults to retrain into better jobs, and be ready for future changes to the economy, including those brought about by increasing automation or have been disrupted due to Covid-19. The Pilot aims to meet the needs of businesses to create a multi-skilled workforce for the future. We will work with employers who have identified skills needs within their workforce, or future recruitment needs as their businesses adapt to changes within the working environment.

We will develop bespoke support package of workforce training for each of the business we work with. Key Growth Sectors for the Retraining Scheme will be:

- **Engineering/ Advanced Manufacturing** - Working with Marshall Cambridge and their supply chain to create **50 Apprenticeships and 30 Adults** retraining in Engineering.

- **Health and Care** - Working with Cambridgeshire & Peterborough NHS Trusts to create **300 – 400 new entrant jobs** for those displaced to retrain into Health and Care sector.

- **Digital** – Where we have major Skills Gaps and a high need for a trained workforce - identifying the demand in jobs – **50+ jobs.**

- **Life Science** – Where we are currently mapping roles needed to identify the number of jobs that can be created, and the training needed - **50 + jobs.**

The pilot will support and retrain individuals at risk of their jobs changing or disappearing as a result of automation, and Covid-19. It will facilitate individuals gaining the skills they need to move into a new occupation or move into more stable, higher vale - more productive job.

22. New Funding for Training for School & College Leavers Unable to Find a Job

Local facilitation of the Government's High Value Courses initiative through a £150k pilot to support school and college leavers into work and enabling them to gain the skills they need to get jobs.

The new service will do this by helping leavers access the Government's additional funding for selected level 2 and 3 qualifications in specific subjects and sectors in response to Covid-19.

It will work with local FE colleges and independent providers to create proposals to retain young people in a high value training. The one-year offer will enable 18 and 19-year-olds leaving education and training who are unable to find employment or work-based training.

23. Local Integration & Focussing of All Post 18 Vocational Education to Support Retraining of Workers in Transition Across Sectors & into Regrowth

The Mayor will carry forward local demands into Government for Post-18 Vocational Education Budgets to be better focused onto the retraining of people in transit between sectors impacted by Covid-19 to differing extents.

Various forecasts put the local Post Covid-19 increase in unemployment at above 50,000 workers, many of whom will be unable to find new roles in the badly hit sectors they have previously resided. This in turn will create the requirement for retraining between sectors, necessitating the rapid configuration, accreditation and mobilisation of retraining programmes, matched to the inter-sector labour flows locally in each sub-economy.

Through the devolution of AEB, and the introduction of the business-led Skills Advisory Panels (SAP's), the Combined Authority has already demonstrated the ability to take on education budgets and apply them in a more business-growth-focused, agile and flexible way to achieve sector and local skills transformation.

Through example projects like the CPCA Health & Care Sector Work Academy they have also shown they can design and mobilise training programmes to transition workers at-scale between sectors.

Through the CPCA's creation of its Apprenticeship Levy Marketplaces, transferring 25% of levy allocations from larger employers to SMEs, within and across sectors, it has also demonstrated the ability to engage employers into new and innovative forms of the traditional education and training market. Whilst the Local Authorities are also successfully transferring the underspend in their levy fund to support other local businesses to recruit apprentices

The CPCA will continue to develop these market innovation and focus more and more of the local Adult education budget onto skills development that help people transition sectors and find new jobs quickly. However, the Mayor will specifically press Government to:

- Raise the proportion of levy transferrable, on to SME non-levy payers and colleges, from 25% to 40%.

- Devolve and integrate the current Adult Education Budget, National Retraining Scheme, Apprenticeship Levy, National Skills Fund and all other Post-18 funding for vocational education.

The CPCA will map these sector contractions and recovery forecasts, along with the skills needed to enable large proportions of the local workforce to migrate across sectors. Aligning an integrated portfolio of funding to these flows and the development of new and expanded FE provision, will be more effectively achieved through locally devolved commissioning strategies in collaboration with local employers and FE providers, than continuing to be administered at distance from Whitehall. To enable this, the CPCA will establish specialist delivery teams configured by sector and place, that can adapt to an agile model of delivery; utilising our FE colleges and local independent training providers to provide a much more engaging, relevant and purposeful learner experience and impact.

24. Connecting Displaced Talent into Re-Skilling & Jobs Faster

Skills Brokers will specifically target, through our partners in Job Centre Plus, those displaced workers from the hardest hit sectors. The will, for each displaced worker, create a bespoke pathways into retraining and on into a job. This will include spreading funding more effectively across businesses using the Apprenticeship Levy Pooling Mechanism to fund older workers and job seekers for apprenticeships. Skills Brokers will also connect employers and job seekers with the new additional funding to pay the costs of training including:

- **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.**

25. 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.

26. Revenue Support for Education Providers to Stabilise Finances at Lower Volumes

This requires an adaption of the Adult Education Budget payment procedures to allow Adult Education providers to restart delivery of adult education, at significantly lower learner volumes, without the destabilising impact of having funding cut proportionally. Providing Local Authorities, colleges and independent providers with the assurance of the continuation of £11m of CPCA funding at pre Covid-19 agreed levels, irrespective of learner volumes, outputs or outcomes.

With the new opportunities for accessing learning that “lockdown” has created, there is a shift to more online or blended learning. However, there is a digital divide which needs to be managed and addressed to ensure that the inequalities gap does not widen or that social mobility does not stall due to some residents lacking technology in the home or the skills required to use it. Therefore a clear focus is needed to support the most disadvantaged as well as the most vulnerable to access these new ways or working and learning, whilst still ensuring that those who can better learn through face to face delivery can still access it but in a safe and accessible way.

AEB can therefore be the vehicle through which our training providers can access the resources they require to deliver on this agenda, whilst driving the confidence needed to truly deliver change and meet employer demand for skills. AEB will prioritise jobs and skills. We will work to support and assist FE Colleges, local authorities and independent training providers through the challenges and face the risks together.

The scale of the crisis is beyond anything any of us have seen before and therefore the need for new creative solutions is immense with new courses, qualifications and accessible learning environments created. There will be a need to upskill, reskill and retrain so that people get back into work. AEB will offer flexible, practical training that leads directly into jobs, whilst developing career pathways which will enhance people work and pay prospects, giving people the skills they need to access sustainable employment, linked to career pathways that will increase their work and pay prospects whilst addressing the skills shortages across the region, thus improving the transition from education and learning to the world of work. We will explore the German style further education system with a stress on high quality qualifications based on employer led standards that respond to local need. However, research also tells us that the employers require from their employees, not just the qualifications to do the job but a wider skills set (Edge Foundation, 2019) that incorporates softer skills, whilst being resilient and having high levels of emotional intelligence.

Through our approach to adult learning as described above, we will help significant numbers of adults to retrain, moving them on from the sectors that are declining to those which might expand or recover more quickly. In addition, higher levels of redundancies are anticipated when the furlough scheme ceases, meaning that retraining will be an area of significant importance for the local economic recovery.

The way in which we work, learn, do business and engage with each other pre Covid-19 was destined, through technology advancement, to have an impact and with the legacy of Covid-19 it will only intensify the pace at which this will happen in the future. Individuals may make different career and lifestyle choices, employers may adopt new business models and skills, training and education providers will have to fully embrace and incorporate technology in the delivery of learning, whilst still maintaining work based and training classroom delivery. As digital becomes the third basic skill, AEB will support basic literacy, numeracy and digital literacy as they become ever more critical in accessing the job market.

Pillar 5: Accelerating a Greener and more Sustainable Economy

27. 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.

28. Increasing Provision to Improve Digital Skills

Identified as an area for skills development pre Covid-19 was digital, with government identifying it as the third basic skills and a further advantage of local integration is the ability to focus more funding to effectively mitigate against digital exclusion. By starting to address the issue of the digitally disadvantage, especially those that often find employment in low skilled jobs, we can address the impact caused by a reduction in low skilled jobs, and support them to find new opportunities supported by developing career pathways.

While digital inclusion and connectivity is critical to underpinning growth, productivity and an inclusive economy, the importance of this agenda has grown significantly through the emerging impact of Covid-19 on people, of all ages and backgrounds. The requirement to stay at home, coupled with social distancing measures upon peoples return to work, has meant that the connectivity, hardware and skills to be digitally included are critical to maintaining any form of social and family connection, education, and financial security – beyond this many services essential to the wellbeing and support of residents have had to shift to online channels. Removing barriers which make it difficult for people to take up employment, education and training opportunities are paramount if we are to empower our people with the skills and resources, they need to take ownership of their futures.

There is a real risk that digital exclusion through the Covid-19 pandemic will exacerbate already significant and pernicious issues for some communities and groups of residents. This does however, generate positive opportunities for a strategic change in our approach to digital transformation within the education, skills and employment arena – that moves further and faster on an area which was important prior to Covid-19, but has been given a renewed sense of urgency.

While basic digital skills are currently catered for in skills provision that already exists via AEB, there needs to be much more investment, through the 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.

29. CPCA Digital Infrastructure Programme "Keeping Everyone Connected"

This workstream encompasses both initial response and recovery from the Covid-19 pandemic in the context of digital infrastructure, helping to support businesses and communities as well as public service delivery. This workstream includes:

- Disseminating information to businesses, communities and public agencies to ensure continued access to digital connectivity in early stages of Covid-19 crisis. Limiting the delays and disruption to digital infrastructure roll-out during lock-down by close liaison with telco's and highways and planning teams.

- £500k CPCA funding to be matched with residual ERDF funds to provide grants to SMEs to support greater take-up of technology in businesses adapting to new ways of working.

- Top up provision for the government's rural gigabit voucher scheme to help support businesses and communities in some of the most hard to reach areas of Cambridgeshire and Peterborough assessing gigabit capable digital connectivity – supporting remote working, education and training, access to healthcare and social inclusion.

30. Adult Skills a Capital Support for Digital Transformation of Delivery

Adaption of the Adult Education Budget will be required to harness the underspends of this budget due to the Covid-19 impact on student volumes, which can be matched to the Local Growth Fund to create a £320k Adult Skills Digital Delivery Innovation Fund. This is to be used by Adult and Community Learning (local authority), 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 devices for those that need it most to tackle any inequalities and ensure all can take advantage of future growth. Financial surety and support given to providers will ensure they stay in the skills market and maximise participation for the sector.

In summary, AEB will follow the principles of the Economic Recovery Strategy through:

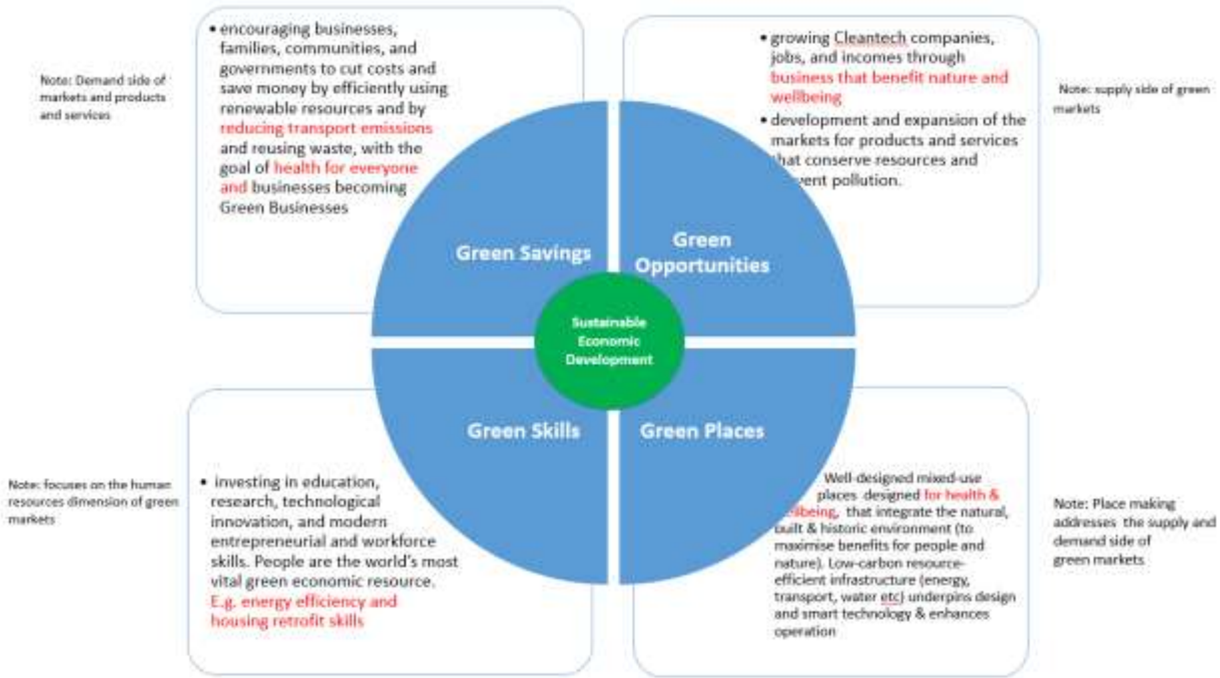
Recover	Rebound	Renew
Innovation fund that improves digital access and connectivity to learn remotely Data analysis to plug skills gaps and show participation trends	Target areas of need such as Peterborough and the Fens and disadvantaged learners Industry specific skills needs with sectors that are expanding	New courses and practices such as distant learning, remote learner support or online interviewing

31. A Framework for Sustainable Economic Development

Sustainable recovery policies offer several advantages in spurring growth during economic downturn. In comparison to traditional fiscal stimulus, which maintains business-as-usual GHG emissions, green projects can create more jobs, deliver higher short-run fiscal multipliers and lead to higher long-run cost savings.

Similarly, construction projects, like insulation retrofits and building wind turbines, are less susceptible to offshoring than traditional stimulus measures. In the long term, as the operation and maintenance of more productive renewable technologies makes them less labour intensive, they generate higher long-run multipliers arising from energy cost savings; with obvious flow-on effects to the wider economy.

This means reducing greenhouse gas emissions, phasing out the burning of fossil fuels and other high polluting sectors, building resilient infrastructure (e.g. energy, water, digital, housing and transport) that is adapted to climate change impacts and at the same time significantly increasing the efficient use of resources and productivity whilst making space for nature in everything must be central to how we plan a thriving economy for the 21st Century.



32. Resource and Waste Circular Economy Business Models

The Government's 2018 Resource and Waste Strategy (RAWS) sets a clear direction towards a more circular economy in managing waste and how it can deliver the double benefit of contributing to managing the climate crisis and deliver economic opportunity.

It will see us keeping resources in use as long as possible, so we extract maximum value from them by recovering and regenerating products and materials whenever we can, giving them a new lease of life. Circular economy business models may be of particular benefit to restate and reinvigorate in the post Covid-19 economic environment as the flows of waste production have shifted to households during lockdown. It should form a key element of a green led economic recovery from Covid-19 reviewing, testing and pursuing the possibility of new revenue streams, markets and product lines.

Opportunities should be taken to shape new policy, for example second stage consultations on three areas of proposed waste and recycling legislation (a deposit return scheme (DRS) for drinks packaging in England, extended producer responsibility (EPR) for packaging and consistency in recycling collections) are set to take place in early 2021 so the new legislation can be rolled out from 2023. Not only will the RAWS reduce the amount of waste generated, minimise the depletion of natural resources, increase recycling and reduce our carbon emissions, it also aims to stimulate innovation, create new job opportunities and boost economic activity which can form a key element of a green led economic recovery from Covid-19.

33. Focusing Recovery & Growth Where it Can Improve Health & Wellbeing Most

Community Learning, a funding stream that has a remit to support those furthest away from learning and work, is also a route to support social wellbeing and the skills required to live healthier and longer lives. It is the conduit on which to engage people into learning and move them towards more economic sustainability.

Working with Think Communities and the LA Adult Education providers, a Community Learning strategy will be developed to help develop skills that support sustainable and adaptable communities. This will also include initiatives that remove the barriers to work, help address low pay and in-work poverty, give access to wider education and develop the skills needed for parents to support their children in school resulting in improved social and economic well-being.

Furthermore, Public Health England (PHE), Cambridgeshire County Council and Peterborough City Council will partner with the CPCA's Skills Brokerage to promote to learners, schools, colleges and employers the important link between having access to "good work" and improving health and wellbeing in individuals and communities.

These partners will work together to build evidence and understanding around the links between economic growth, skills, employment, and health outcomes, and to what extent these are fairly and inclusively distributed across our cities, towns and villages. They will use this expanded understanding to progressively focus the work of the CPCA and its partners onto the places in which increased economic growth, skills and access to employment will have the greatest impact on health and wellbeing improvements for specific communities and groups, such as those with health conditions or disabilities.

The partners will also work to develop health and wellbeing programmes for employers to implement, along with a scheme for accreditation for employers to aspire to and attain. This scheme, once developed, will be rolled out through the CPCA's business Growth Service, which will engage 15,000 firms over the next three years.

In the longer-term, and as part of the Levelling-Up Agenda, they will work through the Mayor and the M9 group of Mayors to influence central Government and establish a joint call for a more comprehensive measure of prosperity that goes above and beyond traditional metrics such as GDP, to include economic growth inclusivity and its impacts on health and wellbeing of places.

34. Local Authority Planning Adaptions for Housing & Schools Renewal

Across the CPCA area, the combined Local Plans/Housing Strategies identify the need for thousands of new homes within the next 11 years. In the last two weeks the Government have announced a desire to "build, build, build" as a driver for economic recovery. The House of Commons Housing, Communities and Local Government Committee's "Building more social housing; Third Report of Session 2019–21" report issued on the 20th July 2020, identified the need for 90,000 homes a year to be completed in order to meet demand and to drive stability into house prices.

The CPCA area is well poised to help support the national and local economic drive in this regard. In order to do that, however, and to collaborate in leading a coordinated approach at national and local level in evolving the paradigm, we need support through a number of underpinning measures:

Planning

- We welcome the proposed reforms of the planning system designed to encourage high quality homes to be developed where required without undue delays (through e.g. extension of delegated decisions) , by expanding PDR and by consideration of major schemes through NSIP – type procedures.
- Welcome the recognition that the changes in work patterns that may be seen post Covid-19 in the use of office space could open opportunities for conversion to housing where appropriate.
- Development of new local design guidelines for the construction of schools/ community facilities etc moving from single or two storey layouts with traditional playing fields etc towards more innovative designs.
- Review of CIL/S106 to establish future improved support for infrastructure.

Skills - requires a national programme for promoting planning careers in schools and colleges to stimulate shortfall. Reset planning curriculum to incorporate fit-for-future innovation in urban design and land use planning.

Infrastructure –

- Develop UK/Local resilience and supply chain by supporting the development of UK / local manufacturing facilities for MMC / sustainability excellence.
- To work with Government to support the wider development of City/country wide expanded Green grid infrastructure.

Development Finance - whilst it is critical to support new homes development, there is often potential for redevelopment of aged housing / current council housing with the broader aim of delivering more overall homes on the site at higher quality and sustainability which will render them fit for purpose for many years to come, support improved quality of life outcomes for tenants and help reduce the increasing maintenance costs of older housing.

***Case Investment*: New Council Homes Development (£155m)** - Cambridge City Council has utilised funding from Government to optimise use of its own and assembled land to develop nearly 1000 new homes of which over half are Council owned homes rented in line with LHA.

The Council is currently developing a new programme for delivery from 2022 – 2032. With the aim of developing a further 1000 council rented homes, the programme will deliver over 2000 additional homes in total. The review of Cambridge's Sustainable Housing Design Guide will enable the development of the programme along a trajectory to net zero carbon. Working with the Cambridge Investment Partnership, the programme will include a tenure mix to meet additional housing demand and support the affordable product development, as well as regeneration of current aged homes and wider opportunities for housing reinvestment. The programme will create and safeguard jobs, develop sustainable design and construction skills and provide homes for many of the 2000 people currently on the housing register, as well as innovative opportunities for those who fall outside the highest need groups but have been unable to afford to live near their employment owing to house price gaps. The plan will include redevelopment opportunities for current homes which will deliver high quality, sustainable replacement and additional homes faster and more efficiently than research suggests that complex retrofit schemes can achieve in many cases.

Cambridge City is a 2020 national award for its partnership approach to effective management of homelessness, and the programme will promote and support the re-establishment of a more stable lifestyle for the homeless through the use of Housing First and other products such as Foundation 200 homes. These homes, designed by local housebuilder Hill, will be offered to people with a history of homelessness as a stepping-stone to re-establishing a stable lifestyle. They are built in a British factory and delivered fully furnished to each site. They are designed with safety and security in mind, with steel frames and walls, and have acoustic and thermal insulation that exceeds building regulations. The homes were designed in partnership with leading homelessness charity St Martin's In The Fields to ensure that they can meet the needs of homeless clients who may not have had continuous accommodation for some years.

CAMBRIDGESHIRE & PETERBOROUGH
LOCAL ECONOMIC RECOVERY STRATEGY: APPENDIX 2 -
THE CITY, DISTRICT & TOWN LEVEL RECOVERY STRATEGY

Cambridge City

Cambridge is one of the fastest growing economies in the UK and a world-renowned centre for knowledge-based industries, drawing on the strength of two universities and a high degree of networking and connectivity to create the Cambridge Phenomenon. It is one of a minority of net contributors the exchequer. Benefiting from one of the most highly-skilled workforces of any city in the country, Cambridge has an impressive record on research, development and innovation, and his home to many of the world's leading tech and life science companies.

Cambridge City Council's role in the Cambridge Phenomenon has been a facilitative one, creating the space for growth through successive statutory local plans in the last 25 years. The Council also played a key role in establishing the Cambridge Business Improvement District and has directly supported the tourism and cultural sectors.

The Council also maintains a large and diverse commercial property portfolio which provides business premises for a variety of businesses across the city.
The Council's vision is for One Cambridge, Fair for all. The Council has worked, through its Anti-Poverty Strategy, to support more inclusive and sustainable growth, through championing the Real Living Wage and business involvement in community activities and through promoting energy efficiency measures to businesses.

District Level Actions:

- A focus on quality of life, quality of place, social inclusion and environmental sustainability will be key themes for the Council through the recovery phase of the pandemic crisis, and in the years beyond, not least as expressed in the emerging Greater Cambridge Local Plan.
- The Council has distributed nearly £23m of business support grants during the Covid crisis, and will continue to provide a conduit for Government support to city businesses. We have worked with business networks to ensure businesses receive regular information on funding and support available.
- We have worked closely with our commercial tenants to support their recovery, through individual engagement on rent holidays and discussions on appropriate payment plans over the longer term.
- Cambridge City Council has played a leading role on re-opening Cambridge city centre in the early stages of the recovery phase, working with partners in the CBID, Greater Cambridge Partnership, Cambridgeshire County Council and CPCA. This work includes promotion of the city centre as a safe place to visit, to increase footfall in a secure way.

- Aligned with this is the Greater Cambridge Partnership work on City access to enable more sustainable transport options into and out of the city, alongside longer term Combined Authority plans for the CAM metro
- The city council, with network partners, will continue to provide a channel for the voice of Cambridge's businesses – particularly in the most vulnerable sectors – to be heard in Government.
- Cambridge City Council has ambitious, low-carbon development plans in place for its land as part of the exciting new urban quarter at Cambridge North East, and is developing an innovative BREAM Excellent aparthotel at Park Street. The Council will continue to explore options to develop its land to bring vitality and variety to the city's economic landscape.
- Cambridge City Council has been nominated for a national award for leading work, in partnership, to address the local homelessness challenge. Having successfully provided temporary accommodation for c.140 people, the Council is working on longer-term plans to support the re-establishment of homeless people.
- We will continue to build new council homes to contribute to the stock of housing available for workers of all income levels in Cambridge. Our current programme is on track to provide nearly 1000 new homes with c.550 being council-owned and rented homes, and we have ambitious plans for a new 10 year programme to develop 1000 new Council rented homes on our own and purchased sites alongside other tenures. These will all be high quality and sustainable, with a trajectory towards net zero carbon development where appropriate.
- In addition to this, we are working with Anglian Water and Homes England (through the support of the Housing Infrastructure Fund) to enable the development of a new sustainable quarter for a mixed development including c5000 homes and the district centre in north east Cambridge
- Through our environmental health team we will work with partners to manage any local outbreaks of Covid-19, to ensure Cambridge remains open and safe for business.
- We will continue to work with the business networks in the city to help support current business and drive sustainable growth in skills and employment in the City. We will consider the impacts of the pandemic on the commercial workspace requirements and to support development to meet future needs.
- The Council is working with partners to explore the inward investment and visitor economy needs arising from the pandemic and to develop a leading cluster of creative industries in Greater Cambridge alongside South Cambs District council, to ensure that its commercial, visitor and cultural offer are fit for future purpose.

Peterborough City

Peterborough has much going for it with a young, active and engaged workforce; diverse local communities; low cost of doing business; nation-leading gigabit fibre networks; great road links; 39 minute train journey times to London King's Cross; and direct train services to both Gatwick and Stansted Airports.

Immediately, prior to the pandemic, Peterborough was England's 2nd fastest growing city with a rapidly expanding population and an investment pipeline of over £600m in the city centre alone. The city's economic trajectory had been very positive with considerable employment; net business creation in the city outpaced regional and national trends; growth in economic output (GVA) was higher than regional and national averages; and the level of patent registrations indicated strong, continued investment in innovation and R&D.

Since the Coronavirus outbreak PCC has worked closely with CPCA, Peterborough Positive (the Business Improvement District Steering Group) and Opportunity Peterborough (OP) to engage with and support the business community. Many millions of pounds in grant funding has been issued to eligible businesses; PCC commercial tenants have received rent deferrals where required; and Peterborough Positive has been coordinating activity to re-open the city centre in a safe and inviting manner, as well as supporting businesses to pursue a 'café culture' resulting in a higher than average return to the high street.

OP surveyed c.100 businesses to identify their challenges and priorities in the short to medium term. These were access to funding, particularly for investment in technology and the development of online services, and increased demands for skills, particularly digital skills. Regular business breakfasts have been held; a dedicated COVID support page has been created on the OP website, supported by a proactive social media campaign to disseminate crucial updates in a timely manner; and regular newsletters have been circulated to c.6,000 business contacts. OP has also been working closely with the CPCA to support their Talent Portal initiative, providing a free recruitment service to match job seekers with those businesses who are recruiting.

Extensive engagement has taken place with local businesses through these recent challenges which have strengthened our local business networks and shaped our Covid 19 economic recovery plans. This has helped to get the city safely and quickly back to business, while developing longer term plans to 'build back better' through smart technology, low carbon investment, inclusive growth, health and well-being. Whilst COVID-19 has had a serious short-term impact on the city's economy, we are confident that the city has the vision, resilience and drive to build back better, delivering a green economic recovery.

A bid for c.£25m has been submitted to the Towns Fund and we are confident that over the next 5 years, that we can leverage investor appetite for our city and deliver a number of game-changing projects that will become catalysts for the genuine and sustainable transformation of the city's prospects, and those of its communities. Short term projects to be funded through the Towns Fund programme include the Embankment Masterplan; £1m to accelerate projects in the Parks and Public realm strategy; and the development of an enterprise, training and business incubation hub. Medium term projects (to be delivered within 3 years) include the development of a new library and cultural hub on Bridge Street; the development of the National Bronze Age Museum; construction of a lakeside activity centre; and the construction of a pedestrian bridge connecting the embankment and University of Peterborough with the Fletton Quays development.

District Level Actions:

- Deliver the exciting vision set out in the city's local Plan 2018-36, and documents such as our City Development Brochure - *The Time is Now* - which provides a framework for developing major city centre sites.
- Take fuller advantage of Peterborough's strategic location and access to markets to attract new inward investment through the CPCA's Business Growth Service. This will be enhanced through the creation of a gateway inward investment site and commercial district around the city's Station Quarter anchored by a new Railway Station.
- Unlock the economic and environmental potential of the River Nene as an asset for the city by developing the riverside and promoting leisure and recreation activities; transform our city centre into a destination that will attract more visitors and become a place our thriving communities will be proud of by improving the public realm and strengthening pedestrian and cycleway routes connecting the Station to the City Centre and Embankment; and strengthen Peterborough's arts, sporting, cultural and leisure assets (supported through a recent Arts Council England funding application) boosting the city's visitor economy.
- Build on the recommendations made in the 2018 Cambridgeshire and Peterborough Independent Economic Review to develop more knowledge intensive, entrepreneurial business. Through the development of the University of Peterborough, and existing relationships with the broader higher education community, we will enhance the business and academic networks needed to support our knowledge intensive industries such as advanced manufacturing, agri-tech, clean-tech, and business and professional services. In doing so we will strengthen supply chains across the Combined Authority area as a whole and create higher value, secure employment for our communities. We will also support businesses on their journey to greater efficiency, productivity, and sustainability through the adoption of digital technologies and the development of digital skills.
- Address the city's skills deficit through targeted programmes across FE, HE and local businesses to address gaps and opportunities in vocational and technological skills and boost productivity.
- Build on over £600m in private finance planned, or already underway, in city centre commercial and housing development whilst unlocking opportunities to create a more environmentally sustainable city, protecting and enhancing the city's natural environment and creating sustainable opportunities for employment and growth, and supporting Peterborough's progress to zero carbon.
- Build on the early successes and enormous potential of the Oxford-Cambridge Arc and bring a sharper focus to our contribution to the regional growth deal targets agreed between the Government and Cambridgeshire and Peterborough Combined Authority (CPCA).

South Cambridgeshire

South Cambridgeshire is a distinct and vibrant place in which to live and work. Alongside a largely micro and SME economy, we have some of the world's largest life sciences players homed at our science parks, meaning a healthy, vibrant and diverse economic territory overall. Intellectual gravitas, entrepreneurial flair and an open for business atmosphere also plays to our uniqueness.

Our South Cambridgeshire Business Plan to 2025 outlines the vision for our district, a vision intent on increasing the physical, mental, social and economic well-being of our residents and business communities alike.

This has not changed in a post-pandemic context, in fact, we are more resolute than ever before in our commitment to driving positive local change. Specifically, we are focussing on:

- Growing local businesses and economies
- Housing that is truly affordable for everyone to live in
- Being green to our core
- Being a modern and caring Council

District Level Actions:

- We continue to be focussed on promoting South Cambridgeshire as an attractive destination for start-ups, entrepreneurs, new to the area companies and those wishing to scale. A dedicated business support team of four officers was set up in June to deliver on this, working closely in partnership with the Growth Hub. This includes the promotion of our Enterprise Zones.
- We are supporting local businesses with weekly refreshed information and assistance via our Open for Business Newsletter and individual case work enabling them to continue to trade as they continue to navigate the complexities of the pandemic landscape. A series of support- based workshops and seminars is also being devised.
- We continue to work with multiple regional stakeholders to ensure skills, training and support for career or industry changers and young people is both readily available and second to none as the business landscape continues to change and evolve post Covid. Future proofing with a focus on the jobs of today and tomorrow and a digital first approach to upskilling continues to be key. 2021 and beyond funding and investment will be required to support our ambitions.
- South Cambridgeshire is a council proud to be green to our core. We have set ourselves ambitious internal and external environmental targets, with a specific focus on ensuring we support and help businesses with their sustainability agendas. We are working with industry and university leaders in South Cambridgeshire and beyond to ensure a zero-carbon future by 2050 is realised. This includes supporting Parish Councils and community group projects to reduce reliance on fossil fuels and move toward the zero-carbon target. Furthermore, SCDC has ambitious, low-carbon development plans at the heart of the joint Area Action Plan for the exciting new urban quarter at Cambridge North East. Improvements to our cycle infrastructure also continue.

- Fully recognising evolving physical workspace requirements in a post pandemic context, we are working with a wide range of stakeholders to support rethought, repurposed and greener use of premises e.g. meanwhile space, village “hub” small/shared business suites/collaborative centres.
- The South Cambs Visitor Economy is an important GVA contributor to the region, with many micro and SME businesses in the retail, leisure, travel, tourism and hospitality businesses residing in our area. As High St and local recovery activity continues, we are working closely with Greater Cambridge public and private partners to continue to promote and market South Cambridgeshire as a must visit destination. This includes campaign activity targeted at local, regional, UK wide, international domestic, business and student audiences.
- Promoting local has never been more important. This includes ensuring local contracts and procurement processes are live, open, transparent and readily accessible to local businesses. 42% of all South Cambridgeshire District Council 2019 contracts went to local (Cambridgeshire or bordering authority) companies, with the average number of bidders per tender also increasing YOY to 7 bidders per contract. Our new business support team will further liaise with local businesses to ensure they are all aware of our tender processes and the contracts available.
- Overall, a focus on quality of life, quality of place, social inclusion and environmental sustainability are also key themes for our Council as expressed in the emerging Greater Cambridge Local Plan.

East Cambridgeshire

East Cambridgeshire has achieved strong economic growth over the past five years. To enable economic growth we have built excellent relationships within the business community through the Councils own ‘Enterprise East Cambs’ team. We have reached out directly to commercial stakeholders, investors and businesses from micro/start-up ventures to SMEs and much larger organisations. As a result we have guided commercial opportunities into both existing and emerging sectors as well as attracting overseas investments.

East Cambs is a distinct and flourishing mixed sub-economy within the CPCA area. This is underpinned by its rating as great place to live, work and visit. Utilising these foundations East Cambs District Council has further unlocked growth by successfully facilitating interventions in transport infrastructure; commercial space development (Enterprise Zone); extending support services to local businesses; housing development; education and leisure facilities.

The District’s location as a destination for visitors has been building upon Ely’s iconic Cathedral and riverside, which are themselves set alongside the City’s historic backdrop of small independent shops and an award winning central market place.

Covid-19 lockdown has impacted heavily on most areas of the District’s economy but has also sharpened our resolve to rebuild through established business networks and collaboration with the CPCA.

Focus is now directed towards a strong Council led recovery from the pandemic aimed at previously planned growth and regeneration. Our agreed Market Town plans are built on this and will provide a financial catalyst for short, medium and long term recovery.

District Level Actions

- East Cambridgeshire District Council's Corporate Priorities; Sound Financial Management, Improving Transport, Housing, Cleaner, Greener East Cambridgeshire and Social & Community Infrastructure, provide the foundations that enable people to live and work locally.

- East Cambridgeshire is committed to delivering multimodal transport solutions, recognising that the car is not the only way to get around the district, the Council is working with various stakeholders to work to secure the following for road and rail:

  Rail
  - Soham Railway Station
  - Ely Area Capacity Enhancement (maintaining that a road and rail solution is necessary)
  - A half hourly passenger rail service from Ipswich to Cambridge
  - Improvements to the Eastern section of the East West Rail Link

  Road
  - Improvements to the A14/A142 junction at Exning
  - Improvements to the A10/Witchford Road (BP) and A10/A142 (Lancaster Way) roundabouts
  - Improvements to the A10

- The Council is currently working on both a Bus Services plan that it will submit to the Combined Authority for consideration and is also developing a Cycling/Walking Strategy that will enable the Council to secure the much needed investment in East Cambs to improve, and in many areas provide, walking and cycling routes that benefit not only the residents of the district but the businesses too.

- Digital connectivity across the district will be important for both social and economic recovery. The Council will need to work closely with CPCA and Connecting Cambridgeshire to ensure that the whole district is well served by both Broadband and 4G/5G coverage

- The Council is also working on a social recovery strategy which in turn will assist with economic recovery with specific actions taken by the Council:

  - Worked directly with businesses and stakeholder networks to disseminate information and ensure funding support and practical advice is available and taken up.

- Distributed over £15m of business support grants and other relief and will continue to channel Government support to the District's business communities.
- Played a leading role in re-opening our market towns and communities working with partners at all levels. This includes rapid deployment of new signage, website portal and digital communications aimed at readying and then promoting places that are safe to visit, e.g. shopping.
- Accelerated our established programme of digital inclusion with public wi-fi coverage upgraded in Ely (Aug 20) and installation of a brand new network in Littleport (Sept 20).
- Launched a new interactive 'Explore East Cambs' website (July 20) to signpost the District's facilities as safely open to visitors or local interests alike.
- Worked with our commercial tenants to support their recovery through providing advice and softened rental terms on an individual basis. Developed ongoing engagement with our business community to assess regular Covid-19 support requirements. (Next round of businesses survey, interview and webinar Sept to Oct 20).
- Started to engage with an exceptional talent of local entrepreneurs, specialists and stakeholders as part of the next stage of our market town recovery plans.
- Continued to signpost and direct support to the business community, including training, regulatory and environmental/safety advice. Acted as a conduit to CPCA and Government to champion the local concerns and needs of recovering businesses.

Fenland

Fenland is a dynamic district with a tradition of embracing change and growth. Helping people into work and encouraging innovation and enterprise are key to improving Fenland's economic vitality. Fenland's strengths include its strong entrepreneurial culture, excellent business networks, strategic location for food production, storage & logistics and the quality of life.

Fenland has a mixed economy where the majority of the business base is micro and small businesses. It seeks to build upon the internationally recognised brands of food production, world class precision engineering and manufacturing with supply chain linkages across automotive, aerospace, defence, healthcare and electronic sectors and new and emerging renewable energy sector. These form examples for attracting in a new generation of value-adding businesses which will help create future employment for Fenland.

The infrastructure needs to be improved to retain and attract employers, and the district needs to keep its presence and appeal to potential investors. Existing Fenland businesses need space to expand, and new businesses moving into the district or new business enterprises need suitable sites or premises from which to operate. Without the right level of provision, enterprise development is stifled or encouraged to look out of the area.

The food, packaging and warehousing sectors are major employers in the area and could be the first to adopt Industry 4.0 technologies especially in relation to skills. Funding is required to take innovation and apply it to businesses. There is a large amount of funding focused on developing new technology but successful projects should have an element of support to take the innovations to be incorporated by local businesses. This would put CPCA businesses at the forefront of new technologies

There is a need to mitigate against companies who are reticent to take on young people as they cannot take the time out of the business to provide the training and support. Local piloting of a New National Retraining Scheme should include a pilot in the Fenland food sector, a major employer in 'the fens'.

Fenland has built a new Economic Growth Team with staff that have extensive experience and it has established a 'business focused', frontline service to better support and address the needs of local businesses. There is a need to ensure that the team and its local expertise are closely aligned with the proposed inward investment service.

The Fens sector proposals need to be developed. This will include food, drink, agriculture and advanced engineering. With a deeper analysis into supply chains and target overseas companies that may be affected by Brexit and post Covid supply chains and so would wish to have a UK presence. International investment can and is attracted into the Fens, but it is essential that the offer is created and communicated to overseas Posts. Greater information and intelligence sharing is needed on what sectors are looking to invest in the UK post Covid-19.

International Investors are large employers in the Fens, particularly in food production, warehousing and logistics. The Fens needs to remain competitive as these operations are in competition with other UK and international operations.
The circular economy is more than biological waste streams and in the context of business, these should also be seen as technical in design, manufacture and remanufacture. Companies should be supported to adopt CE and training in technical cycles should be provided to Fenland businesses. There is a lack of commercial property for rent in Fenland and for a company or developer to build a new facility the return on investment can be marginal, this results in limited speculative development coming forward. Funding is required to cover the gap in rental costs and build price. There is interest in property from companies looking to expand but the demand cannot be met.

The CPCA will introduce a new £500,000 Innovation Grant Scheme to help our highest potential businesses enlist external expertise that in turn secures UK & European R&D Grant Funding of £1m upwards for the development of new and innovative products and services. Accommodated within the Business Growth Service, this Grant scheme will fund up to 50% of external R&D Grant Application writing experts. Due to the rich creative spirit within our economy, we have the ambition to increase this fund five-fold over the next three years. This needs to be focused on Fenland companies new to grant applications and not those already experienced in the process.

Fenland has a transport infrastructure deficient across modes. We are also a vastly rural area with around 20,000 people living in villages and small settlements. 20% of all households also do not have access to a car and there is a distinct lack of regular or integrated bus services. Fenland has a sustainable transport policy and continues to work with a range of project partners across a number of transport projects that are ongoing and need to be joined up with economic recovery.

District Level Actions:

- Wisbech Access Strategy – a range of road, walking, cycling and public transport schemes linked to the growth in the Fenland Local Plan. The short term phase is approaching the end of detailed design and are expected to be constructed during 2021 and 2022. Out dated evidence for the medium and long term needs reviewing and brining up to date to secure funding for the medium and long term
- March Area Transport Study – a range of road, walking, cycling and public transport schemes linked to the growth in the Fenland Local Plan. Feasibility study work has been completed and a range of schemes have been identified. Additional funding has recently been approved to complete the Outline Business Case work
- Wisbech Rail – A revised business case and Network Rail GRIP3 study has recently been completed generating a positive BCR. Discussions are ongoing with government to secure additional funding for a future stage
- Market Town Transport Strategies (MMTS) – there are four of these strategies covering all modes of travel. Each strategy includes an action plan with a range of proposals and schemes. These schemes then form part of the County Council Transport Infrastructure Plan (TIP) List. This is reviewed annually to secure funding for schemes
- Fenland Railway Station Masterplans – This is a programme of improvements for Manea, March and Whittlesea Railway Stations. The projects are about to go into detailed design and construction with expected completion in around 12 months-time
- Fenland Transport Strategy – This is a developing strategy which is intended to cover the whole of Fenland. It covers all modes and has a central theme of accessibility. It is expected that the action plans in the MTTS will be transferred to this strategy and also updated. The strategy is being developed over the next 12 months.
- Kings Dyke Level Crossing – this project will be open to traffic by December 2022
- A47 dualling – A business case has been developed for this project including to Highways England Stage 0. Having been assessed the Stage 0 work has achieved green status meaning it can move forward to stage 1 option development. However, additional funding needs to be found
- A47 Guyhirn Roundabout - This is a Highways England scheme to upgrade the roundabout where the A47 meets the A141. This is a planned project which will start on site in 2021 and be complete in 2022.

Huntingdonshire

The Council is working under the banner of “We are Huntingdonshire” with recovery and response part of our successful partnership work.

The recovery work is evidence based and we are working with our community to address the challenges people are facing and also the impact on the place. This has included directing individuals and businesses to where they can get much needed support to return to some degree of normality.

A Community Impact Assessment of Covid-19 was undertaken, which is part of any recovery process and this was discussed and agreed by the Council at the end of July. This drew together a variety of national, regional and local information and early economic studies that had been undertaken in the district or commissioned by others to assess the impact of Covid-19. The recovery plan has been considered against a backdrop of the ongoing response which to large extent is being driven by external factors.

District Level Actions:

Several priorities have been identified and whilst the focus of this document is the economic recovery this is dependent on people as well as places, these priorities are set out below:

People

- Retaining the community involvement and engagement that was central to the recovery work
- People seeking out initial support within their local community
- Reducing the ongoing effects of Covid-19 through early intervention to minimise for example unemployment levels and homelessness
- Enabling people to make better choices on their health and well-being

Place

- Creating safe and attractive environments, particularly in our main towns
- Effective business intelligence and engagement to enable growth
- Improving infrastructure to enable more people to work remotely and travel sustainably
- Retraining and creating new pathways to meet growing business demand and support people back into work.

Recovery at the district level is about co-ordination. We are Huntingdonshire is about working in partnership with the agencies and organisations that serve our area. This includes identifying the opportunities, understanding the challenges and effectively engaging our resident and business communities. Having the flexibility to adapt our recovery plans and priorities within a frequently changing external environment.

Investment Type	Value	Job Creation
Accelerating Start-Ups, Scale-Ups & Set-Ups – Through Growth Finance & Advice	£ 24,077,534.00	5973
Accelerating Hi-Tech Jobs Growth – Through Innovation & Incubation Centres	£ 61,130,000.00	5098
Accelerating Recovery in Construction - Through Transport Infrastructure Improvements	£ 21,965,850.00	3507
Retraining & Upskilling for New Jobs – Through Improved Education Capacity	£ 30,899,720.00	5930
Total	**£ 138,073,104.00**	**20508**

Excluding the Growth Service

Investment Type	Value	Job Creation
Accelerating Start-Ups, Scale-Ups & Set-Ups – Through Growth Finance & Advice	£ 18,670,534.00	5926
Accelerating Hi-Tech Jobs Growth – Through Innovation & Incubation Centres	£ 61,130,000.00	5098
Accelerating Recovery in Construction - Through Transport Infrastructure Improvements	£ 21,965,850.00	3507
Retraining & Upskilling for New Jobs – Through Improved Education Capacity	£ 30,899,720.00	5930
Total	**£ 132,666,104.00**	**20461**

Average Cost per Job
£ 4,031.06
£ 11,990.98
£ 6,263.43
£ 5,210.75

Average Cost per Job
£ 3,150.61
£ 11,990.98
£ 6,263.43
£ 5,210.75

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		0	540
Lancaster way Phase 2 Loan	ROAD IMPROVEMENT	Transport	Grovemere	East Cambridge District	£3,680,000	540	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**

Retraining & Upskilling for New Jobs – Through Improved Education Capacity

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**

LGF Project applications dropped out	**Sector**	**Lead Organisation**	Value - LGF
A428 cambridge Improvements	Transport	Greater Cambridge Partnership	£ 4,000,000.00
St Georges Business Park	Business Growth	Rutland County Council	£ 3,000,000.00
CRC Digital Academy	Training & Skills	Cambridge Regional College	£ 450,000.00
PRC Green tech centre	Training & Skills	Peterborough Regional College	£ 800,000.00
Clean Growth Company	Business Growth	Paragon Estates	£ 3,000,000.00
Volmary Production Development	AgriTech	Volmary Ltd	£ 225,000.00
Wyton Hall Gardens	Business Growth	Engie Ltd	£ 2,200,200.00
Business Support Libraries	Business Growth	Cambridgeshire County Council	£ 774,599.00
Cambridge Innovation Park	Business Growth	Paragon Land & Estates Limited	£ 1,570,000.00
Cornhill West Suffolk	Business Growth	West Suffolk Council	£ 6,720,000.00
Harmony Food Hubs	Advanced Manufacturing	Harmony Food Hub	£ 200,000.00
Pheonix Incubator	Business Growth	Fenland District Council	£ 750,000.00
Powerfab	Advanced Manufacturing	I2O Ltd (Flexisolar Limited)	£ 750,000.00
Project Popeye	Advanced Manufacturing	Nemysis Ltd	£ 890,000.00
Redevelopment of Cambridge junction	Business Growth	Cambridge City Council	unknown
SW Wisbech Innovation District	Business Growth	Fenland District Council	£ 3,500,000.00
The Mill	Arts & Culture	Peterborough City Council	£ 3,000,000.00
Kings Lynn Town Centre	Business Growth	Kings Lynn & West Norfolk Council	£ 12,500,000.00
270 Cambridge Science Park	Business Growth	South Cambridgeshire DC	£ 5,563,438.00
Building 4010 cambourne Business Park	Business Growth	Cambourne Business Park Ltd	£ 2,700,000.00
Peterborough Museum	Tourism	peterborough city council	£ 2,000,000.00
Kings Lynn Innovation centre	Business Growth	Kings Lynn & West Norfolk Council	£ 500,000.00
AgriTech Launch Pad - East of England	AgriTech	East of England Agri Society	£ 5,000,000.00
Western Way Development	Business Growth	West Suffolk Council	£ 125,000,000.00
Sci-Tech Container Village	Business Growth	U+I PLC	£ 700,000.00
Wisbech Construction Hub	Training & Skills	College of West Anglia	£ 3,000,000.00
Pyrolysis Plant Production	Advanced Manufacturing	Standard Gas Ltd	£ 10,000,000.00
Peterborough Station Quarter	Business Growth	Peterborough City Council	£ 2,000,000.00

Enquiries only		
Company	Sector	Enquiry type
Scenic Cleaning Services		Available funding - revenue project
Snuggle Ltd		Funding enquiry
Ramu Mangena		Funding enquiry
Barley Mow		Funding enquiry
HR Ready		Funding enquiry
Camacre		Funding enquiry
Alsitek Ltd		Funding enquiry
PMT Digital Ltd		Funding enquiry
Chris Holmes		Funding enquiry
Nelly D Ltd		Funding enquiry
BluePrint Strategy		Funding enquiry
RD Systems Cambridge Ltd		Funding enquiry
Radical Sportscars Ltd	Advanced Manufacturing	Funding enquiry
Cambourne EZ building	Office space	Funding enquiry
MNKO/PKB Trade	Advanced Manufacturing	Funding enquiry
TWI Battery Test Facility	Advanced Manufacturing	Funding enquiry
Horizon Ltd	Life Sciences	Funding enquiry
JKH Ltd	Advanced Manufacturing	Funding enquiry
Haatch Desks Stamford	Office space	Funding enquiry
Barnack Estates	Property Development	Funding enquiry
Staah Ltd	Advanced Manufacturing	Funding enquiry
Herdsy Ltd	Agri-Tech	Funding enquiry

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY | JAMES PALMER CAMBRIDGESHIRE & PETERBOROUGH MAYOR

SKILLS COMMITTEE	AGENDA ITEM No: 2.4
14 SEPTEMBER 2020	PUBLIC REPORT

SECTOR-BASED WORK ACADEMIES AND HIGH VALUE COURSES

1.0 PURPOSE

1.1. £486,297 of funding for 2020/21 academic year will be received from the Department for Education (DfE) as additional funding, delivered through the AEB budget in response to COVID19 pandemic.

1.2. On approval of the budget from the Combined Authority, the Skills Committee be given delegated authority to spend the £486,297 for Sector–Based Work Academies and High Value Courses.

1.3. To approve the creation of sector-based work academies and high value courses via a procurement with local Providers

DECISION REQUIRED	
Lead Member:	**Councillor John Holdich**
Lead Director: **Lead Officer:**	**John T Hill - Director of Business and Skills** **John T Hill - Director of Business and Skills**
Forward Plan Ref: N/A	**Key Decision: No**
The Skills Committee is asked : a) To recommend that the Combined Authority Board allocate the £486,297, once received, from the DfE to the AEB Budget.	**Voting arrangements** Simple majority of all Members

b) To delegate authority to the Skills Committee for the spend allocation of the £486.297 including: • the spend of the funding of £241,361 across the 20/21 and 21/22 financial years for the creation of sector-based work academies • the spend of funding of £244,936 to offer an enhanced one-year classroom based course for those students who have left school or college with no job, apprenticeship, placement, university or course to go to across the 20/21 and 21/22 financial years • the spend on Sector – based work academies and High Value Courses	

2.0 BACKGROUND

2.1 A significant part of the Combined Authority's role in the skills system will be to ensure there is a coordinated and holistic approach to creation of new jobs and opportunities, including apprenticeships, placements and training that makes it easier for businesses to engage with.

2.2 The Chancellor Rishi Sunak, made a statement to Parliament in July 2020 listing a number of training and spending measures to improve employment prospects of those who may become unemployed and the thousands of young people leaving school/ college/ university this summer.

2.3 The plan for young people and adults aged 16-to-24. There are several big measures as part of a plan for those in the 16-to-24 year old age group. The Treasury has estimated these as costing a total of £3b, but spending will depend on take-up.

3.0 FUNDING TO DELIVER NEW PROGRAMMES TO SUPPORT RECOVERY

3.1 New funding has been received from the Department for Education (DfE) via the AEB funding line for 2 new programmes as part of the Government Skills Recovery Package totalling £486,297 for the 20/21 academic year.

3.2 Funding for the creation of sector-based work academies of £241,361 for the 20/21 academic year to work with local employers in growth sectors with jobs creation. The academies will also work with local Providers to deliver the training element of the sector based academy.

3.3 Potential Sector Based Work Academies will be created in sectors such as Construction and Manufacturing. Early discussions with Officers see a demand in new jobs being created in these sectors. A new sector that is emerging with potential jobs creation is the Energy sector.

3.4 Additional funding of £244,936 for the 20/21 academic year is also available to offer an enhanced oneyear classroom based course for those students who have left school or college with no job, apprenticeship, placement, university or course to go to.

3.5 The CPCA Talent Portal will be the mechanism used to direct individuals onto these new programmes, with a particular focus on those who have been made redundant or facing redundancy as a result of COVID-19 and who have registered on the Redundancy Register on the Talent Portal.

4.0 SECTOR-BASED WORK ACADEMIES

4.1 The sector-based work academies scheme is designed to help Jobcentre Plus claimants build confidence to improve their job prospects and enhance their CV, whilst helping employers in sectors with current local vacancies to fill them. Sector-based work academies can last up to 6 weeks and have 3 main components:

i. pre-employment training
ii. work experience placement
iii. a guaranteed job interview

4.2 Participants remain on benefits throughout their placement. Only the pre-employment training element can be funded through AEB local flexibility, and normally lasts 2-3 weeks. Jobcentre Plus fund the other components and will pay any travel and childcare costs whilst claimants are on the work experience placement. FE providers are part of the sector-based work academies local design process and are informed when to expect referrals and how many.

HIGH VALUE COURSES FOR SCHOOL AND COLLEGE LEAVERS

5.1 Additional funding for one-year to encourage and support delivery of selected level 2 and 3 qualifications in specific subjects and sectors in response to coronavirus (COVID-19). High value courses for school and college leavers will be a one-year skills offer for 18 and 19-year-olds

5.2 As part of the government response a one-year high value course skills offer has been developed to support school and college leavers who are at higher risk of becoming not in education, employment or training (NEET) because of Coronavirus (COVID-19).

The one-year offer includes:

i. Level 2 and Level 3 qualifications to support the needs of industrial strategy linked to higher wage returns
ii. Support funding in line with learning support
iii. An uplift payable whilst the learner is in learning, following the earnings methodology set out in the Adult Education Budget funding rates and formula 2020 to 2021
iv. An increased job-outcome payment payable if learners leave early to enter employment

6.0 USING LOCAL NETWORKS AND PARTNERS TO SUPPORT

6.1 The jobs creation and promotion of the programmes will be facilitated through local networks and partnerships, with employer engagement and individual outreach built in from the very start. This will ensure that quality jobs are secured with good opportunities for the development of experience and skills, with the highest chance of retention.

6.2 Jobs will be offered out in phases and designed to support young people who were a little further away from the labour market. Some referrals would come through from Jobcentre Plus with eligibility confirmed via Work Coaches and Colleges/ Providers.

7.0 FINANCIAL IMPLICATIONS

7.1 The total value of additional AEB funding is £486,297 for the 20/21 academic year. This is broken down as £305,723 for the 20/21 financial year and £180,574 for the 21/22 financial year.

7.2 The funding is delivered via the AEB grant fund, however, upon approval, separate budget lines will be created for both streams to ensure full visibility of the relevant expenditure.

7.3 The expenditure for the new workstreams matches the funding received, and therefore has a net zero impact on the overall CPCA budget.

8.0 LEGAL IMPLICATIONS

8.1 There are no legal implications relating to the content of this paper.

9.0 SIGNIFICANT IMPLICATIONS

9.1 The labour market is going through many changes; in particular the multiple policy changes that have occurred as a result of COVID19. Officers have been working closely with DfE, ESFA, DWP and other Ministerial Departments to influence discussions for the Skills Recovery Package. This has created a more complex system to an already complicated skills eco-system. The Combined Authority needs to ensure it futureproofs its investment and ambitions for a skills solution fit for purpose to support jobs creation and opportunities, so that no young person or adult is left behind.

10.0 APPENDICES

- Appendix 1 – Performance Dashboard.
- Appendix 2 – 2020-2024 Skills Medium Term Financial Plan

Background Papers	**Location**
None	N/A

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY | JAMES PALMER CAMBRIDGESHIRE & PETERBOROUGH MAYOR

SKILLS COMMITTEE	**AGENDA ITEM No: 3.1**
DATE: 14 SEPTEMBER 2020	**PUBLIC REPORT**

SKILLS STRATEGY DELIVERY PLANS UPDATE

1.0 PURPOSE

1.1 Further to the adoption of the Skills Strategy in April 2019, delivery plans have been developed to mobilise the 3 key interventions annotated therein, namely; the New University of Peterborough – Phase 1, the Adult Education Budget and the Skills Talent Apprenticeship and Recruitment Hub (STAR Hub). This paper forms the basis of an update for all 3 projects and the individual delivery plans to mobilise each of them in turn. There is not one delivery plan attached to the Skills Strategy due to the governance arrangements and funding criteria attached to each of these interventions. It is necessary to highlight that all 3 key projects have their own structures and processes underpinned by the devolution deal agreed with the CPCA on inception and ESFA funding aligned to the Growth Service in the case of the STAR Hub.

1.2 It is anticipated these interventions will become part of the Business and Skills Integrated Service offer currently under review which will see a refresh of the Local Industrial Strategy with the Skills Strategy embedded therein to reflect post COVID-19 activity as part of the CPCA's Economic Recovery programme.

DECISION REQUIRED	
Chair of the Committee:	**Councillor John Holdich**
Lead Officer:	**John T Hill, Director of Business and Skills**
Forward Plan Ref: N/A	**Key Decision: No**
The Skills Committee is recommended to: **(a) Note the delivery plans attached to the key interventions annotated within the Skills Strategy of June 2019 - Appendix A.**	**Voting arrangements** **Simple majority of all members**

2.0 BACKGROUND

2.1 The Cambridgeshire and Peterborough Combined Authority (CPCA) devolution deal established an agreement between Government, the seven local authorities and the Local Enterprise Partnership to devolve a range of funding, powers and responsibilities. The devolution of some of the skills functions alongside the Adult Education Budget to the CPCA as well as the devolution deal to establish the new University of Peterborough and the creation of a Skills Hub framed from the impetus of the Skills Strategy. With a holistic approach being taken to increasing productivity and to growing the social and economic well-being of the local communities, the Skills Strategy and delivery plans have been aligned to the Local Industrial Strategy and the Cambridgeshire, and Peterborough Independent Economic Review (CPIER) and its recommendations.

2.2 The Skills Strategy at Appendix A was produced through a robust process and in consultation with; the members of the Skills Committee, the Mayor's office, CPCA staff, an expert authors' group, CPSB CEOs and officers' groups, 10 business roundtables for priority sectors covering 60 businesses, the majority of the AEB providers and a range of key stakeholders. In total 300 individuals and organisations, have consulted and contributed to the development of the recommendations herein. This process followed a timeline from December 18-March 2019 for approval in April 2019.

2.3 Delivery plans for each of the key interventions have been developed and refined over the last 16 months through review, monitoring and reflection. This includes the need to revisit the delivery plans to ensure they are robust and withstand skills recovery post COVID-19.

3.0 KEY INTERVENTION DELIVERY PLANS

3.1 <u>The University of Peterborough – Phase 1</u>

3.1.1 The delivery and mobilisation of this project is captured within the Full Business Case approved and adopted by the Skills Committee on 6.7.20 & CPCA Board on 5.8.20 – see Appendix B. Delivery is underway with the announcement of the HE partner, submission of the planning permission for the build and the selection of the main contractor to build the 5300 sqm Phase 1 building.

3.1.2 Legal documentation is currently being completed and finalised to enable Peterborough HE Property Company Ltd to let the contract for the build on the land contributed to the special purpose joint vehicle (SPJV) by PCC. PCC, CPCA and ARU are members of the SPJV. Planning permission approval is expected in October 20 with a spade in the ground November.

3.2 <u>Adult Education Budget</u>

3.2.1 The Commissioning Strategy for the Adult Education Budget was approved by the Skills Committee in April 2020 – see Appendix C. It demonstrates the methodology for delivery. A review of the first year of AEB will take place in October 20 and will include an evidence-based analysis post COVID-19 to revise the AEB Commissioning Strategy. This will assess the scale of latent demand for adult level 2 and 3 and enable us to gain feedback from our delivery partners, learners and employers.

The monitoring and evaluation of AEB will concentrate on participation levels expected in the year from the provider delivery plans, expenditure against the provider funding allocation and the achievement levels for completion of a subject aim. The intention throughout the year is to evaluate the destination of learners once the course is complete such as further learning, better pay, a more sustainable job or more social confidence.

AEB has made changes to the funding methodology for 2020/21

- The low wage pilot has increased from £16,009.50 to £18,000 whereby any resident earning below that will receive learning for free
- All first full, level 2 provision for 19-23 year olds, will be fully funded as it was previously.
- There is a 4% uplift for deprived areas in Peterborough and The Fens and deprived areas in Cambridge and East Cambridgeshire
- ESOL learners will be fully funded irrespective of age

We will monitor the impact of these changes on participation, spend and achievement.

3.3 Skills Talent Apprenticeship and Recruitment (STAR) Hub

3.3.1 The STAR Hub is the single front door to all the skills initiatives including a Digital Platform with all Skills Interventions including a Talent Portal promoting all workforce skills across the Cambridgeshire and Peterborough region. It encompasses:

- Skills Brokerage Service linking business and education;
- Talent Portal, with Jobs Board, Redundancy & Furlough Register and link to the CPCA Retraining Scheme and Sector Academies
- Levy Pooling Service enabling surplus Apprenticeship levy to be pooled for use by businesses who cannot fund apprentices;
- The CEC contract leading the national careers strategy in schools to influence and support the Gatsby benchmarks and increase employer engagement.

3.3.2 The STAR Hub is an integral part of the Growth Service which is currently in procurement – see Appendix D for the STAR Hub procurement specification which underpins how it will be delivered and the OBC for the Growth Service is at Appendix E. It is anticipated that the Growth Service will go live in October 2020.

3.4 Delivery of other key Workforce Skills Interventions

- High Value courses, for school/college leavers who are unable to secure work. Targeted high value level 2 and 3 courses.
- Sector-based work academies – short programmes in different sectors of unemployed workers to gain experience and pre-employment training work experience placements and a guaranteed interview.
- National Retraining Scheme (pilot) programme to prepare adults to retrain as businesses adapt and diversify post-COVID 19
- Traineeships – training and work experience for 16-24 year olds, giving them the skills, experience and confidence, they need to enter the world of work.

3.4.1 The Skills and Education Recovery plan will be key post COVID-19 to the economic recovery of the region. The work programme for Skills recovery is at Appendix F.

4.0 FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications in this paper. The main interventions have their own budget lines agreed within the Medium Term Financial Plan for the Combined Authority.

5.0 LEGAL IMPLICATIONS

5.1 There are no legal implications associated with the activities outlined in this report.

6.0 APPENDICES

- Appendix A – Skills Strategy – Final Version June 2019
- Appendix B – New University of Peterborough – Full Business Case
- Appendix C – Commissioning Strategy – Adult Education Budget
- Appendix D – Procurement specification for the STAR Hub
- Appendix E - Growth Service OBC
- Appendix F - COVID-19 skills work programme

Source Documents	**Location**
Cambridgeshire and Peterborough Independent Economic Review (CPIER) Cambridgeshire and Peterborough Local Industrial Strategy	http://www.cpier.org.uk/final-report/ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818886/Cambridge_SINGLE_PAGE.pdf

Cambridgeshire and Peterborough Combined Authority
Skills Strategy Framework Final
Developing Talent – Connecting the Disconnect

Foreword: Written for the Mayor and CEO

The Cambridgeshire and Peterborough region plays an important role in the UK economy. Although the area is home to large and globally significant businesses, small/medium businesses dominate the local landscape. With its strong knowledge base and prosperous communities, Cambridgeshire and Peterborough's Ambition 2030 is to make our region ***the best place in the world to live, learn and work***. This will be achieved by collaborative partnerships delivering initiatives which are bold and innovative in their design, both locally and nationally.

Unique in its make-up, the CPCA region is defined by three distinct economies with differing sector specialisms and therefore differing social and economic skills needs. The region faces many challenges. Broadly speaking, Greater Cambridge have the highest levels of skills and the best educational outcomes; Greater Peterborough and the surrounding area experiences lower levels of employment and greater economic inactivity and the Fens has lower labour market performance, related to the accessibility of both jobs and training. It is imperative that, to achieve inclusive growth, we concentrate our efforts on closing the skills gaps, and overcoming the barriers and challenges to progression by developing bespoke life-long learning for all ages through a tailored approach. Key to the success of our local economy will be our ability to grow local talent alongside attracting new talent to the area. When looking at business skills, it will be important to consider how we can innovate and improve through a circular economy approach, moving towards zero carbon connected to clean growth.

The Cambridgeshire and Peterborough Combined Authority (CPCA) devolution deal established an agreement between Government, the seven local authorities and the Local Enterprise Partnership to devolve a range of funding, powers and responsibilities. The devolution of some of the skills functions alongside the Adult Education Budget to the CPCA frames the impetus for the Skills Strategy. With a holistic approach being taken to increasing productivity and to growing the social and economic well-being of the local communities, the Skills Strategy and high-level delivery plan have been aligned to the Local Industrial Strategy and the Cambridgeshire and Peterborough Independent Economic Review (CPIER) and its recommendations.

This Skills Strategy has been written in consultation with; the members of the Skills Committee, the Mayor's office, CPCA staff, an expert authors' group, CPSB CEOs and officers' groups, 10 business roundtables for priority sectors covering 60 businesses, the majority of the AEB providers and a range of key stakeholders. In total 300 individuals and organisations have consulted and contributed to the development of the recommendations herein.

VISION

The CPCA has a vision to grow a successful, globally competitive economy grounded in high-skilled, better paid jobs, increased productivity and strong sustainable communities through:

An inclusive world-class local skills eco-system that matches the needs of our employers, learners and communities.

The strategy is a blueprint for designing and applying skills policies that makes the most of the region's workforce and for maximising the skills of its residents to drive up productivity, enable economic growth and support social inclusion. However, the region does not operate in isolation and recognition is given to national initiatives that will impact on the local skills landscape. This strategy has been prepared taking account of the current landscape and the introduction of Technical level [1] qualifications, Apprenticeship Reforms [2], the National Retraining Scheme[3]and "Making the most of everyone's skills and talents" National Careers Strategy[4]We will develop a dynamic skills system within the Combined Authority area bringing together advice and guidance, a quality delivery mechanism, with identified pathways to higher skills which is designed to improve work and pay prospects, closing the skills gaps and improving quality of life.

We have a unique opportunity to **set the strategic direction,** enabling sustainable futures by **creating a culture of positive change within the skills arena** following three key themes:

1. *Achieve a high-quality offer tailored to the needs of the three sub-economies.*
2. *Empower local people to access education and skills to participate fully in society, to raise aspirations and enhance progress into further learning or work.*
3. *Develop a dynamic skills market that responds to the changing needs of local business*.

[1]https://www.gov.uk/government/news/new-t-levels-mark-a-revolution-in-technical-education
[2] https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work
[3] https://www.gov.uk/government/news/government-support-to-boost-skills-and-prosperity
[4] https://www.gov.uk/government/publications/careers-strategy-making-the-most-of-everyones-skills-and-talents

KEY THEMES

1. Achieve a high-quality offer tailored to the needs of the three sub-economies.

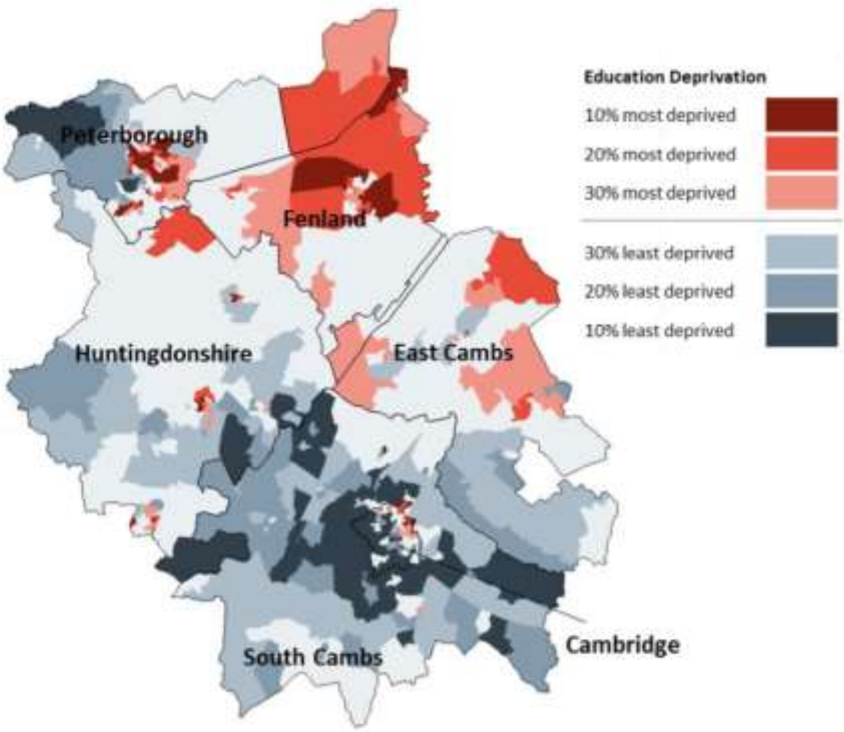
The future economic, cultural and social wellbeing of the UK is increasingly dependent on ensuring that the workforce is flexibly skilled and adaptable to meet today's market needs and those of the future. This will address the unpredictable needs of the next 10 to 15 years and beyond. We must assess how we best integrate and adapt our education and skills provision, ensuring it is aligned to the unique characteristics of the identified geographical areas. The focus areas for skills are split into three regions (based on travel to work patterns, supply chain mapping and housing market analysis):

- Greater Peterborough and surroundings (including north Huntingdonshire)

- The Fens** (including Fenland, some of East Cambridgeshire and part of Huntingdonshire)

- Greater Cambridge (Cambridge and South Cambridgeshire (including southern parts of Huntingdonshire and East Cambridgeshire).

Figure 4.17 Education, Skills and Training Deprivation Map



3

The economic areas have similarities but with priority sectors across all three geographies which can vary. However, shared priorities across the region include:

Health and Social Care	Agri-Tech and Food
IT and Digital	Life Sciences
Construction	Logistics and Distribution
Education and Professional Services	Manufacturing, Advanced Manufacturing and Materials

The Combined Authority will seek to ensure the highest possible quality of training across the region. In part this will be achieved through a commissioning process related to devolved funding. Additionally, the Combined Authority will seek to influence the regional training and skills provider network to share and adopt best practice whilst ensuring connectivity in industry aligns to, and keeps pace with, technological advancement.

2. Empower local people to access education and skills to participate fully in society, to raise aspirations and enhance progress into further learning or work

Within the rich and diverse nature of the geography for the Combined Authority area, there is a wealth of knowledge and diversity of culture. However, as shown in the table below, there is a need to develop skills levels across much of the region. This will be achieved through a tailored approach. This approach will be designed, as demonstrated in the key interventions shown below, to empower local people to access education and skills which will not only support academic achievement but will enable them to participate fully in society, raise aspirations and enable them to progress into further learning and work. Notwithstanding the importance of language development in business.

Figure 4.14 Highest level of qualification across CPCA (16-64 yr. olds)

Source: Annual Population Survey, 2017

The importance of inclusive growth is grounded in the fact that the poorest adults with the lowest qualifications are the least likely to access adult training despite being the group that would benefit from it the most (Social Mobility Commission 2019). A tailored offer, designed to improve work and pay prospects, supporting social and economic growth that is aligned to the geographical sub-economies, will move towards addressing the root causes of these inequalities. As the UK works towards leaving the EU it is more important than ever that relevant skills are built to improve productivity. It is for this reason that lifelong learning and adult education are so important.

3. Develop a dynamic skills market that responds to the changing needs of local business

The creation of a dynamic skills market that will improve prosperity and productivity will be based on local labour market information. Drawing from two significant baseline sets of evidence, the CPIER, used as the Local Industrial Strategy Evidence Base, and the Hatch Regeneris' Report, used as the Skills Strategy Evidence Base, this dynamic information and insight tool, developed with employers, will provide the foundation of future career pathways by identifying the current and future skills needs of local and regional businesses.

In our commitment to develop future pathways, recognition is given to preparing for the unpredictable as the balance of the kind of skills required in our employment sectors change with time. New and traditional sectors' occupations require more highly skilled workers and employers' needs for specific skills are constantly changing making it difficult to forecast. People entering the workforce and those already in work will need to be continually upskilled and trained to meet the jobs of the future. There is a need to embed a culture of lifelong learning and continuous skills improvement.

KEY INTERVENTIONS

The Combined Authority will play a critical role in facilitating the skills growth starting with 5 initial key initiatives, namely:

1. Adult Education Budget
2. Careers Education Information Advice and Guidance (CEIAG)
3. Health and Care Sector Work Academy
4. Skills Talent & Apprenticeship Recruitment Hub
5. University of Peterborough

Adult Education Budget

Devolution of adult skills funding from 2019/20 will enable the Combined Authority to vary funding rules and funding rates to target skills development in areas of shortage, particularly where these areas are in alignment with the sectors identified as priorities for the sub-regional development required to raise productivity and prosperity.

The current skills system within Cambridgeshire and Peterborough demonstrates that there is some degree of disconnection between schools, colleges and businesses. It is imperative that we map the current provision and ensure that outcomes of education and wider learning lead to employment, Further Education, Higher Education or further training. The Adult Education Budget (AEB) provides us with the tool to support learners to secure foundation skills, progression and diversification and is pivotal in supporting the needs of local people into employment. Improving workforce development is crucial to achieving the economic development of Cambridgeshire and Peterborough, particularly in those areas where levels of educational attainment are currently low.

Careers Education Information Advice and Guidance (CEIAG)

Key to progression is the ability of our schools, colleges and providers to deliver high quality careers, education, advice and guidance to inform all students of the opportunities in the region. By taking a holistic approach to skills provision we will enable our residents to have the opportunity to realise their potential and, through addressing skills gaps, to enable the regional economy to grow and thus to improve productivity and prosperity. The labour market is very prone to information failure in which people, especially younger people in schools, are unable to understand what is on offer or the benefits of investing their time and resources in identifying employment, skills and educational opportunities or differentiating between them to understand which creates the best life-chances for them individually.

Health and Care Sector Work Academy

This innovation pilot takes a holistic approach to the health and care sector with a single intervention in two parts. It will train people from outside and from within the health and care sector simultaneously. From outside the sector it will train those who, often employed in insecure or seasonal work may be trapped in low paid jobs with no career or pay prospects, and the unemployed., Inside the sector it will develop those working in the health and care sector to enable them to progress further by providing a robust and clear career pathway. These actions are expected to develop a pipeline of well trained employees for the health and care sector.

Skills Talent & Apprenticeship Recruitment Hub (STAR Hub)

The Skills Talent & Apprenticeship Recruitment Hub developed by the CPCA will increase the number of people transitioning through the skills ecosystem into Apprenticeships, Higher Education and employment. 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 doing so will create opportunities for a strong, productive and thriving economy.

Learning from experience in the past, there should be the opportunity to bring together demand and supply through a dedicated skills brokerage. We therefore propose to create a Skills Brokerage Service: specialist activity building relationships between businesses, providers and learners. One of the most challenging areas of matching need and opportunity is in relation to apprenticeships. On the supply side there is still an issue of perceived lack of parity of esteem between vocational and academic education and training. On the demand side, creating the critical mass for demand from employers to make support the feasibility of employer-based apprenticeships can be a challenge too. This lower level of demand for apprentices is most prevalent amongst SMEs who struggle to balance the value and effectiveness of a trainee, the 20% off the job training per week and the costs involved. Hence, to overcome this continuing market failure, we propose to better unlock the apprentice levy funding within large firms and help it flow down more effectively to SMEs in supply chains and sector clusters. To achieve this, we propose alongside our partners in other Mayoral Combined Authorities in Manchester and the West Midlands to agree with, and pilot on behalf of, the Dept for Education. This will give greater local freedom over the utilisation and management of underspend in the Apprenticeship Levy to create a highly functional local levy marketplace that significantly increases the quantity and quality of apprenticeships. We will develop local mechanisms to ensure that this critical resource in overcoming the current market failure in apprenticeships, can be deployed effectively, including creating pooling arrangements between employers.

University of Peterborough

The University of Peterborough is a key feature of the devolution deal agreed with government and is critical for the growth of the local economy and addressing skills shortages. There is a long-standing ambition between public sector partners, employers and the residents of Peterborough and surrounding areas to have a University in the city. It is envisaged that the University will offer technical qualifications to meet the need of local businesses as well as collaborative delivery models through close working with industry to shape the degrees/high level apprenticeships on offer. We have an agreed vision statement for the new University:-

"Our vision is to deliver a thriving, independent University which will be a power-house for intellectual and economic growth for the city and region. Our city centre campus, that will serve 10,000 + students in the 2030s, will be meeting the needs of employers for new types of jobs and organisations, all the while enabling and supporting social mobility. This technical University will be fit for now and the future in both its approach to students' learning and course delivery. The University will anchor major re-development of the Peterborough Embankment. Our buildings will be architecturally leading, flexible and environmentally friendly. The curriculum, academic community and buildings will reflect a desire to be the greenest university possible".

To achieve the vision, we have defined our technical University;

> "The University of Peterborough will be a high quality employment focused university for the city and region. It will acquire an international reputation for applied technology and science and innovative technological approaches to face to face learning. It will be characterised by outstanding student satisfaction and respond to local needs. The curriculum will be led by student and employer demand as well as developing opportunities in the technological, scientific and business areas. "

Within a year we intend to implement this vision through:

1. A procurement compliant competition, for the selection of the most appropriate curriculum offer to satisfy the requirement above, through a partner that can demonstrate the financial, academic and commercial capacity to deliver it.
2. A specification for the buildings and equipment, with related capital and revenue costs, to deliver that offer in partnership with the selected partner.
3. The procurement of contractors to build and manage the university premises on the embankment site.

By 2022 we intend that the new university on the banks of the Nene in Peterborough, will have 2,000 students rising to 12,500 by 2030, when the University of Peterborough will become fully independent.

KEY CHALLENGES

Key Themes	Issues to address	Challenges	Interventions
1.2. 3.	Staff shortages in priority sectors.	Staff shortages in our priority sectors – the biggest challenge is the availability of trained staff in technical and management roles. Efforts need to be made to pool resources and fill any gaps in provision on the "supply" side in education and training. Issues identified by the Department for Education in retaining highly skilled teachers in the area. Issues in tackling the local shortage of skilled workers in the Health and Care Sector. Issues identified in FE/HE around the ability to attract lecturers/trainers/tutors in some disciplines especially in the delivery of Apprenticeships. Potential impact of Brexit in terms of exodus of East European labour.	To support businesses and key stakeholders to grow their own talent as well as attracting, recruiting, training and retraining the employees who will be a fundamental part of their future commercial success through the National Retraining Scheme and the Skills and Apprenticeship Recruitment Hub. The Opportunity Area for Fenland and East Cambridgeshire will address this as part of priority 4 of the DfE Delivery Plan. CPCA to share best practice across the region. The Health and Care Sector Work Academy will tackle the local shortage and provide a further 2100 learners in the sector. Link businesses to providers to establish more integrated business expertise within apprenticeship standards as well as working with providers for expert staff to deliver at FE/HE.
1.2.3.	Perception Vs Reality	Perception of some sector industries is poor and careers promotion in schools/colleges is weak. It is imperative that careers education, information, advice and guidance in schools and colleges is realistic and aspirational. Perception of Apprenticeships and availability of Apprenticeships needs to change.	Careers promotion for sector skills is key to growing our local talent and raising awareness of the numbers of careers available in a given sector. To address the interface between employers, schools and providers, there is a need for early engagement with businesses through a strong skills brokerage. Working on levy pooling to support collaboration of delivery of apprenticeships to improve access for SMEs. The Technical qualification reform to support vocational pathways at Post 16 will assist with re-aligning the disconnect between technical qualifications

			and the academic route. Alongside traditional qualifications, the University of Peterborough intends to offer technical qualifications to meet the demand of local industries and to grow local talent for jobs of the future.
1.2.3.	Plugging the Skills Gaps	We need to address the disconnection between education & qualifications and skills & jobs by ensuring all young people have access to quality careers advice and guidance to make informed choices at transition points as well as linking careers to curriculum to ensure young people are not disadvantaged in their career choices by poor choices at GCSE and A level.	The Technical qualification reforms, T levels will support the vocational pathways to be seen as equal to the academic route. The sector pilots and skills hubs will overcome the rurality issue with transport links in the more rural areas of our region.
1.	Lack of engagement in STEM subjects in schools/colleges	Embed the importance of STEM subjects in schools/colleges to raise awareness of jobs/qualifications that are fundamental to jobs within priority sectors – namely: manufacturing, engineering, life sciences, agri-tech, digital IT, construction and health and social care.	The Skills Brokerage offered to all schools in the localities will support STEM promotion through activities, careers promotion and employer engagement links with local businesses.
1.2.	Connecting the disconnected	Some people become disconnected from the labour market for a variety of reasons. Additional support, transition programmes, wellbeing support and community groups are required.	The Work and Health programme [5] will support the progression of adults who have become disconnected from the labour market into work.
1.2.3.	No central coordinator to influence and enable	Demonstrate the need – make a case! It is imperative that, to have a say in future devolution, we are highly successful through the devolved projects we currently run. Measuring impact and evaluating outcomes effectively, ensuring that the investment yields ,or wherever possibly exceeds, the return expected., will be essential	Achieving a skills base that matches business needs - ensuring young people are sufficiently prepared for work and prioritising skills development where it is needed most i.e. in areas where there are genuine skills barriers to economic growth is part of the devolution deal with the Combined Authority. Therefore, the University of Peterborough, Health and Social Care sector-based work academy and a highly successful AEB programme that meets the needs of the businesses, residents and providers will be key to unlocking further devolution, will be important elements of the strategy

[5] https://www.gov.uk/work-health-programme

SUMMARY OF ACTIONS

1. Map the current skills provision through the Adult Education Budget to improve **AEB** commissioning to develop courses, employer engagement and student stimulation that links with Apprenticeship and job progression through transition pilots and sector focused retraining schemes.

2. Improve HE participation locally to raise aspirations for young people and ensure the curriculum meets the needs of the local employers, students and communities by, developing **a University for Peterborough**.

3. Connect business with providers and talent with the targeted support for STEM, T-levels, Employer Outreach, CEIAG, Work Readiness and Careers Pilots through a robust **Skills Brokerage Service.**

4. Create greater visibility of talent to support businesses with recruitment/ training and using social media to attract young people into key sectors by connecting into the **Digital Talent Portal**.

5. Use the levy pot better to connect SMEs into wider value chains, spreading funding more effectively across local sector clusters by the creation of **A Levy Pooling Mechanism.** Manage the levy pooling to support micro businesses currently unable to take on an Apprentice due to either their size of specialist nature by connecting into an **Apprenticeship Training Academy**.

6. Provide work placements leading to Apprenticeships and jobs through coordinated **Sector Academy Apprenticeship Hubs** across the CPCA region.

7. Create a **Health and Care Sector Work Academy** to tackle the local shortage of skilled workers and provide a further 2100 learners into the sector.

8. Working with the **Work and Health programme** to support adults who have become disconnected from the labour market to support their progression into work.

9. Work with government to lobby for **further devolution opportunities**, to shape the reforms so that the skills system becomes outcome based and business-led and develop strong labour market information to ensure provision meets the demand to fill skills gaps.

10. Use collaborative partnerships to deliver bold and innovative interventions to ensure that collectively we make Cambridgeshire and Peterborough, ***the best place in the world to live, learn and work***.

THE DELIVERY PLAN

The summary of actions shown below will be mapped into the delivery plan which will identify what success will look like and the impact it will have for the CPCA region. Each project will have identified objectives with associated targets.

The delivery plan has been produced in accordance with labour market information, the Cambridgeshire and Peterborough Independent Economic Review and the Hatch Regeneris' Skills Strategy Evidence Base Final Report.

Key Intervention	Added value to the area	Transformational change
Adult Education Budget	Funding can be targeted to meet local need.	Move from Central Government commissioning to the Combined Authority.
Careers Education Information Advice and Guidance (CEIAG)	Local targeted interventions creating opportunities for people to realise their potential.	Review, integration, coordination and better focus of current contracts for organisations delivering in the area to ensure local businesses are better connected and young people are better stimulated and guided. The Careers and Enterprise Company (CEC) model underpins CEIAG within the Skills Strategy alongside our brokerage services. It will be the mechanism for the delivery of the National Careers Strategy.
Health and Care Sector Work Academy	Additional new skills money into the area.	Bespoke delivery of the skills requirements to the Health and Care Sector designed collaboratively with local care and health providers. Offers a total wrap-around service for the students.
Skills Talent & Apprenticeship Recruitment Hub	The creation of a "one-stop" shop making it easier for businesses, training providers and local talent to understand the skills landscape.	Creation of a specialist activity building relationships between businesses, providers and learners. This will unlock apprentice levy funding within large firms and help it flow down more effectively to SMEs in supply chains and sector clusters. This will create a highly functional local levy marketplace that significantly increases the quantity and quality of apprenticeships.
University of Peterborough	Bringing HE to a local cold spot.	The creation of an independent higher education Technology University that will support local demographic and attract new talent to the area.

June 2019

A new University for Peterborough

Full Business Case

Contents

Executive summary

Strategic Case

Peterborough is a recognised cold spot for Higher Education. To address this, Cambridgeshire and Peterborough Combined Authority (CPCA) and Peterborough City Council (PCC) are committed to securing a new higher education provider for the City in readiness for the Academic Year 2022/23 with the aim that it will become a university, subject to regulatory approvals, by 2032 ("the new University").

This Full Business Case is concerned only with the phase 1 development of the new University:

1. Development of a phase 1 university building on the Embankment site in Peterborough, which will be leased to and occupied by the new University.
2. Procurement of an Academic Delivery Partner (ADP) to provide the skills, knowledge, experience and resources to establish the new University.

The intention is for the new University to be fast-growing between 2020 and 2028 (supported by subsequent phases of infrastructure development), at which point there will be an independent review to evaluate the benefits and feasibility of the University becoming independent from the ADP.

Beyond this project, CPCA is seeking further funding in the form of accelerated and expanded access to the national £387m 2021/22 Local Growth Fund allocation to ensure that the improvement in higher-level skills and knowledge capacity the new University will bring is accompanied by the necessary parallel stimulation and supply of higher value jobs to provide opportunities for the increased number of higher-level skilled people. This will include investment in subsequent phases of the new University to support the development of an innovation eco-system in the region.

The strategic policy framework within which CPCA works and the rationale for the University for Peterborough project flows from the Cambridgeshire and Peterborough Independent Economic Review and related documentation including in the CPCA skills strategy and Local Industrial Strategy. The project supports national policy as expressed in the review of Higher Technical Education and the Government's Industrial Strategy and is consistent with the primary recommendations in the Augar Review of Post-18 Education funding.

A new University will make a substantial positive economic impact in Peterborough and the wider sub-region, enabling the region and the UK to compete in an ever more dynamic global economy through innovation and creating knowledge-intensive businesses. It will deliver significant cultural and social benefits. It is a Mayoral priority within CPCA's Business Plan and a key intervention within the Local Industrial Strategy and Skills Strategy, to address the current disconnect between work and qualifications. Expanded HE provision will be an essential component in realising ambitions to: establish the foundations for raising aspirations and attainment; support business skills needs; improve productivity; stimulate structural economic change; and enhance well-being.

The top-line objectives for the new University are:

- Accelerating economic growth in the local economy.
- Increasing productivity by job-ready degrees that support the local economy.
- Increasing GVA through meeting business, student and employer aspirational needs.
- Creating an effective progression route for technical learning.
- Re-skilling and up-skilling the workforce to meet technical skills market needs.

Peterborough and the wider region are under-served by current providers and there is a net-outflow of students from the East of England. Current HE provision consists of Peterborough Regional College (around 500 qualifications per annum) and Anglia Ruskin University (bespoke provision of around 400 qualifications per annum). There is no HE provision in Fenland or North Huntingdonshire, largely due to their dispersed rural character and poor transport networks.

Addressing provision to under-represented and under-employed groups will be critical in meeting local labour market demand and provides an uncontested HE market space (unemployment rates in the sub-region are higher than the national average, the local population has grown at a faster rate than the national average and a lower proportion of 18-24-year olds are in full-time education).

The University, therefore, has the opportunity to provide a unique offer to serve the cold spot, attract under-represented groups and redress the imbalance with the rest of the CPCA region.

Various efforts over the last 20 years to produce a commercially viable HE provision of sufficient scale and quality have failed and a different approach is required. The intention of the new University is to address the cold spot through an increase in the number of HE entrants from the sub-region by attracting and retaining students locally, in particular people who do not currently participate in HE but who would participate and remain locally if suitable provision was available. Based on the CPIER and related analyses it is clear that the first tier of University strategy must be to craft a sustainable portfolio of taught courses that addresses the characteristics of the cold spot before building research expertise.

CPCA is determined to make these investments, to encourage others to make such investments and to bring the positive benefits of HE to the people of the sub-region. This will not only address the labour market needs of the sub-region, it will give the area an opportunity to reinvent its economy; raising aspirations locally and supporting business skills needs.

The main benefits of the new University stem from establishing a Phase 1 University Campus in Peterborough, for 2,000 students by September 2022 and include:

1. 10,000 new learners assisted (Levels 5 and 6 over five years).
2. 50 temporary construction jobs, 33 university jobs initially (rising to 199), 66 initial supply chain jobs (rising to 398), 14,000 indirect jobs and 5,060 apprenticeships over 3 years.

<u>Economic Case</u>

Four options have been identified for consideration in the economic case as follows:

1. **Business as Usual:** continuation of the current local provision described above.
2. **Do Minimum:** investment in capability building of Peterborough Regional College to achieve Taught Degree Awarding Powers (and perhaps University Title for the current University Centre Peterborough in due course).
3. **Recommended Option:** investment to tackle the characteristics of the addressable component of the current market failures in HE provision in Peterborough, targeted at infrastructure provision and capacity building.
4. **Do Maximum:** investment scaled to found, *ab initio,* a new University on a model similar to those founded in the 1960s (the so-called Robbins Institutions).

Do Maximum can be ruled out on the grounds it is unaffordable and unachievable within the constraints of the project. Quantitative economic appraisals of the remaining three options show that the recommended option has by far the highest Benefit Cost Ratio (16, compared with 3 for the

Do minimum option and zero for the Business as Usual). When coupled with the qualitative analysis of each option against the project objectives, this confirms the recommended option as the preferred option and this conclusion easily survives sensitivity testing of assumptions on the scale of the costs and benefits of the recommended option

Commercial Case

This is a complex project that requires careful sequencing and coordination if the objectives are to be met. The ADP's curriculum model has informed the designs for the phase 1 building development.

CPCA, PCC and the proposed ADP will form a special purpose vehicle (PropCo) to build the new campus on the Embankment site within the terms of a suite of transactional agreements.

Procurement of the infrastructure will involve selection of a Main Contractor to deliver the physical capital works via a Design & Build procurement route utilising a competitive tender and an industry standard form of contract (JCT). There is a wealth of potential main contractors and subcontractors who operate in the region and therefore interest in this scheme is expected to be high, which will typically result in competitive pricing.

The property will be leased to a new special purpose vehicle (UniCo) established as a wholly owned subsidiary of the ADP. The ADP will provide the skills, knowledge, experience and resources to make a practical reality of UniCo as the new higher education provider and ultimately with its own degree awarding powers and subsequently university title.

Following a comprehensive procurement process an Academic Delivery Partner has been selected as the ADP for the project and Heads of Terms have been agreed to form the basis of the legal documentation to be entered into between the ADP, CPCA and PCC for delivery of the project.. The ownership structure of the new University will reflect the commitment of resources by CPCA, PCC and the ADP.

The deal will be documented through a suite of transactional agreements to be signed by all parties by the end of August 2020 and a CPCA Service Agreement will also be in place from August 2020 to give authority for CPCA and its agent to act on behalf of PropCo in the design, procurement and delivery of phase 1 of the new University.

Signing of the main contract between PropCo and the Main Contractor for construction is scheduled for January 2021. T

Financial Case

The agreed budget of £30.47m the phase 1 capital build will be funded as follows:

Funding Source	Amount (£)
CPCA Capital Investment	12,300,000
LGF Investment Funding	12,500,000
Land contribution by PCC	1,870,000
ADP Capital Investment (anticipated)	3,800,000
Total Funding (Phase 1 only)	**30,470,000**

A key project objective is to create a sustainable operating model for the University such that, after initial start-up costs, it will operate on a self-sufficient basis. The outputs from the financial model show that the new University breaks even from 2022/23, generating a marginal surplus each year, although sensitivity testing indicates that the operating model is vulnerable to almost any level of reduction in income. Initial start-up costs are anticipated to exceed the available budget and the ADP will meet the full costs of working capital to cover this anticipated as £5.4m deficit through a loan to the new University. The model shows that the key financial risks for the ADP and its ability to fully establish the University are:

- The need to recruit at least the student numbers anticipated by the model and maintain target per student fee levels to generate sufficient income (particularly in the light of the impacts of Covid-19).
- Potential increased costs, particularly for asset maintenance.
- Securing start-up funding

The potential mitigations for these risks include contingency provision throughout the ten year period, as well as a suite of measure to control costs and/or increase incomes. Subject to these considerations it is anticipated that funds will be available to meet both the project budget and the requirements of new University operating model.

The LGF investment requires repayment by 2028. *The LGF investment was approved by the Business Board and Combined Authority Board on the proposed repayment by 2028 in the original LGF application, which stated that there would be an option in 2025 or 2028 to review the grant investment repayment in light of its agreed outputs and outcomes. The CPCA proposes that this will only be done after consultation around best value options and market interest for disposing of the shares in the PropCo either to the ADP or a third party in accordance with the terms agreed in the shareholders' agreement.*

Management Case

The project has a number of stakeholders including: planning consultees; neighbours; Members of Parliament; and PCC and CPCA. These key internal and external stakeholders will be managed under a strategy agreed between PCC and CPCA, outlined in the established communications strategy.

The project is led by CPCA in partnership with PCC who have agreed Heads of Terms for operation of the University with the ADP. CPCA will provide funding to support development of the university campus (which will be owned by PropCo and leased to the new University) through existing capital monies and grants. PCC is working with CPCA to support the delivery and in particular is providing the land for phase one.

CPCA and PCC have put in place the resources needed to manage the work streams required to deliver the project, based on an understanding of the shared goals (set out in the Subscription Agreement which shall be superseded by the shareholders' agreement). CPCA have appointed external consultants to ensure the necessary capacity and capability is available for successful implementation of the project.

Responsibility for the project will be mandated to the Transition Board and Project Management Board until the full suite of legal agreements are entered into. Thereafter responsibility will sit with PropCo who will enter into a Services Agreement with CPCA to manage the delivery of the scheme. The strategy, framework and plan for dealing with change will be embedded within the legal agreements.

The project plan has been developed around the following key dates: spade in the ground (commencement of phase one) Q4 2020; and completion of phase 1 (for occupation) September 2022. To achieve these milestones there are two key work streams: procure the ADP (substantially complete); and develop, design and procure a Main Contractor to deliver phase 1 infrastructure (design has reached Stage 2 and a short-list of prospective contractors has been agreed).

Responsibility for benefits realisation will sit with PropCo and the new University and a roadmap of milestones and steps towards them has been agreed by CPCA, PCC and the ADP in the Heads of Terms.

A detailed project risk register (including control strategies) has been developed based on the following risk categories: surveys and site constraints; commercial; design; legal; procurement; operational; and governance. The project team holds quarterly risk workshops and the risk register is currently reviewed monthly at the Project Management Board. Project assurance will be the responsibility of PropCo and new University for the building and HE operations respectively.

The project will adopt the BSRIA Soft Landings framework and follow the five Stages of the Soft Landings process. Stage 1: Inception and Briefing, Stage 2: Design Development is predicated on Stage one; while Stage 3: Pre-handover requires follow-through with Stage 4: Initial Aftercare. This will help solve any performance gap between design intentions and operational outcomes; the scope will be finalised and agreed with the ADP (as tenant) and the main contractor from September 2020.

Covid-19 impacts and opportunities

A wealth of established and emerging evidence predicts that as a result of the Covid-19 crisis Peterborough and the Fens, will be one of the hardest hit economies in the UK. This is partly due to education deprivation and partly due to the region's low-tech industrial base; factors that combine to increase risks of the region also being one of the slowest to recover.

Therefore, a more inclusive recovery and regrowth strategy is needed for region's economy; one which increases higher value, more knowledge intense and more productive growth and shifts the spatial distribution of economic growth and to support an increase in innovation-based business growth across the whole CPCA economy. This will be more important than ever in the recovery following the Covid-19 crisis.

In common with a number of cities in the UK, the establishment of a university and associated innovation eco-system could produce the knowledge engine to drive these changes and ensure Peterborough is not one of the "left-behind" towns following the Covid-19 crisis.

Following the impact of Covid-19, the ADP set up of a Covid-19 task force (and made an immediate move to online delivery. Its business model is less exposed to the potential impacts of Covid-19 than other HEIs for a variety of reasons including pre-existing blended delivery, lower reliance on international students, low buildings overheads, low gearing and a broad curriculum offer that is likely to be more resilient to the impacts of Covid-19. The ADP has already started the first phase of work on development of the portfolio of courses for the new University in Peterborough and their suitability post Covid-19, including engagement with key stakeholders.

Local demographics indicate HE is about to enter a period of growth in the market, not least due to the latent demand in the "cold spot" identified in the strategic case. It will particularly target:

- First generation HE students of all ages.
- People who are unemployed, retraining or upskilling (esp. post Covid-19)
- Large Corporates and bespoke apprenticeship programmes.

The ADP also has a strong track record in Degree Apprenticeships, built on a reputation for vocational based HE provision (The ADP is the largest provider of Degree Apprenticeships in the UK and a thought leader in their development); a brand that will be further carried into Peterborough. They are undertaking a wide range of preparatory activities to develop the new University of Peterborough offer taking full account of the impacts of (and opportunities presented by) Covid-19 as they become clearer.

Extensive planning is underway and measures are already being implemented to ensure safe social distancing on campuses for as long as is required. The ADP will manage Covid-19 risks (the primary risk being lower than forecast student numbers) in a variety of ways including:

- Only recruiting staff as needed, including limiting senior staff costs.
- Flexible deployment of resources and management of costs.
- Using market intelligence to decide which courses to continue to develop.
- Careful planning of future building phases.
- Sharing costs across the business to create economies of scale.
- Prudent use of the contingency budget.

Recessional impacts may also drive students to study degrees that are sector specific via Degree Apprenticeships and higher-level degrees in companies that lead to jobs as an outcome. The ADP intend this to be a key feature of the new University of Peterborough offer. The ADP have drawn on previous experience of recessional impacts to develop contingency plans and are planning the new University of Peterborough offer based on this experience and engagement with local stakeholders.

There are potential positive potential impacts on student numbers, resulting from the forecast job losses over the coming months and high levels of unemployment medium term, as young people and older re-trainers look to move into university to avoid the peak period of unemployment. The vocational, practice-based nature of the ADP's proposed curriculum is designed to be attractive to adult learners seeking to upskill, re-train or join HE and to fill local skills gaps.

A key potential impact of Covid-19 is that it might make young people who live locally, more likely to study nearer to home; new University of Peterborough is designed to fill the gap identified through the "cold spot" and will, therefore, enable more students in the region to study from home should they wish to do so.

The ADP is committed to develop new local, regional and national industrial partnerships targeting companies or organisations within the areas of its proposed curriculum. These partnerships will match the ADP's key strengths to make new University of Peterborough sustainable in the medium and long term.

1 Strategic Case

1.1 Introduction

Peterborough has been recognised for many years as a cold spot for Higher Education. Cambridgeshire and Peterborough Combined Authority (CPCA), working with Peterborough City Council (PCC), is committed to securing a new higher education provider for the City in readiness for the Academic Year 2022/23. The project is defined as follows:

> *"The University of Peterborough will be a high-quality employment-focused University for the city and region. It will acquire an international reputation for innovative technological approaches to face to face learning and in applied technology and science. It will be characterised by outstanding student satisfaction and response to local needs. The curriculum will be led by student and employer demand as well as developing opportunities in the technological, scientific and business areas. Its buildings will be architecturally leading, flexible and environmentally friendly. The curriculum, academic community and buildings will reflect a desire to be the greenest university possible".*

This document provides the Full Business Case for Phase 1 of the proposed approach to secure a viable, new University for Peterborough. Phase 1 comprises:

1. Development of the first university building on the Embankment site in Peterborough.
2. Enter into a joint venture and property/finance transfer to The Peterborough HE Property Company (Prop Co) with PCC and the Academic Delivery Partner (ADP)
3. Contracting with the preferred ADP to establish the University and provide the skills, knowledge, experience and resources to make a practical reality of the new higher education provision.
4. Procure a main contractor to deliver the phase 1 University building for opening September 2022.

The intention is for the new University to be fast-growing between 2020 and 2032 (supported by further infrastructure development phases). A review undertaken by the Academic Delivery Partner (ADP) and CPCA expected to take place in 2028 will evaluate the benefits and feasibility of the University becoming independent from the ADP with its own degree awarding powers and ultimately University Title.

Improving the higher-level skills and knowledge capacity within the human capital of a place ultimately has little or no effect without the parallel stimulation and supply of higher value jobs to provide opportunities for the increased number of higher-level skilled people. One component of such a stimulation and supply system is an innovation eco-system.

Replicating the "Cambridge Phenomenon" that has taken decades to evolve organically and develop requires a specifically designed and long-term programme of interventions that balance supply of improved human capital with demand for it. This in turn requires indigenous and inward business growth that is more knowledge intensive and higher value, requiring higher level skills.

In the case of Peterborough and The Fens, this means addressing the HE cold spot to generate more level 5, 6, 7 & 8 skills, focused on key, higher value growth sectors such as high-value manufacturing and digital. In comparison to the average city in the UK, and within a workforce of 103,000, Peterborough needs be able to mobilise 17,000 more workers at these higher skills levels, to become competitive as a place, and arrest four decades of decline in prosperity and health outcomes.

Filling the higher-level skills gap in Peterborough and The Fens, will have limited impact without effective measures to grow significantly the business and industrial demand for those skills. This will require, concurrent development of the innovation and business support eco-system to grow indigenous high-value firms and attract new ones to the city.

Such an eco-system, using the new university as its hub, has been designed and substantially funded by CPCA, to be mobilised over the next year. Beyond this project, funding is being sought in the form of accelerated and expanded access to the national £387m 2021/22 Local Growth Fund allocation. Taken together this will include:

- A central, multi-university research super-hub to act as the enabling core for an innovation eco-system to connect firms locally with global partners, knowledge and opportunities for growth.
- New business clusters and networks, especially in manufacturing in the north of the region.
- £20m of growth coaching, mentoring and capital for innovation-based firms.
- A new local Foreign Direct Investment agency to connect into DIT to attract high value firms globally.
- A skills brokerage service to connect learners, and those retraining, with growth firms.
- A network of new Tech Accelerators and Incubators connecting the Cambridge knowledge base with the north of the area.

1.2 Strategic context

1.2.1 About CPCA

CPCA was established in 2017 under a Devolution Deal with central Government. Its purpose is to ensure Cambridgeshire and Peterborough is **a leading place in the world to live, learn and work**.

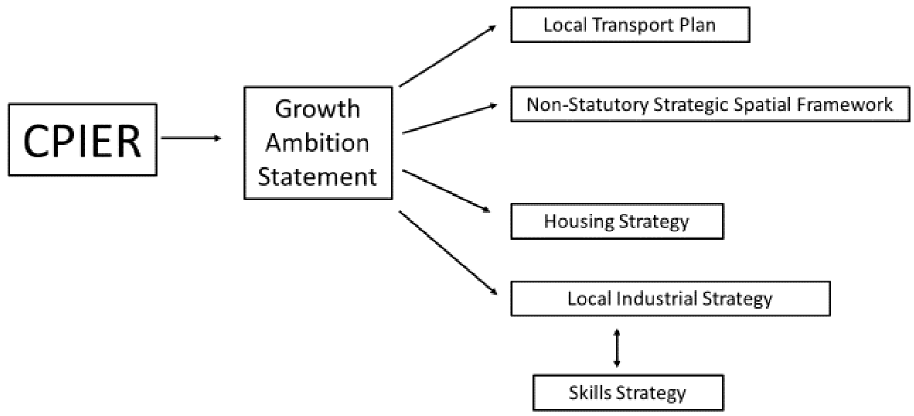
It brings together the area's councils and is chaired by a directly elected Mayor. The Mayor and Combined Authority have statutory powers and a budget for transport, affordable housing, skills and economic development, made up of funding devolved from central Government. The Mayor also has powers to raise monies through local taxes, although these have not been used to date. CPCA's 2017/18 accounts are available at cambridgeshirepeterborough-ca.gov.uk/news/combined-authority-draft/.

The Devolution Deal for Cambridgeshire and Peterborough sets out key ambitions for the Combined Authority; CPCA's mission statement is "**to deliver a leading place to live, learn & work by 2030"**. The Deal, which runs for 30 years, also sets out a list of specific projects which CPCA and its member councils will support over that period. CPCA is publicly accountable for how it uses its devolved funding to meet the Devolution Deal commitments.

CPCAs' business plan can be found at cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/CPCA-Business-Plan-2019-20-dps.pdf and includes the following strategic goals and business aims:

- Doubling the size of the local economy.
- Accelerating house building rates to meet local and UK need.
- Delivering outstanding and much needed connectivity in terms of transport and digital links.
- Providing the UK's most technically skilled workforce.
- Transforming public service delivery to be much more seamless and responsive to local need.
- Growing international recognition for our knowledge-based economy.
- Improving the quality of life by tackling areas suffering from deprivation.

The strategic policy framework within which CPCA works is summarised below (CPIER is the Cambridgeshire and Peterborough Independent Economic Review).



CPCA's Board brings together the Leaders of the councils in the area under the chairmanship of the Mayor and is also attended by the Police and Crime Commissioner, Chairman of the Fire Authority, Chairman of the Business Board and a representative of the NHS. Further details of CPCA's formation, structure, partners and ambitions can be found at cambridgeshirepeterborough-ca.gov.uk/about-us and cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/Constitution-2019-10-24.pdf. CPCA's governance includes a number of Committees and the Business Board:

- **Overview and Scrutiny Committee:** to scrutinise decisions by the Combined Authority or the Mayor.
- **Audit and Governance Committee:** to review the Combined Authority's financial affairs, internal control, corporate governance arrangements and risk management.
- **Employment Committee:** formed following September 2017's Combined Authority Board meeting to provide a focus on employment initiatives in the region.
- **Housing and Committees Committee:** to make recommendations to the Combined Authority Board on: Housing Strategy; the Housing Investment Fund; and the programme of housing projects.
- **Skills Committee:** to make recommendations to the Combined Authority Board on the Skills Strategy and the skills budget, innovation fund and Adult Education Fund.
- **Transport and Infrastructure Committee:** to make recommendations to the Combined Authority Board on: the Local Transport Plan; Bus Strategy; the transport revenue budget, including any transport levy; the annual programme of strategic transport projects and the associated capital investment budget; borrowing powers exercised as the Local Transport Authority; and creation of the key route network
- **Business Board:** constituted in September 2018, the Business Board is the Local Enterprise Partnership (LEP) for the region. It gives commerce a stronger voice in developing CPCA's plans and decision making, particularly the Local Industrial Strategy (LIS) and advising CPCA on achieving its growth ambition.

1.2.2 Policy alignment

National Policy

The UK needs a dual training system where vocational education and training is well known and highly recognised worldwide due to its combination of theory and applied training, embedded within real-life work environments. Central Government has outlined in its Industrial Strategy the need to see more people equipped to acquire intermediate and higher-level technical skills that the economy needs now and in the future. A simplified qualifications system is needed that everyone understands and has confidence in is key to this reform.

The Government's proposed Post 16 reforms aim to streamline qualifications for students through the Post 16 Review of qualifications at level 3 and below in England (www.gov.uk/government/consultations/review-of-post-16-qualifications-at-level-3-and-below-in-england) to create a coherent system with clear, high quality progression routes for students of all ages, including the National Retraining Scheme. These need to support the recommendations of the Augar Review into Post-18 Education funding and the review of Higher Technical Education. The Government's Level 4 and 5 reforms (www.gov.uk/government/publications/review-of-level-4-and-5-education-interim-evidence-overview) present an opportunity to ensure that technical/vocational learning is available in Peterborough.

It is clear that Government HE policy is concerned with increasing the supply of higher-level technical skills, ensuring genuine inclusiveness in higher education provision and participation and supporting the expansion of agile modes of learning including distance and virtual learning approaches to enable increased participation. All of these are strong drivers for the approach to be adopted for the development of a new University for Peterborough.

This in turn supports the UK Government's Industrial Strategy (www.gov.uk/government/topical-events/the-uks-industrial-strategy) which articulates the national strategy to achieve a vision of:

- The UK having the world's most innovative economy.
- Good jobs and greater earning power for all.
- A major upgrade to the UK's infrastructure.
- The UK being the best place to start and grow a business.
- Prosperous communities across the UK

A new University will make a substantial positive economic impact not only in the City but in the wider sub-region supporting these national policy frameworks, enabling the region and the UK to compete in an ever more dynamic global economy through innovation and creating knowledge-intensive businesses. At the same time it will deliver significant cultural and social benefits that are inherent in the aims of these national policies.

CPCA Skills Strategy

The CPCA Skills Strategy provides a framework for expenditure against strategic priorities focused on learning that delivers sustained job outcomes, productivity and economic growth. Devolution of skills budgets provides scope to embed an approach that coordinates local resources and establishes priorities.

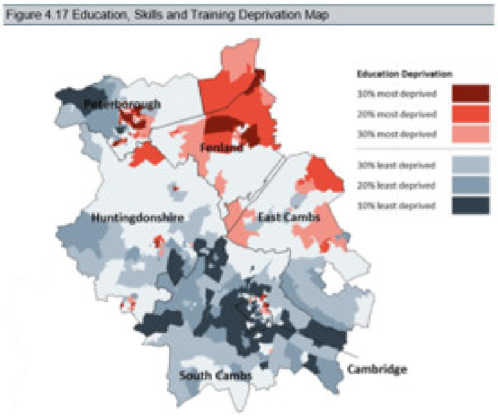
The Cambridgeshire and Peterborough region plays an important role in the UK economy. Although the area is home to large and globally significant businesses, small/medium businesses dominate the local landscape. The region comprises three distinct economies with differing sector specialisms and differing social and economic skills needs:

- Peterborough and surroundings (including north Huntingdonshire).
- The Fens (including Fenland, some of East Cambridgeshire and part of Huntingdonshire).
- Greater Cambridge (Cambridge and South Cambridgeshire, including southern parts of Huntingdonshire and East Cambridgeshire)

Broadly speaking, Greater Cambridge has the highest levels of skills and the best educational outcomes; Greater Peterborough and the surrounding area experiences lower levels of employment and greater economic inactivity (suggesting an economy marked by longer term issues relating to engagement and long-term alienation) and the Fens has lower labour market performance, related to the accessibility of both jobs and training. Levels of education deprivation are shown in the figure below and are concentrated in the north and north-east of the region in particular.

Education deprivation is concentrated in the north-eastern areas of the CPCA. Peterborough and Fenland in particular although there are small clusters in Huntingdon and Cambridge. By contrast significant areas of Huntingdonshire, South Cambridgeshire and Cambridge are lowest in education deprivation.

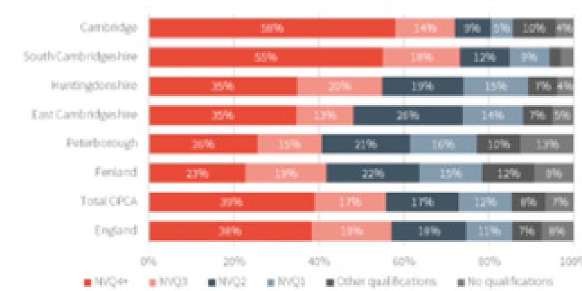
Figure 4.17 Education, Skills and Training Deprivation Map



Source: IMD, DCLG, 2015

Distribution of qualification outcomes

Figure 4.14 Highest level of qualification across CPCA (16-64 yr. olds)



Source: Annual Population Survey, 2017

Peterborough is a recognised cold spot for HE provision in the region, which results a higher level skills gap amongst the working population (see section 1.2.5 below):

It is imperative that, to achieve inclusive growth, CPCA concentrates efforts on closing the skills gaps, and overcomes the barriers and challenges to progression by developing bespoke life-long learning for all ages through a tailored approach. Key to success will be growing local talent (alongside attracting new talent to the area). The CPCA Skills Strategy, therefore, sets a strategic direction to enable sustainable futures by creating a culture of positive change within the skills arena following three key themes:

1. Achieve a high-quality offer tailored to the needs of the three sub-economies.
2. Empower local people to access education and skills to participate fully in society, to raise aspirations and enhance progress into further learning or work.
3. Develop a dynamic skills market that responds to the changing needs of local business.

The University will be catalyst for action under all three themes. It is a Mayoral priority within CPCA's 2019-20 Business Plan as well as a key intervention within the Local Industrial Strategy and the Skills Strategy, to address the current disconnect between work and qualifications. Furthermore, expanded higher education provision will be an essential component in realising the ambitions set out in the Cambridgeshire and Peterborough Independent Economic Review (CPIER www.cpier.org.uk/final-report/) to: establish the foundations for raising aspirations and attainment in Peterborough and the surrounding region; support business skills needs; improve productivity; stimulate structural change in the sub-regional economy; and enhance the well-being of the local population.

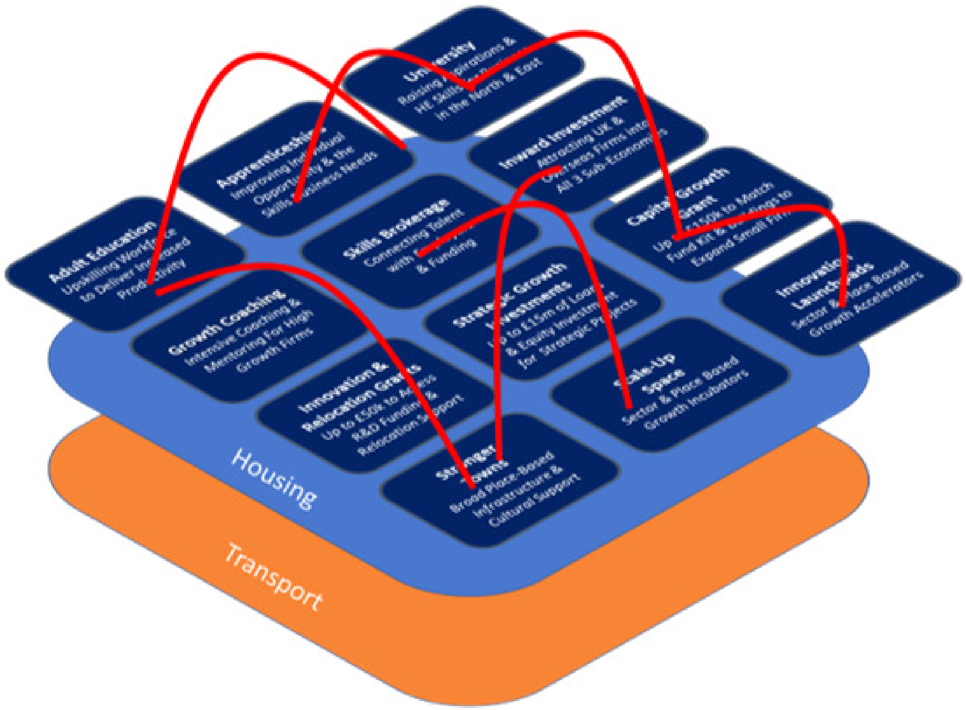
Moreover, young people in Peterborough and surrounding areas often leave school/college/ university without possessing some of the practical skills to function in the modern workplace. There is concern also that the teachers/academics lack knowledge of vocational career pathways and technical curriculums and that there is currently a disconnect between schools/colleges and employers/businesses. CPCA's strategies focus on activity-based transitions that are outcome based and business-focussed within the key sectors of Construction, Logistics, Agriculture/Food, Life Sciences, ICT/Digital, Health and Social Care to create pathways to further study in either FE or HE.

Based on recent economic data/evidence collected from the CPIER and the Hatch Regeneris' Skills Strategy Evidence Base Report (www.cambridgeshirepeterborough-ca.gov.uk/assets/Employment-and-Skills/Cambridgeshire-and-Peterborough-Combined-Authority-FINAL-DEC-2018-Appendix-A.pdf), CPCA's Skills Strategy (www.cambridgeshirepeterborough-ca.gov.uk/assets/Employment-and-Skills/Skills-Strategy-Final-Version-5.6.19.pdf) has identified a need for a University for Peterborough. CPCA is committed (as a devolution priority) to supporting the establishment of expanded HE provision in Peterborough, with a course mix driven by the requirements of local residents and businesses.

The University curriculum offer needs to support raising aspirations to grow the student numbers from the local area, meet student expectations and meet the needs of the local economy. CPCA's policy is to prioritise skills interventions, including supporting the establishment of a new University for Peterborough with provision driven by local employer demand for skills in both public and private sectors, encouraging apprenticeships. Through the LIS, CPCA is also working to activate employer demand and motivate learners and their families to raise their aspirations.

The establishment of a new University is, therefore, an integral element of the wider CPCA Skills Strategy and Local Industrial Strategy implementation, as illustrated in the diagrams below.

The new University project has no direct delivery dependencies on the CPCA's other skills and economy interventions, although a number of these other programmes will support the University curriculum offer; e.g. Skills Brokerage (linking) business with schools, the CEC contract (linking careers advice in schools with Enterprise Advisors in schools), delivery of the Adult Education Budget linked to the National Retraining Scheme and the DWP Health and Care Sector Work Academy.



1.2.3 Objectives

CPCA's ambition is to create a new University for Peterborough that will deliver a step-change in life-chances for young people in Peterborough and beyond. Key to the success of the new University will be its ability to grow and retain local talent alongside attracting and retaining new talent to the area. Through this project, CPCA is committed to raising personal and community aspirations along with improving social-mobility and contributing to inclusive social and economic growth. CPCA will continue to promote and support skills provision that meets employer demand and motivates learners and their families to aspire to building prosperous futures for themselves and their communities, harnessing lifelong learning.

The top-line objectives for the new University are:

- Accelerating economic growth through an increase in student numbers educated for higher value jobs which CPCA intends to stimulate and grow in the local economy.
- Increasing productivity by job-ready degrees that support growth in the local economy.
- Increasing GVA through meeting business, student and employer aspirational needs.
- Creating an effective progression route for technical learning maximising the variety of providers and funding sources.
- Re-skilling and up-skilling the workforce to meet technical skills market needs.

Specific quantitative objectives for the new University include:

- The University starts provision of education to students at the start of Academic year 2022/23 with students registered to receive an award of the ADP (as it will not yet have its own degree awarding powers).

- Prepare and submit registration of new University with the Office for Students (OfS) in the 2022/23 academic year, with the new University anticipated to be eligible for registration with the OfS as a Higher Education provider by the beginning of the academic year 2025/26.
- Subject to the conclusions of comprehensive review by CPCA and the ADP, securing Unlimited Degree Awarding Powers following the 2028/29 academic year and eligibility to apply to OfS for university title (as the "University of Peterborough") in accordance with the Framework by the beginning of the academic year 2031/32.
- Up to 2,000 students for the 2022/23 academic year, rising to 3,000 by 2024/25 and 4,000 by 2025/26 with an aspirational target (subject to availability of the necessary capital funding) of up to 12,500 students by 2030/31.

Beyond phase 1 of the project, it is intended that:

- Phase 2, when constructed, will be an 'Advanced Manufacturing and Materials Research Centre/Innovation Hub' used for educational research and development (with no teaching taking place in the Phase 2 building(s)).
- Phase 3 will comprise plans for two further teaching-focused buildings to be constructed in two sub-phases with the first projected to open in 2025 and the second in 2028 (subject to the necessary funding being obtained).

As described above, improving higher-level skills and the knowledge capacity must be accompanies by parallel stimulation and supply of higher value jobs to provide opportunity for the increased number of higher-level skilled people, including development of an innovation eco-system in the region.

There is considerable evidence of best practice in developing and managing place-based innovation ecosystems, which has been used by CPCA to build a strategy to develop such an eco-system for Peterborough and the Fens. It includes actors and components able to:

- build on the regional master plan provided by the LIS, which identifies the threats and challenges facing the regional economy and its key sector-clusters, along with the potential skills and innovation interventions to overcome those challenges. It has clear targets for ecosystem-level innovation outcomes in terms of inputs, such as volume of R&D and knowledge generation, and outputs such as the value and volume of new products and services created and launched into market, delivering outcomes in terms of new, higher value, jobs created;
- operate locally with connectivity to a truly global, sector-based collaborative network in materials and high value manufacturing sectors, and through selected Innovation Partners' 700 Industrial Member companies across 4500 sites in 80 countries, with combined revenues of £35bn and a combined annual R&D activity of £1.5bn pa into which to connect;
- enable the flow of information, resources, talent, and solutions between complementary firms across networks, through our selected Innovation Partners' R&D collaborations, consultancy and training services with Industrial Members, rolled out to Peterborough's local network of 200 manufacturing firms, managed by Opportunity Peterborough;
- connect firms through formalised innovation partnerships such as membership of broad R&D programme, or individual projects, innovation alliances (e.g. joint R&D centres jointly staffed by business and universities). Such innovation creation platforms must extend into commercialisation partnerships and market-entry joint ventures and hubs, to ensure market-specific product and service launch and innovation-based growth; and

- provide a clear central coordinating service, facilitating cross-industry collaboration and providing professional services in both management advice and technology applications, capable of managing the ecosystem-level service provision, e.g. the use of facilities and management of an extensive portfolio of R&D, as well as the provision of commercialisation, incubation and growth services.

To drive growth and job creation in the key sectors for the region's economic recovery and re-growth, Phase 2 of the new University will establish an Advanced Manufacturing & Materials Research Centre to extend university delivery into research PhDs and produce the core infrastructure around which to develop an innovation eco-system to drive business research across Peterborough and The Fens.

CPCA and its selected Innovation Partner will build an innovation eco-system around the Centre to drive innovation-based growth in local business clusters. The facility will be managed by the Innovation Partner, as an established global player in promoting business investment in research and innovation. The Partner, to be announced before September 2020, has worked with over 1,000 businesses across the globe to raise over £325m for collaborative R&D between academia and business in just 10 years. CPCA will partner with this global innovation capability to transform the resilience, productivity and knowledge intensity of the local economy of Peterborough and The Fens, which has suffered from low research investment and absence of a research and innovation eco-system, which in turn has led to a four-decade erosion in productivity and high value, knowledge intensive industry. To reverse this trend CPCA will form a novel partnership with business and academia to:

- construct the Research Centre building within the new University campus through the requested accelerated access to 2021/22 LGF funding;
- connect the Centre into a CPCA funded £20m Business Growth Service, launching in October 2020, to support 3,000 firms to grow through innovation, business coaching, mentoring and access to growth capital;
- create a unique Global-Local Innovation Network consisting of the Innovation Partner's 700 Industrial Members across the globe, with over 500,000 employees and a joint R&D investment of over £1.5bn pa, connected into a new CPCA funded Manufacturing Network of 200 firms across Peterborough & The Fens; and
- curate a Multi-University Innovation Super-Hub, securing inward investment from 5 universities into Peterborough from the Golden Innovation triangle, formed by the London-Stansted-Cambridge Growth Corridor and the OxCam Growth Corridor, to create 8 university specialist Innovation Centres within the Super-Hub, with a combined R&D portfolio of £10m per annum

All parties involved acknowledge that these objectives and timelines are subject to reasonable adjustment to reflect issues arising from the impacts of Covid-19 (see section 3.3 in particular).

CPCA further anticipates that the new University will have:

- a substantial positive economic impact on Peterborough City and the surrounding region such that investment in the new University will generate direct, indirect and induced impacts across a wide range of industries, supply chains and the wider consumer economy;
- a positive regenerative effect to support the transformation of Peterborough itself into a regional centre improving the experience of all citizens and visitors to the area, including

generating new oppportunities for graduate-level employment and encouraging both local participation in HE and the local retention of graduates to benefit the wider economy;
- a transformational effect on the life-chances and well-being of its students and raise aspiration more broadly within Peterborough and the surrounding region. We anticipate that this will include:
    - Improving life-chances, health and well-being outcomes of students and, over time, the wider community;
    - building confidence and capability among the graduates of the new university and potentially encouraging innovation and entrepreneurship;
    - enhancing the capabilities of those graduates who continue to live and work in and around Peterborough to improve their productivity and earning potential; and
    - attracting and retaining investment locally to create more opportunities for the people of Peterborough and the surrounding region to benefit from higher education and contribute to the on-going success of the region.

1.2.4 Current position

While the CPCA region has an enviable HE profile thanks in part to the presence of institutions and universities that have a world-class reputation, Peterborough has been recognised for many years as a cold spot for Higher Education (e.g. Peterborough and Fenland have around a quarter of the number of HE entrants of South Cambridgeshire)[1].

Current HE provision in Peterborough consists of:

1. **Peterborough Regional College:** has around 4,500 students and a broad course offering with particular HE teaching specialisms in engineering and construction, primarily at the Park Crescent campus, including **University Centre Peterborough (UCP)**, a 100% owned subsidiary of Peterborough Regional College, providing around 500 qualifications per annum across business, engineering, digital, finance, construction management and accounting disciplines. The curriculum is modelled on education pathways and not sufficiently linked to employment or business needs, despite there being a number of applied degrees on offer. UCP does not have degree awarding powers and currently degrees are validated by Anglia Ruskin University.

2. **Anglia Ruskin University**: a satellite campus located in Guild House, Peterborough, with bespoke provision of around 400 qualifications per annum in health, social care and education. It is intended that this provision will be transferred to the Phase 1 new University at the embankment site that is the subject of this FBC.

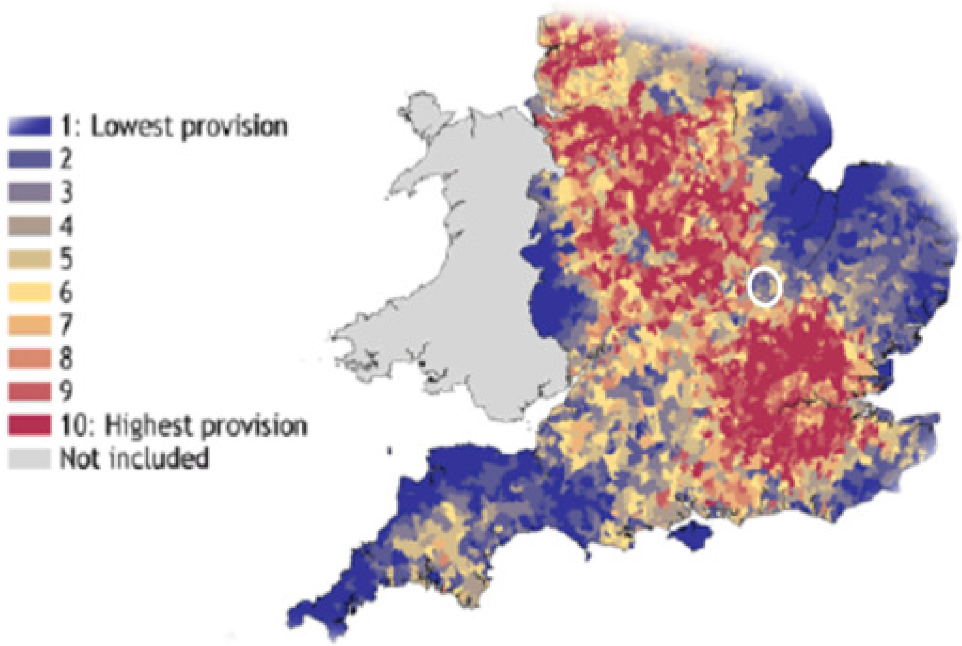
There is no HE provision in Fenland or North Huntingdonshire. The dispersed rural character of, and poor transport networks in, Fenland in particular make it challenging to establish HE operations in these areas. The sparsity of population and travel to learn times (rather than distances) have tended to inhibit the creation of viable provision, in the absence of flexible modes of delivery to compensate for these characteristics of the region.

1.2.5 Case for change

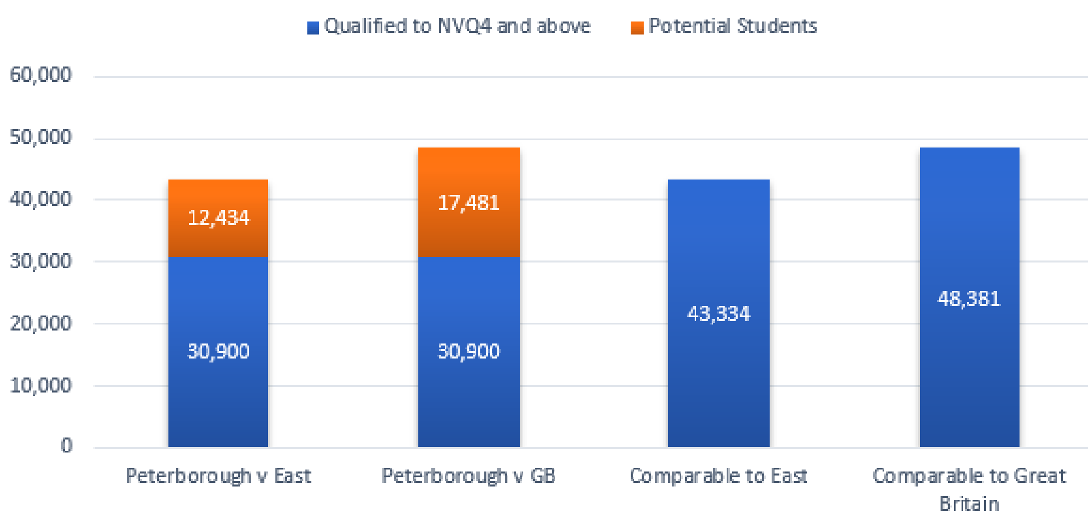
<u>A Higher Education "cold spot"</u>

[1] Hatch Regeneris CPCA Skills Strategy Evidence Base, December 2018

To be effective the University must address the characteristics of the higher education cold spot in the region (see figure below, sources: HESA and ILR 2012/13).

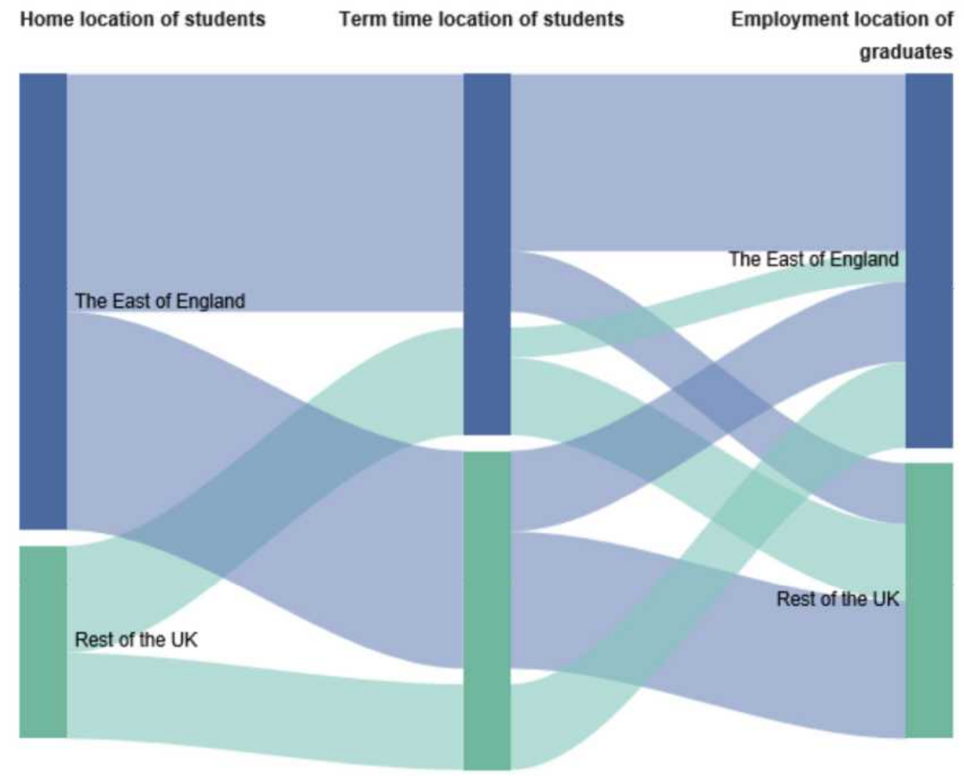


If Peterborough matched the East of England an additional 12,000 people aged 16-64 would have an NVQ Level 4 qualification or above and if Peterborough matched the UK, 17,000 more people would have such a qualification (see chart below).



There is no doubt, therefore, that, as a higher education cold spot, Peterborough and the wider CPCA region north of Cambridge is under-served by current providers. Furthermore, there is a net-outflow of students from the East of England with many fewer local students returning to the region after graduation; and, equally, many fewer students who study in the East settling in the region after studying here, effectively denuding the region of graduate talent (see HESA Destination of Leavers Survey figure below with additional interpretation in the footnote[2].

[2] The groupings from top to bottom on destination:



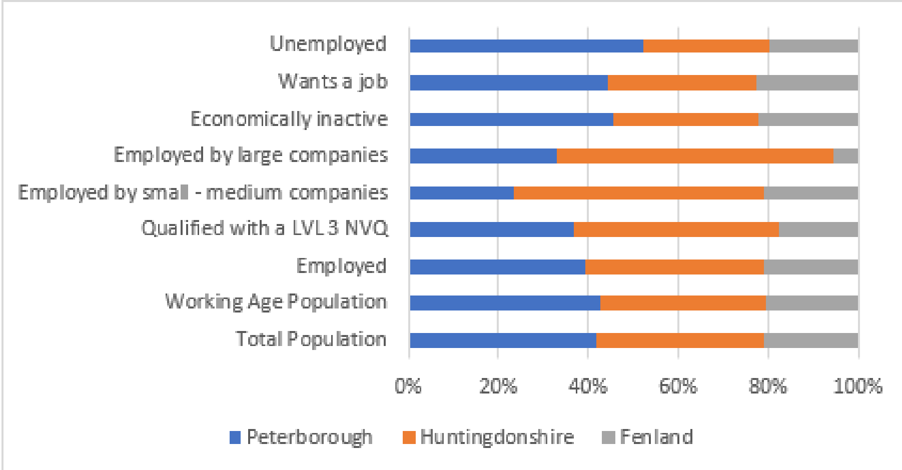
Source: HESA Destination of Leavers Survey, 2014/15

Note: Populations cover those HE graduates in employment who have had a postcode in the selected region during their time in HE. This includes their home address, term-time address and employment location.

Peterborough has a working age population of c 125,000 of whom 95,300 are employed. Unemployment rates in Peterborough are 4.7%, which is higher than the national average of 3.5%; approximately 5,000 people are unemployed and approximately 24,400 are economically inactive, of whom approximately 6,500 would want a job. These proportions are broadly mirrored in Huntingdonshire and Fenland; the chart below gives more detail on the labour market position across the sub-region.

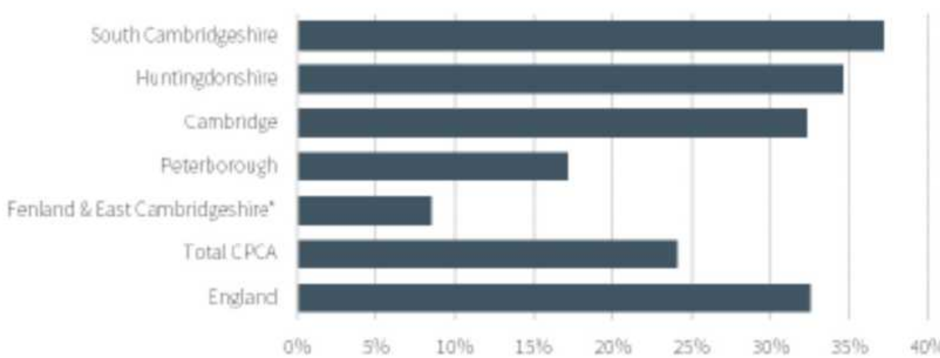
1. East of England (EE) students, who study in the East and stay after graduation
2. UK students (out of EE region) who study in the East and stay after graduation
3. EE students who study out of region but return after graduation
4. UK students (out of EE region) who study out of region but move into region after graduation
5. EE students who study in the East and leave the region after graduation [Net Loss]
6. UK students (out of EE region) who study in the East and leave after graduation
7. EE students who study out of region and do not return to the region after graduation [Net Loss]

Categories 5 and 7 outweigh categories 2 and 4. The net effect is a drain on the region. However, these groups are not the target market for the University– these students are already travelling in/out of region for a specific higher education experience which is already available. To compete directly for these students with their current institutions of choice would be fool-hardy given the imbalance in resources, infrastructure and brand equity. This route would lead to a “Red Ocean” of brutal competition.



Peterborough/Huntingdonshire/Fenland labour market demographics [Source: Official Labour Market Statistics]
NB the population with NVQ level 3 qualifications will overlap with several other sub-sets.

The local population has grown at a faster rate than the national average, which will in due course translate to a bigger local market for students. Moreover, the CPCA area has only 24% of 18-24-year olds in full-time education, compared to 33% nationally and in Peterborough the proportion is very much lower than any other part of the region except Fenland and East Cambridgeshire.



Proportion of Young People aged 18-24 in full-time education
Source: Hatch Regeneris CPCA Skills Strategy Evidence Base

Addressing provision to under-represented and under-employed groups is critical as there may already be unfilled vacancies and employment opportunities within the region for which there is a dearth of suitably qualified applicants. This is uncontested market space where competition in HE (which is burgeoning) is largely irrelevant. The University has the opportunity to provide a unique offering to serve the cold spot, to attract under-represented groups and to redress the balance between Peterborough and the rest of the region. The economic impact of developing a strategy to serve this need would in turn be very considerable.

During the last four decades, Peterborough's population has doubled, and with it, the level of employment available. However, due to the much lower than average (nationally) supply of Level 4-6 skills, it has proved impossible to grow or attract in, sufficient high-value firms to maintain the city's productivity levels. This has created a degradation in the average value of jobs, wages and health outcomes that has significantly retarded the north of the CPCA region's economic growth potential, and its ability to contribute to region-wide productive growth.

The need for a new approach

After failed efforts over the last 20 years, to produce a commercially viable HE provision, of sufficient scale and quality, to attract sufficient volumes of students to meet demand for higher value skills to enable productive growth, a different approach is required.

University Centre Peterborough/Peterborough Regional College

In June 2016 UCP/PRC was awarded £720,000 of Greater Cambridge and Greater Peterborough LEP funding to support the development of the University; £120,000 to support project management and £600,000 to develop Taught Degree Awarding Powers (TDAP). In September 2017 CPCA awarded UCP/PRC a further £668,604 to support project management, curriculum development and marketing. In March 2018 a further £9.7 million was approved towards validation of the UCP/PRC Business Case bringing the total funding approved by March 2018 to £13.53 million.

The project then entered a period of considerable turbulence and challenging relationships between key stakeholders. By July 2019 £1.1 million had been invested without good evidence of progress and significant concerns arising that the goal of increasing student numbers to 2,000 by 2022 would not be achieved. CPCA, therefore, commissioned independent reviews to look at the progress made. While progress had been achieved[3], there were significant risks and implications of continuing with the programme without a review of progress and strategy (further reinforced by changes in the HE landscape and the need to future-proof on-going investment and ambitions for the University).

Gleeds were commissioned to perform a Technical Review as to whether the Strategic Outline Business Case submitted to the CPCA in 2018 was fit for purpose and whether a sufficiently robust assessment could be produced, detailing the options for establishing a new University, to allow the commitment of CPCA funds into a procurement of new buildings and facilities on the Embankment site.

The Gleeds Review suggested the project set out in this Outline Business Case as a credible way forward to deliver CPCA and PCC aims, highlighting the following in particular:

- A robust plan in place to deliver the University on time on the Embankment site with 2,000 students by 2022 in an iconic building.
- The plan will allow the delivery of a curriculum that meets the needs of both students and employers, and with new and progressive delivery models, such as degree apprenticeships and 2 year degree programmes.
- The plan includes strategies to raise the amount of revenue and capital funding currently available for the project (£13.83 million from the CPCA) to as much as £20 million.

[3] Progress identified included:

- Registration to Office for Students to apply for Degree Awarding Powers.
- An agreed high-level vision across all stakeholders providing an underpinning for the new university, and a definition for the new University.
- CPCA has instituted very rigorous and robust monitoring and evaluation of UCP's programme delivery.
- CPCA has instituted rigorous and robust accountability systems for financial awards made to UCP.
- Shadow University governance arrangements were in place (chaired by Sir Les Ebdon).
- Restoration of positive working relationships with between CPCA and UCP, PRC and PCC.
- The development of 28 curriculum courses that have been validated by the ADP.
- A draft joint (CPCA/UCP/PCC) Communications Strategy developed.
- Three credible strategic reviews of the project by independent 3rd Parties.

To achieve these goals the plan includes a market comparison of potential academic partners to work with the CPCA and PCC to deliver the University by September 2022 and on to 2030.

Accordingly, the conclusion drawn was that UCP/PRC could not continue to be automatically considered to be the preferred or exclusive Academic Delivery Partner without challenge and comparison with the market.

Institute of Technology

There has been previous discussion about the option of an Institute of Technology (IoT) to fill the gaps in technical provision, particularly to develop STEM (science, technology, engineering and mathematics) skills. Successful IoTs are built on successful FE/Technical Colleges and successful school provision of vocational learning and these conditions are not currently present in Peterborough. Peterborough already has the Greater Peterborough University Technical College (14-19) and IMET (Innovation, Manufacturing, Engineering and Technology) at Alconbury. The UTC specialising in Engineering and with strong business engagement recently received a “Requires Improvement” rating from Ofsted at its first inspection with lack of pedagogy and teaching specialism in technical delivery cited as a key factor. IMET opened in September 2019 to 15 students and is operated by Peterborough Regional College and Cambridge Regional College. PRC was also rated “Requires Improvement” by Ofsted in June 2019 and student numbers in vocational learning have fallen significantly.

The way forward

The only viable solution to the cold spot, therefore, is to increase HE provision in Peterborough and the intention of the new University for Peterborough is, accordingly, to increase the number of HE entrants from the north and north-east of the CPCA region by attracting and retaining students locally (after graduation). In particular, it will need to engage people who do not currently participate in HE but who would participate and remain locally if suitable provision was available (i.e. not compete for students who migrate out of region and do not return, nor for students who already migrate into the region but do not stay). Furthermore, flexible modes of HE delivery will be necessary to compensate for the characteristics of the region (particularly sparsely populated rural areas) and this is a critical reason why the University must establish itself on an agile basis and not be entirely concentrated in Peterborough.

The Cambridgeshire and Peterborough Independent Economic Review (CPIER), makes direct reference to the development and scale of investment required in the new University.

> *“…the purpose of the University in Peterborough ought to be strongly rooted in the local and sub regional economy. This should mean drawing on existing strengths in manufacturing and engineering… local economic benefits of university research tend to be magnified when local firms are technologically close to the university.”*

Such effects inevitably develop over time and are not to be expected from an institution in its first phase of development, although the long-term vision, mission and growth trajectory must be lay the foundations for this critical link between research and business (current and future). CPIER continues:

> *“As the UK moves towards the digitalisation of industry, new types of jobs are being created at the interface between manufacturing and IT. Artificial intelligence is also likely to revolutionise manufacturing. There are niches to be found here, [that] local businesses … would be keen to support. Water management is another area where Peterborough has specialisms and is particularly relevant*

for fen areas. We warn those planning for the university to resist the temptation to try to develop an outstanding university on a shoestring – any such institution will require high-levels of investment in advanced machinery to be credible. Putting clear financial heft behind the proposal and hiring excellent people from successful universities will be needed to prevent the university from languishing in mediocrity or failing given the present apparent increased supply of university places relative to demand."

It is important to be realistic about the early phases of development of the new University. In particular, research strength has been concentrated selectively in fewer universities over the last 20 years (in reality, the top 6 institutions account for the vast majority of research funding and activity). The creation of an *ab initio* research strategy for the new University must recognise this fundamental dynamic. The scale of research activity will, therefore, initially be modest and flow from the investment of time by the new University in developing the necessary human capital, infrastructure and resources to address this longer-term strategic ambition. Staff recruitment is correctly identified in the CPIER analysis as a critical success factor. However, both time and investment will be needed to recruit and engage those staff. Most critically, such development must flow from an established sustainable model of provision that can underpin the recruitment of researchers and address the demographic challenges that make Peterborough a cold spot in the first place.

It is, therefore, necessary to be clear that the first tier of University strategy must be to craft a sustainable portfolio of taught courses that addresses the characteristics of the cold spot and then to recruit and build the human capital, infrastructure and research expertise. The University's future graduates may be among those who fundamentally re-shape the business landscape of the region and collaborate on exactly the type of research/industry challenges which CPIER recognises. To reach that point, the University itself will need visionary leadership to attract top academic talent and a sustainable business model to attract and underpin substantial levels of future investment. The critical challenge facing the new University for Peterborough will be to provide a firm foundation for an ambitious longer-term strategy and investment programme.

Research by Opportunity Peterborough has helped identify a broad scope of discipline areas that the new University will need to consider, including:

- Agri-tech;
- Business
- Education and Professional Services;
- Construction;
- Engineering
- IT and Digital;
- Life Sciences
- Science
- Mathematics
- Sustainability
- Arts and Creative
- Health and Social Care
- Law
- Manufacturing and Advanced Materials
- Logistics and Distribution;
- Travel, Leisure and Hospitality.

It is clear from the scale and scope of these sectors that the new University has a range of opportunities to consider (without spreading itself too thinly during the initial phases of its development).

A UK wide survey of foreign direct investment found that digital technology, climate change and healthcare and wellbeing were ranked as the three highest potential opportunities for investment over the long term, with 25% of investors citing employee skills as the key factor which influenced their decisions[4].

Wider impacts

A higher education experience is one of the most powerful and transformational investments which can be made both by individual students and by civil society more broadly. Moreover, universities in cities help build community cohesion and drive up educational standards and attainment e.g. with lecturers/professors becoming governors at local schools.

CPCA is determined to make these investments, to encourage others to make such investments and to bring the positive benefits of higher education to the people of Peterborough and the surrounding region.

A new University will, therefore, offer much more to the people of Peterborough and the region. It will give Peterborough and surrounding areas an opportunity to reinvent its economy as the city continues to grow in population, creating a virtuous circle for continued growth of the economy and the new University, raising aspirations locally and supporting business needs for skills.

1.3 About the project

1.3.1 Scope

Recognising the resource and timescale constraints and the very high risks that would accompany any attempt to found a new University of Peterborough on a model similar to those founded in the 1960s (the so-called Robbins Institutions), the core strategy for the University is based on directly tackling the characteristics of the addressable component of the current market failures (the “cold spot”) without unnecessary direct competition with existing providers. The hallmarks of this strategy, based on a clear understanding of the market needs in and around Peterborough and by balancing resource constraints, include:

- A clear focus on under-represented groups and those “left behind” i.e. those who cannot or will not travel to existing providers.
- A solution based on a limited physical experience i.e. the capital available will support only a modest campus development (at least) initially.
- A phased approach which evolves with the needs of the region and is facilitated by successive successful phases of development i.e. a model in which viable provision is established early and becomes the foundation for reinvesting in later phases.
- The development of highly effective, collaborative and cooperative relationships between education providers to build a clear pipeline of opportunities, to raise aspiration, to identify and promote role models and to create a source of competitive advantage.

This Final Business Case is concerned only with the phase 1 development of the new University for Peterborough comprising:

1. Development of the first university building on the Embankment site in Peterborough City centre (this site will be built in phases as the University establishes and grows).
2. Enter into a joint venture and property/finance transfer to The Peterborough HE Property Company (Prop Co) with PCC and the Academic Delivery Partner (ADP) with legal documentation consisting of:
    - Prop Co Articles of Association.

[4] Building Back Better – Attractiveness Survey UK – Ernst and Young, May 2020

- Shareholders' Agreement in respect of PropCo
- CPCA Services Agreement*.
- Land transfer Agreement.
- Agreement for Lease with agreed form lease.
- Any other ancillary documentation required to implement the provisions of the Heads of Terms.

3. Contracting with the preferred ADP to provide the skills, knowledge, experience and resources to establish the new University and to achieve degree awarding powers and University Title consisting of.
    - Articles of Association for the new University
    - Collaboration Agreement.
4. Procure a main contractor to deliver the phase 1 University building for opening September 2022.

CPCA, PCC and the ADP will enter into agreements under which they will become shareholders' in a new special purpose vehicle (PropCo). The site for the phase 1 building, will be transferred by PCC to PropCo in exchange for shares in PropCo. Funding will be provided by CPCA of up to £24.8m (including the Local Growth Fund (LGF) funding along with the ADP's investment of up to £6.5m (at the time of writing the Full Business case this was a £3.8 million investment; which has formed the basis on which the design has been developed) with the shareholdings to reflect each of the investors contributions to Prop Co. On this basis (which is subject to agreement of the contract sum with the main contractor in January 2021), PropCo will be owned 75.38% by CPCA, 19.76% by the ADP and 4.86% by PCC, with protections in place for PCC and the ADP's minority interest.

Given that PropCo has no staff to manage the delivery of Phase 1 build, CPCA will enter into a Services Agreement between CPCA and PropCo in order for CPCA to manage the procurement, the contract management and administration of the financial management on behalf of PropCo in relation to the delivery of Phase 1 of the new University of Peterborough.

PropCo will build the new campus on the Embankment site and lease the phase 1 building to the new University (which will be a separate new special purpose higher education vehicle (UniCo). UniCo will be created by the ADP as a company limited by guarantee and will eventually become the "University of Peterborough". The ADP will have responsibility for Unico, including the academic governance of UniCo from September 2022 at least until UniCo has the ability to deliver its own awards. It is intended that PropCo will grant a lease of the phase 1 buildings to UniCo, for an initial rent-free period of 10 years (see section 3 below for more detail).

This is a complex project that requires careful sequencing and coordination if the objectives are to be met (see section 1.2.3 above). The critical elements are:

- The formal process for developing a new University with all its attendant functions and services – the complexity of such a development requires that CPCA procures a suitably capable Academic Delivery Partner (ADP) with the know-how and capabilities to join with CPCA to realise its objectives (the procurement process for the ADP is a complex and substantive undertaking in its own right).
- The scoping, design and construction of the new HE building on the Embankment site to meet the enhanced needs of the ADP (which in addition to the three faculties, the ADP has now added a fourth faculty (Faculty of Health and Education) growing from their Guild House activity).

- The development of a Masterplan for the Embankment Site is essential to underpin future phases of development to support the development and growth of the new University. Future phases (not in scope for this Full Business Case) are expected (subject to available capacity on the Embankment site) to be:
    - Phase 2 will be an 'Advanced Manufacturing and Materials Research Centre/Innovation Hub' used for educational research and development.
    - 'Phase 3' will comprises two further teaching focused buildings to be constructed in two sub-phases); the first projected to open in 2025 and the second in 2028 (subject to the necessary funding being obtained).
    - This is intended to enable potential growth of the University up to 5000 students by 2027/28 in phase 2 and 6363 by 2030/31 in phase 3
- Once CPCA has assembled the necessary funding for the future phases, PCC will make available the land for phases 2 and 3, which will be transferred to either PropCo (at the current market value at the time of transfer), or another property investment vehicle incorporated for the purpose.
- The contractual and commercial relationships necessary to assemble resources between the public authorities partnering to develop the University and between those public authorities and the ADP (see section 3 below).

1.3.2 Benefits

The main Benefits of the project stem from establishing a Phase 1 University Campus in Peterborough, for up to 2,000 students by September 2022/23, with a curriculum and delivery model that is designed to meet the skills needs that growth in the Greater Peterborough business base will generate. The plan for the courses to be provided, space required and staffing levels has been developed and adopted by the ADP from the Shadow Curriculum Model referred to above to support Greater Peterborough and the Fen's key sectors, adding in a fourth Faculty.

A curriculum model developed and adopted by the ADP which in turn has driven the revised space model and brief for the phase 1 development (and is now reflected in the RIBA 2 design).

The key benefits to be delivered by the project include:

1. New learners assisted (on courses to full qualification) 10,000 (Levels 5 and 6 over five years).
2. Employment
    a. Number of temporary jobs created: 50 in construction
    b. Number of jobs created: 33 University staff initially.
    c. Number of indirect jobs created: 66 in the University supply chain rising to 398.
    d. A further 166 directly employed staff as the University Faculties grow.
    e. Number of indirect jobs to be created: 14,000[5]

[5] Comprising jobs created in;

- Businesses supplying the University, its staff and students.
- Spin-out/start-up businesses created by University staff and students.
- Inward Investors re-locating/starting business in the CPCA area due to the enhanced attractiveness of the talent pool and improved availability of required skills.
- Indigenous businesses achieving faster and more sustained growth resulting from the lowering of the highest barrier to growth reported by local businesses – poor availability and challenges in recruiting "out-of-area" suitably qualifies staff.

f. Number of Apprenticeships to be established:
   i. Level 6 (over 3 years) – 4,383
   ii. Level 7 (over 3 years) – 677

Sections 2.2 and 5.5 describe how these benefits will be assessed and (where applicable) quantified.

1.3.3 Risks, constraints and dependencies

The main risks associated with achieving the project outcomes are set out in the risk register at Annex 6.1 together with measures to mitigate and manage them. The main risks are summarised in the tables below for each of the phase 1 infrastructure works and the ADP procurement and delivery. A more detailed assessment of the risks posed by the impacts of Covid-19 is provided in a separate section of this FBC (section 3.3); the allocation of risk between PropCo and the main contractor will be agreed through the second stage of the procurement process.

The table below summarises the key constraints that have been placed on the project and within which it must be delivered:

Constraints	
Timing	A requirement to start on site in Q4 2020 and deliver the scheme by September 2022. This has led to the need to find a site for phase 1 that can be secured and has few development constraints. In order to meet the Q4 Start and accommodate the delays as a result of the extended negotiated procedure with the ADP up to receipt of the final tender, it will be necessary to commence on site with an enabling package for removal of UKPN redundant cable and low value site enabling works under the pre-construction service agreement with the main contractor. The increased size of the phase 1 building as a result of the needs of the ADP to meet the needs of their curriculum and the delays up to receipt of final tender on 21st April 2020 from the ADP have meant that there is no further terminal float in the overall programme. The programme does not allow for any further delay in contract award of the Academic Delivery Partner or for an extended construction duration as a result of Covid 19.
Procurement	**Academic Delivery Partner Procurement** - Timing of the project requires an overlap of ADP procurement and development of the design for the phase 1 building; which has remained in order to update the RIBA 2 design through negotiation and to commence the development of the RIBA 3 design (Employers Requirements) that will be used as the basis for procurement of the main contractor in the second of a two stage process the first of which will be based on the agreed RIBA 2 re design following negotiation with the ADP. RIBA 3 design is under development with the ADP following their appointment in June to ensure that there is an agreed set of Employers Requirements to procure the works with the main contractor.

The employed population of Peterborough is 94,000, supplemented by a further 50,000 in its wider commutable catchment area. Current growth is at 3.3% in the city creating up to 15,510 new jobs over the coming five years. With at least 10,000 additional graduates being pumped into the workforce over the same period there is the potential to shift this growth towards higher-value jobs to raise productivity. To support this, the CPCA is launching its Growth Service to create a further 4,692 high-value jobs over the same 5 years, through access to growth coaching for higher-value indigenous companies as well as attracting-in new inward investing firms targeting:

- Advanced manufacturing firms from across the UK and Europe.
- Government departments and professional services firms from London, capitalising on the new 39 minute train journey time to Kings Cross.

Constraints	
	Main Contractor phase 1 - Selection of two stage procurement strategy for the main contractor to appoint a contractor under a preconstruction service agreement ready to commence agreement of the contract sum from sign off of this FBC.
Capital funding	The design of phase one assumes a budget of £28,599,600 based on £24.8m CPCA Funding, now secured by CPCA (made up of £12.3m CPCA and £12.5m LGF) and balance funded by the ADP, which at the time of the final tender was £3.8m to be secured through negotiation of final documentation and agreement of the contract sum with the main contractor in January 2021 (the Heads of terms agreed with the ADP outlines funding of up to a maximum of £6.5m). CPCA funding is used for capital costs of the Phase 1 Building (excluding active IT equipment, which will be paid for by the ADP - CPCA have agreed with the ADP that all start-up costs will be paid for by the ADP). PropCo has been incorporated by CPCA as a wholly owned subsidiary following sign off of an Officer Decision notice (ODN) that will allow the transfer of the balance of LGF funds which have not been expended from the 1 April 2020 to the point of transfer to purchase shares in PropCo. (CPCA will set up a project bank account to allow transfer of funds).
Outcomes	Up to 2,000 students for the 2022/23 academic year, rising to 3,000 by 2024/25 and 4,000 by 2025/26 with an aspirational target (subject to availability of the necessary capital funding) of up to 12,500 students by 2030/31.
Design	Design has been based on an accommodation schedule within the agreed revised capital budget which currently exceeds CPCA available budget by £3.8m; which is to be provided by the ADP (see above) to meet their enhanced requirements.
Land	Clean title for land required to construct Phase 1 from PCC including indemnification from covenants and Rights of light.

The table below summarises the key dependencies that are outside the scope of the project on which its ultimate success depends:

Dependencies	
Adjacent development	Local transport projects and third-party development on land earmarked for future phases of the University.
Land	Additional land beyond that required for Phase one
Funding	Funding for future phases Phase 2, 'Advanced Manufacturing and Materials Research Centre/Innovation Hub' used for educational research and development (with no teaching taking place in the Phase 2 building(s)). Phase 3 will comprise plans for two further teaching-focused buildings to be constructed in two sub-phases with the first projected to open in 2025 and the second in 2028 (subject to the necessary funding being obtained).

Infrastructure risks

Risk Identification						Assessment					Mitigation			
ID	Title / Description (Cause)	Phase	CATEGORY Infrastructure or Higher Education Partner	Effect	Category	Likelihood	Cost Effect	Time Effect	Quality	Assessment	Management Plan	Action Owner	Due Date	Status
009	LGF Grant spend not occurring before the deadline of September 2020.	Phase 1	Infrastructure	LGF Grant Funding is lost and lack of budget for the building expectations.	3. Commercial - Funding	2	5	5	4	50	*LGF Monies defrayed by September 2020 will suffice as long as we can demonstrate that we will spend the money by September 2021. Propco needs to be incorporated with project bank account set up by end August 2020. '*	CPCA	01 Sep 20	1. On Track
074	Building Phase 1 cost exceeds agreed budget within PropCo	Phase 1	Infrastructure	Unable to complete the building	6. Design	2	2	5	3	50	Ensure robust Fixed Price is agreed within the HOT agreement with ADP for maximum capital cost. Pinsent Masons to agree mechanism in Main transactional agreement.	All	01 Jan 21	1. On Track
056	Highways improvement and entrance improvement requirements	Phase 1	Infrastructure	Additional project costs	6. Design	3	3	4	2	48	widening by 1m design progressing no issues expected from PCC following early discussion	CPCA /PCC	01 Jul 20	1. On Track
069	Ability to achieve September 2022 opening date based on increased building size and changes to design.	Phase 1	Infrastructure	Inability to open on September 2020 date.	4. Programme	3	4	4	4	48	Design team have been working to revise scheme in collaboration with CPCA and HEP provider. Pressures now on the design and procurement as float has been eaten up on this re-design. Review during RIBA 3 and SQ	All	01 Jan 21	1. On Track
073	COIVD 19 - affects construction duration due to impact of social distancing / and risk on supply chain supply and insolvency	Phase 1	Infrastructure	Misses the 2022/23 Academic year	6. Design	3	4	4	4	48	Review with main contractor on Award of second stage under PCSA	All	30 Aug 20	1. On Track

<u>Academic Delivery Partner (ADP) risks</u>

Risk Identification						Assessment					Mitigation			
ID	Title / Description (Cause)	Phase	CATEGORY Infrastructure or Higher Education Partner	Effect	Category	Likelihood	Cost Effect	Time Effect	Quality	Assessment	Management Plan	Action Owner	Due Date	Status
049	Inadequate engagement of local industry by ADP	Phase 1	ADP	Reduces benefit of university and undermines Financial and Economic case	8. Procurement	3	2	2	4	48	Partnership approach by members of UniCO and PropCo and link up with other parties such as opportunity Peterborough	CPCA /PCC	01 Sep 22	1. On Track
087	Staff numbers in Academic and Professional services do not relate to student numbers as they are calculated as a % not in proportion to each other	Phase 1	ADP	Diseconomies of scale possible which could lead to lower margins	15. Operational	3	2	2	4	48	Current operational model based on flat figure that will be developed against curriculum model - this approach provides ADP with flexibility in the model	CPCA	22 Jun 20	1. On Track
075	Covid-19 - changes how ADP uses its physical assets to deliver its courses	Phase 1	ADP	ADP changes their teaching styles to suit COVID-19 effects.	2. Commercial - Viability	2	4	4	4	32	Too early to determine if any change will actually occur. May need to consider size of spaces in the design. Add review of implications in FBC	CPCA / ADP	22 Jun 20	1. On Track
086	Operating model not sustainable	Phase 1	ADP	The Shadow Financial Model forecast a target surplus of at least 10% each academic year, whereas the ADP template runs a marginal surplus which reaches no higher than 0.3%. Risk that ADP Operating model is not sustainable	15. Operational	2	4	2	1	32	CPCA /PCC to review opportunity in ADP model & review of covenant strength of ADP - Review with ADP minimum and maximum target range of surplus	CPCA	22 Jun 20	1. On Track
088	Staff to Student ratio higher than might be anticipated	Phase 1	ADP	Reduces Student Satisfaction	15. Operational	2	4	4	1	32		CPCA	01 Sep 22	1. On Track
089	Start up cost higher than SCM reduce surplus	Phase 1	ADP	Increases timeline of the breakeven point and could divert cost away from other activities that might be considered lower than anticipated in terms of funding in the financial	15. Operational	2	4	2	2	32	Review with ADP minimum and maximum target range of surplus - flexibility with in the operating model built in by ADP	CPCA	22 Jun 20	1. On Track

1.4 Strategic fit of the ADP deal

The ITN Final Submission from the chosen ADP has been assessed against CPCA's objectives for the new University (see above). That submission provides a good strategic fit with those objectives. Moreover, the ADP has a strong regional presence and will work collaboratively with CPCA and other key stakeholders to achieve the stated objectives for the project. The ADP is one of the largest providers of degree apprenticeships in England, collaborating with over 200 partner employers to train over 1,000 apprentices (2019). It has seen growth in applications over the last 2 years in technology, combined sciences, combined arts, biomedical sciences, computer sciences and education subjects that exceed the HE sector as a whole. The ADP has a strong focus on attracting local students, with a high proportion of first generation HE students. Headline student population statistics for the ADP for the 2019/20 intake include:

- 79% of students UK domiciled (8% EU, 13% overseas)
- 72% undergraduates
- 79% full time and 21% part time

- 45% aged 18-24
- 44% of undergraduates are first generation HE students
- 30% identify as BAME students
- 6% studying degree apprenticeships

Over the last four years the ADP has consistently increased the proportion of students from low participation areas (38.2%) whereas the sector remained stable (27%). The ADP has significantly increased apprenticeships numbers from 416 to 1527 and applications for the ADP's existing courses in Peterborough continue to rise (in 2020/21 the increases were 21% for Nursing and 533% for Midwifery).

The ADP will be able to commence provision in the 2022-2023 academic year. The ADP has set out intake targets that are consistent with the volume of students sought for the new University by CPCA, although to meet the target student numbers a fourth faculty, Health and Education, has been added through the transfer of students from the ADP's existing provision at the Guild House, Peterborough. This transfer of existing students means the net increase in intake will fall below CPCA's initial aspirations with corresponding (albeit modest) impacts on the economic case (see section 2 below). Growth of the University is planned in a phased manner in line with the capital funding available for the phase 1 physical campus, with the proceeds of the potential Guild House sale being committed towards future development phases.

The ADP has made a commitment to securing Office for Students registration for the new University for the 2022-23 academic year, with an interim name of the new University, alongside a longer-term aspiration become the "University of Peterborough" by September 2032, subject to conditions for transition being met.

The nuances and practicalities of the agreement with the ADP inevitably generate risks that could adversely impact on achievement of the project objectives, in particular:

- The longer-term student forecast contains a lower volume of students than anticipated in the Outline Business case (OBC); 5,176 FTEs compared to the original aspirational target of 12,500 by 2030-2031. Given concerns about the market, particularly in the light of Covid-19, this represents a reasonable level of caution. The ADP's shared service model also helps to minimise costs as a potential mitigation for reduced student numbers, should that risk materialise.

  Equally, as set out in section 3.3, the impact of Covid-19 could lead to higher numbers of students studying from home, which fits well with the business model for the new University and could, therefore, deliver student numbers in excess of those included in the ADP's forecasts. This is further supported by the ADP's analysis of HE demand for the region, which predicts an increase in the number of 18 year olds over the next 5 years and therefore, even with a static participation rate of 44%, the number of students entering HE will increase (by 13% to 6,105 in 2025). With a participation rate of 47% (the England average) student numbers rise by 20% to 6,521 in 2025. Higher levels of growth could lead to a shortfall in capacity during phase 1.

  As described in section 3.3, the ADP is well placed to ensure that the new University's offer is responsive to the demands of employers and students alike; the ADP's proposed curriculum model fits well with early indications of growth in demand for HE arising from the impacts of Covid-19 (e.g. in health and care). It's existing infrastructure and approach enables a flexible and agile approach to planning and delivery including blended learning models, bespoke employer-led degrees and Degree Apprenticeships and options for increased remote/distance learning if campus capacity is reached before further development phases are available. Covid-19, therefore, presents both threats and opportunities for HE in Peterborough.

- The proposed curriculum and segmentation of forecast student numbers deviates significantly from the Shadow Curriculum Model underpinning the OBC. The ADP's proposals envisage a much higher proportion of students on campus relative to the total target student population. This may reflect a more traditional model of delivery than envisaged in the OBC, which in turn, risks a deviation in focus away from serving under-represented groups in HE such as those who cannot or will not travel to existing providers. Accordingly, CPCA will keep under review the ADP's recruitment plans to ensure that course selection is not unduly or unrealistically competing with other institutions and to determine whether appropriate measures are being taken to reach under-represented and local groups of students. Moreover, CPCA recognises that if provision relies on a higher proportion of on-campus teaching, the resulting capital and funding implications may prove to be unaffordable (particularly for future phases). CPCA will, therefore continue to encourage and support the ADP to ensure that phase 1 establishes a coherent recruitment strategy and sustainable curriculum/delivery model, including further development of the strategy for engagement with local businesses to ensure that provision meets the needs of the region rather than excessively relying on the 'import' of students from out of region. Moreover, as described in section 3.3, the impacts of Covid-19 provide further opportunities to explore new business models and modes of delivery and the ADP is well placed to do so given its existing infrastructure, low reliance on buildings and agile approach to course development.
- The marginal surplus generated by the Operating Model proposed by the ADP (see section 4 below) is unlikely to create sufficient reserves for future capital investment or adequate headroom to underpin borrowing for building projects in line with aspirations for future growth phases. CPCA has developed a strategy to secure the funding required for phases 2 and 3 of the new University (expected to require £18m and £50-80m respectively). The cornerstone investments for phases 2 and 3 are being sought from governmental sources (phase 2 from accelerated access to the £387m national LGF pot for 2021/22), which will leverage additional investment from a combination of some or all of the following: institutional investors; international business angel networks; local pensions schemes; equity-based crowdfunding; larger local business willing to provide forward commitments of revenue funding in the form of sponsored, fee paid and apprenticeship levy funded student volumes; and Peterborough City Council through the contribution of further land on the campus site.

These and other financial case risks are assessed in more detail in section 4, together with a sensitivity analysis of the financial model, together with possible mitigations. In particular, the lease of the phase 1 facilities to the new University will include a right for PropCo to terminate it or step into UniCo if UniCo or the ADP are making insufficient progress. The Collaboration Agreement will include terms to ensure an organised termination of the ADP's involvement with UniCo, provided always that UniCo will remain entitled to occupy the facilities on a rent-free basis during the period required to teach out students enrolled on the ADP's courses in Peterborough. The transactional documentation will also include further remedies for any failures by the ADP to achieved the plans set out in those documents including ADP working with CPCA, PCC and PropCo (with the aspiration for there to be a long term continuing relationship between the new University and the ADP beyond the achievement of University Title to support the long-term sustainability of UniCo as a university) to:

- establish an investment model for UniCo to meet the initial start-up costs and fund/finance the working capital requirements. The forecast £5.4m shortfall in funding to support the start-up costs for the new University is to be funded by a loan from the ADP to UniCo, assumed to be repayable at a rate of 2.5% over 5 years;
- establish a viable business model and financial framework for UniCo that will secure its independence;
- create a strategy for UniCo to be implemented by PropCo that will ensure it is able to maintain the quality of its estate and underlying assets;
- ensure the financial model for the new University can support any annual repayment requirements;
- ensure that UniCo is not reliant upon levels of financial support beyond tuition fees and earned income and that to the extent that it is required to borrow, its gearing does not adversely affect its ability to maintain a sustainable and viable financial model as required to meet the initial and ongoing conditions of registration as a higher education provider with the OfS; and
- create a sustainable growth strategy based on reinvesting surpluses to identify and leverage new opportunities for taught programmes, research and knowledge transfer (see above outline of CPCA's strategy to secure funding for phases 2 and 3 of the new University).

In summary, therefore, the deal agreed with the ADP fits with the strategic objectives for the project. However, material risks remain that will be managed so far as possible through the contractual terms, the governance arrangements and ongoing positive relationships between the public authorities and the ADP through the delivery phase of the project to ensure continued confidence (not least given the uncertainties and opportunities arising from Covid-19) that the ADP will be able to deliver a sustainable new higher education provider that has substantial economic impact, a positive regenerative effect and a transformational effect on the life chances and well-being of its students.

2 Economic Case

2.1 Option identification

Critical success factors (CSFs) for the project can be grouped into three broad headings:

- Factors relating to the selection of an Academic Delivery Partner (ADP) of appropriate standing.
- Factors relating to the development of the University (after appointment of an ADP)
- Factors relating to the design and delivery of the physical infrastructure.

2.1.1 Critical success factors

ADP Selection CSFs

1. **Academic Standing:** The Academic Partner must be able to demonstrate means of compliance with the full requirements of "Securing Student Success: Regulatory Framework for Higher Education in England" published by the Office for Students (www.officeforstudents.org.uk).

2. **Commitment to CPCA Vision: scale, scope, reach, focus:** The aspirations of CPCA for the new University are extensive and include characteristics relating to:

    a. the character of the provision (outward-looking and industry-focused);
    b. scale (up to 2,000 students for the 2022/23 academic year, rising to 3,000 by 2024/25 and 4,000 by 2025/26 with an aspirational target - subject to availability of the necessary capital funding - of up to 12,500 students by 2030/31); and
    c. subject to the conclusions of comprehensive review by CPCA and the ADP, securing Unlimited Degree Awarding Powers following the 2028/29 academic year with eligibility to apply to OfS for university title (as the "University of Peterborough") in accordance with the Framework by the beginning of the academic year 2031/32.

3. **Achievement of a Viable Operating Model and Sustainable Funding Structure:** The new University will focus on a limited number of initial discipline choices to create a portfolio of courses which can achieve critical mass. This will ensure that:

    a. Each discipline area is underpinned by a minimum scale staff team to avoid the challenge of having staff spread over too many disciplines and being too few in number in some disciplines to build a critical mass of teaching and research capability (the "minimally viable department size").
    b. Each discipline will be able to recruit a viable cohort of students such that the numbers of students recruited when all years of provision are running will be economically viable and capable of supporting an efficient staff to student ratio (the "minimally viable intake").
    c. Each discipline is supported by the physical resources necessary to maintain the quality of the experience and to enable the new University to establish a clear funding model to underpin investment in, and maintenance of, its facilities.

4. **Commitment to the Phase 1 Brief and Design:** CPCA leading on developing the new University campus Building at the Embankment Site which has been updated following input from the ADP to reflect their curriculum proposals and investment in the build, and matching those to the revised accommodation schedule to be delivered in phase 1.

Factors relating to the development of the University

5. **Ability to Recruit Staff:** The quality of the University will be critically dependent on the calibre of its staff. Recruiting and retaining staff within the new University will be the first critical challenge for the ADP.
6. **Ability to Recruit Students:** Student recruitment, marketing and admissions processes and systems to include UCAS support, direct entry and employer-sponsored routes are vital to the success of the new venture. It is anticipated that the focus of these services will be positive, proactive, out-going and engaging to reach out to under-represented groups, to engage with their needs and win their active participation in the University
7. **Ability to engage with local businesses and industry:** Large corporates represent a significant group of stakeholders with which the new University will need to interact as a priority and will present an opportunity for both course development, industrial collaboration/placement opportunities and future employment destinations for graduates. Building effective networks with these large corporates will be a critical success factor for the University.
8. **Curriculum Development to Fit the Target Market:** The ADP will need to support fully the curriculum from inception to maturity and retirement/renewal of individual courses and the support required may also include learning technologists and materials production services to support blended and distance learning, enabling of virtual learning environments etc., in particular to ensure the agility and flexibility required in the wake of the impacts of Covid-19.
9. **Creation of the Academic Infrastructure:** Student and academic services and systems will need to be established to provide a full range of transactional, advisory, welfare and other student-facing services along with regulatory and academic policy support including assessment, examinations, and graduation. Library and learning resources, operational and support functions all need to be provided. To achieve its ambitions of obtaining degree awarding powers and University Title, the new University will need to employ its own teaching staff and for it to have its own academic governance arrangements independent of the ADP.
10. **Establishment of systems and processes locally to achieve independence:** Strategic planning, finance and governance services and systems development – full Head Office/Vice-Chancellor's Office functions – need to be established to lead the new University through its start-up and establishment phases and to prepare the ground for full independence.

Factors relating to the design and delivery of the physical infrastructure

11. **Meeting the Budget:** The Phase 1 building including the external landscape and supporting infrastructure must be delivered within the budget of £28,599,600 million based on £24.8m CPCA Funding, now secured by CPCA (made up of £12.3m CPCA and £12.5m LGF) with the balance of £3.8m funded by the ADP, to be confirmed on agreement of the fixed price as part of the main contractor procurement in January 2021. It should be noted that the design has been developed to meet the revised budget on the basis of the £3.8m funding from the ADP. This will need to be achieved by balancing the quantum, time and quality aspects of the project to ensure that the size of the building is maximised to accommodate the necessary student and staff numbers with reasonable space standards; is of a good quality to attract students, academics and create a strong identity within the city and region; perform well

sustainably and in-use minimise operational costs and can be built efficiently within the set programme.

12. **Meeting the Programme:** The Phase 1 building must be open for business to students in September 2022. This will need to be achieved by a detailed programme management that will correlate all key interdependencies, such as achieving planning consent, design freeze, tendering and procurement etc, in addition to delivering an efficient building form and utilising readily available components that will minimise the risk of construction over-runs. The master programme assumes the following critical path milestones are achieved to meet this key Milestone:

    a. Award of ADP June 2020.

    b. Planning application submitted in July 2020 for determination in September 2020.

    c. FBC approved in July 2020.

    d. Main Contractor enters into a pre-construction service agreement and commences design and agreement of contract sum In August 2020.

    e. CPCA/ADP and PCC sign Main Transactional Agreements in August 2020.

    f. Main Contractor agrees contract sum in January 2021.

    g. Completion for operation in September 2022

    The above dates do not allow for any further delay arising as a result of Covid-19 impacts on the construction programme.

13. **Delivering the Spatial Brief:** The Phase 1 building must deliver the spatial requirements and the student and staff capacities emerging from the updated curriculum model provided by the ADP ensuring that the spatial standards used deliver a good quality student and staff experience and support pedagogic innovation.

14. **Ability to Expand:** The Phase 1 building must be designed and located to enable a clear strategy for future expansion as the campus grows to capacity by 2032. The project must deliver a clear logistics strategy that seeks to minimise impact on operational buildings during the building of future phases, and critically the experience of students and staff using these buildings.

15. **Respond Positively to Stakeholder Consultation:** The Phase 1 building, and wider masterplan, must respond to the output from a wider stakeholder consultation to ensure a project that can be delivered successfully and one that achieves a high-level of ‘buy-in’ within the city and region without detriment to budget, programme or operational aspects of the project. This will be critical both for the successful delivery of all phases of the project to 2032 and to ensure that partners in the city and region are supportive of the University as it develops.

16. **Obtaining Planning Consent:** The Phase 1 building must achieve planning consent by end of September 2020 to meet the inter-related requirements of the project programme and open for business in September 2022. This will need to be achieved through a close and collaborative working partnership with the local planning authority and the ADP identifying issues early to inform the design process and minimise the risk of a refusal and pre-commencement conditions.

17. **Attract and Retain Students and Staff:** retaining the higher value knowledge transfer within local networks and businesses. The Phase 1 building – including its external landscape and supporting infrastructure – must be designed to a good quality and have a strong identity or 'brand' that will attract and retain students and staff. This will be achieved through good quality architecture, building services, IT/AV systems and landscape and will be critical to ensure good feedback from the early student intake to support the growth of the University in the years ahead.

18. **Be Adaptable and Flexible:** The Phase 1 building, including its environmental systems, must be designed to be adaptable to respond the changing needs in the future, including the input of the HE provider, and changes in the spatial requirements as the University grows and develops. In addition, the building should be designed to be flexible providing 'generic' spaces that can accommodate a range of functions – from teaching and learning spaces to administrative spaces – and support a range of capacities, pedagogical styles and working environments with minimal alterations to the physical asset.

2.1.2 Options

<u>Academic delivery options</u>
Four options have been identified for consideration in the economic case in the Outline Business Case as follows:

1. **Business as Usual:** in this option the public sector stakeholders adopt a passive role in the development of university level education in Peterborough. The two current providers of Level 6 qualifications in Peterborough (see section 1.2.4 above) would continue to develop course provision and student numbers unassisted by local public sector stakeholders. These current local providers include: (i.e. UCP providing around 500 qualifications per annum and the ADP providing around 400 qualifications per annum).

2. **Do Minimum:** in this option the public sector stakeholders would invest in capability building of Peterborough Regional College, to build both course content and delivery capability, as well as systems and processes to enable PRC to achieve Taught Degree Awarding Powers (and perhaps University Title in due course), but without any capital investment in new facilities on the Embankment site.

3. **Recommended Option:** in this option the public sector stakeholders' investment is targeted to tackle the characteristics of the addressable component of the current market failures in HE provision in Peterborough (the "cold spot"). That investment will be targeted at infrastructure provision and capacity building, by procuring an experienced Higher Education (HE) Provider, with the know-how to facilitate the development of an independent University for Peterborough, with capital investment focused on the provision of the premises from which to provide both direct and indirect curriculum delivery.

4. **Do Maximum:** in this option the public sector stakeholders' investment would be scaled to found, *ab initio,* a new University of Peterborough on a model similar to those founded in the 1960s (the so-called Robbins Institutions).

The following subsections present a summary analysis of these options against the project aims and objectives, including indicating:

- Any options likely to fail to deliver the project objectives or sufficient benefits.
- Any obvious impracticalities inherent in any of the options.

- Any options that are clearly unfeasible, unaffordable or too risky

Business as Usual
The economic analysis of this option includes no local public sector stakeholder investment and forecasts student number growth at levels commensurate with those observed in the two local providers over the last 5 years. However, it is considered highly unlikely that without any investment or wider strategic leadership, the incumbent and existing providers can change direction sufficiently to meet the needs of the City and region as set out in the strategy case above. It would continue the current disjointed provision and suffers from the limited local capability and capacity highlighted in the Ofsted finding that PRC "Requires Improvement". It would not therefore achieve the objectives adopted for the project and is included in the economic appraisal primarily as the baseline against which to assess other options. In reality there is no do-nothing option that has any credible possibility of achieving the desired economic and social impacts.

Do Minimum
This option is based on the previous strategy of investment in building the capability of UCP/PRC to develop Taught Degree Awarding Powers, without accompanying capital investment in new facilities. It includes support for project management, curriculum development and marketing. Based on the findings of the Gleeds review, it is considered likely to under-perform against the project objectives, thus perpetuating the HE "cold spot" and not addressing regional needs. As with the Business as Usual option it would continue the current disjointed provision and not address the Ofsted findings regarding PRC's capability and capacity issues. Nevertheless, this option must be included in the economic appraisal as the only available do minimum option.

The economic analysis of this option includes revenue investment from the CPCA in PRC capability building at a level of £1,000,000 per annum over the next three years. This is based on the levels of investment previously committed to develop Taught Degree Awarding Powers for PRC, which had anticipated approximately £2.73 million further investment in PRC over the next 3 years (with an uplift for optimism bias and contingency). The quantifiable costs and benefits of this options are explained in further detail in the economic appraisal presented below.

Recommended Option
This option is as described in the strategic case sections above and includes both capital investment in new facilities on the Embankment site and potential revenue investment to mitigate commercial risks of the start-up and scale-up phase of a curriculum that meets local economic needs and local student demand. The focus of the strategy underpinning this option is to increase HE provision in Peterborough and increase the number of HE entrants from the north and north-east of the CPCA region by attracting and retaining students locally (after graduation). In particular, it aims to engage people who do not currently participate in HE but who would participate and remain locally if suitable provision was available and to use flexible modes of delivery to compensate for the characteristics of the region (particularly sparsely populated rural areas). As described above the key characteristics of the new University in this option include:

- A clear focus on under-represented groups and those who do not travel to existing providers.
- A limited physical experience on a modest initial campus development.
- A phased approach which evolves with the needs of the region.

This option does not target conventional markets. The ADP will use a Digital first approach including development of their website for the new University, which will be incorporated into the ADP's undergraduate prospectus for the 2022 entry.

In practice, serious resource constraints are not a barrier to success; most innovation is born in the balancing and breaking of constraints. This principle is fundamental to the design of the New University.

The approach is to secure the involvement of a new ADP to bring the know-how to create a new University experience, to invest modestly in a new University building on the Embankment site and to focus attention on engaging with the local businesses to design an offer that addresses the needs of the region. This option has arisen from the Gleeds review referred to above, which concludes that it is a credible and viable option for delivering the new University objectives within the required timeframes.

The economic analysis of this option includes new capital investment from all three local public sector stakeholders to the level of £24,800,000 along with provision of land by PCC (valued at £1.87m) and an anticipated £3,800,000 investment from the ADP to fund the building of a university building. Revenue and working capital requirements of the new University itself will be matters for the ADP to finance based on anticipated revenues from tuition fees and other income. The intention is that the initial capital investment will fund capital works, with the ADP investing their own capital in start-up costs and establishment of a financially sustainable new university without the need for on-going subsidy. The quantifiable costs and benefits of this option are explained in further detail in the economic appraisal presented below.

The capital cost associated with the provision of teaching space and associated infrastructure has been estimated by CPCA/PCC and ADP within the assumed budget of £28,599,600 and on which basis the design has been developed. The budget is based on £24.8m CPCA Funding, secured by CPCA (consisting of £12.3m CPCA and £12.5m LGF) with the balance funded by the ADP, which is to be secured on signing of the main transactional agreements and agreement of the contract sum with the main contractor in January 2021 (at the time of the final tender this ADP contribution was estimated as £3.8m and the Heads of Terms agreed with the ADP include the prospect of ADP capital funding up to a maximum of £6.5m). In addition to the capital investment of up to £6.5m by the ADP, the ADP has made provision for start-up costs and subsidy to sustain ongoing operations. Further capital investment has been planned by the ADP for provision of IT and AV active equipment within the start-up costs.

The underlying objective is to ensure fee income generated from the intake of students will be sufficient to sustain ongoing operations and will permit short-term financing of operational working capital requirements.

Do Maximum
It is conceivable that the new University of Peterborough could be developed on a model similar to those founded in the 1960’s, the so-called Robbins Institutions. The target markets for the University would include those students who already travel out of region (and potentially, a proportion of the national market which currently travels to study) and who would consider a new offer based in Peterborough; i.e. the conventional market for HE which has evolved over the last decade with increased participation rates, a focus on progression routes and a balance between local recruitment and, usually, a residential experience. Competition for these students is very intense and recruitment routes via UCAS and marketing methods are exceptionally well-developed. The new University would need to establish itself very rapidly to compete directly within this market.

The following factors in particular consideration rule this option out of further consideration in the economic appraisal:

1. The new University would need to have a prospectus ready by April 2021 to meet the timescales set out in the objectives for the project. Applications for entry in September 2022, will open in September 2021 and close around mid- January 2022. Any student seeking to attend a UK University will have been exploring options during 2021. The period from April to September 2021 is a critical marketing window for the 2022/3 intake. To be able to make a competitive offer, the new University would need to have its core provision established to a high level of detail. It is not considered possible that the development work on a new University of this scale could be completed in sufficient detail and with adequate rigour to have a credible prospectus ready during the early months of 2021.
2. To compete directly with established providers, the new University would have to offer a minimum level of staff and facilities to attract the attention of prospective applicants (this is not the same as attracting entrants given that there is considered to be over-supply in the sector now that student number controls have been removed). At the very least, there would be an expectation among prospective students about the range of facilities to be provided on campus including general and specialist spaces, social learning and library spaces, campus catering and retail outlets. A high standard of competitive residential accommodation would be necessary, and students are increasingly expecting a level of service from campus-based services both transactional/regulatory (Registry functions) and pastoral (counselling, well-being etc.). While many of these functions will be necessary in any institution, the critical challenge would be to establish a critical mass of such facilities to compete with established providers. The reference point is the “competitive set” and, for students already travelling, the “evoked set” will include a large number of institutions with a well-established, well-resourced and highly credible offer. It should also be noted that staff expectations of the new University will also be relevant here in that competing directly for staff with established providers will inevitably raise questions of providing from the outset the research infrastructure to support their work.
3. There are severe resource constraints that limit the strategic scope for developing a new University. While competing directly for students would reflect a trajectory recognisable to most Universities today, many established institutions and those formed in the 1960s benefited from an ambition to raise participation rates. They did not directly compete but benefited from a general expansion of the market. Moreover, their development timescale was very much longer and it is only comparatively recently, and with the benefit of a legacy of generous funding, that Universities are experiencing challenging open market competitive dynamics. Space requirements is one example of this phenomenon. Many universities benefit from an academic estate which reflects a traditional model of higher education (more elite, less consumerist) and is a legacy of the associated funding model (generous public capital and revenue funding). A full-service institution serving c. 2,000 students would likely need a campus area of c. 19,000 m^2 on opening to appear competitive with established providers (not including onsite residential provision which could easily reach a similar scale). The underlying capital required to invest on this scale would be at least need £94 million and, in all probability, a lead time of at least 5 years to ensure that all aspects of the provision were planned to a competitive and credible standard. To expand the new University to potentially 12,500, as envisaged in the medium-term vision for a new University of Peterborough, would therefore, likely require upward of £500 million of up-front investment.

Therefore, the Do Maximum option has been ruled out on the grounds of affordability (only a fraction of the required funding is available), inability to meet the required timescales and lack of credible strategy (the above strongly suggest that the initial strategy should not be designed with a view to importing students to Peterborough; the competitive dynamics and resource implications are far too severe).

Infrastructure (phase 1 building location)
An option appraisal has been undertaken to assess the best location for the Phase 1 building within the overall site boundary of 55 acres. Prior to undertaking the detailed assessment, it was agreed that all feasible options must:

- be deliverable within the title constraints of the site in the given timescales;
- be located with land zoned in the Local Development Framework as reserved for University;
- avoid substantive alterations to existing infrastructure or facilities;
- be able to accommodate a minimum of 5,300m^2 of space (space driven by assumed budget referred to in financial case); and
- be deliverable within the assumed budget of £28,599,600 million based on £24.8m CPCA Funding (see above).

The infrastructure options appraisal has been undertaken only in relation to the cost of the physical infrastructure to enable the plot (services to the plot, decontamination of the plot and the area of the land for accommodating car parking and landscaping) on the basis that the other costs of the build will be the same in all options[6].

All options considered deliver the desired outcomes of the project given that the use/scale of the building is the same for each option. A summary of the appraisal of the site options considered is provided below.

Given that the variable across all options is constrained by the available budget and only varied by the site infrastructure any option that might exceed the budget has not been considered. Infrastructure options have, therefore, been assessed based on their ability to meet some or all of the criteria described below. These requirements identified that four possible locations were feasible:

[6] given the structure of the Heads of Terms (see below) any saving on the land value purchase will not increase the available capital to spend on the building; however this does detract from the available capital to deliver phase one building.

A - Wirrina Car Park;

B – Bishops Road;

C – NW corner

D- Opposite the Regional pool

Further details of all four options A- D are provided in Annex 6.2 together with a summary of the assessment of each option against the criteria outlined below:

- Meets the spending objectives for the physical infrastructure to enable the plot (services to the plot, decontamination of the plot and the area of the land for accommodating car parking and landscaping) pending confirmation of assumptions on contamination and services infrastructure capacity (surveys currently underway).
- Meets or exceeds all other criteria over the other options.
- Good opportunity to allow expansion of future phases.
- Well served by existing infrastructure with services available within the site vicinity and an existing “bell mouth” road access in place. The site is serviced by an existing car park that provides the opportunity for re-use or repair thus reducing the financial impact.

The assessment was informed by a full desk top analysis of the constraints and opportunities of the site and each option was assessed against several key criteria greed by the project team as noted below:

1. Heritage impact
2. Title impact
3. Visibility / Identity
4. Access to city amenities
5. Cost impact (infrastructure + public realm)
6. Landscape impact
7. Geotechnical
8. Impact on residential
9. Campus growth
10. Logistics (Construction)

Preferred option

Option A (the Wirrina Car Park) remains the preferred option and can accommodate the increase in building size from 3,500m^2 to 5,300m^2 required to accommodate the ADP’s curriculum proposals with an increase in funding required (to £28,599,600), noting that the current available funding from CPCA is £24.8M with a balance to be provided by the ADP. This site has the following clear benefits:

- The increase in building area to accommodate the size of building to meet the requirements of the ADP curriculum can be contained within the phase one site.
- The Phase 1 Building which achieves the desired outcomes within the budget of £28,599,600.
- Maximises available capital for building.
- Good visibility (identity) and accessibility to/ from the city centre.
- Minimises expenditure on infrastructure and external works.
- Minimises impact on adjacent residences.
- Minimal ecological impact on the existing site.
- Supports a logical growth of the campus in future phases, minimising disruption to phase 1.

2.2 Value for money

2.2.1 Economic appraisal

There are broadly three direct quantifiable benefits from the proposed options:

1. Increased employment as a direct result of the creation of the University as staff are recruited by the new institution.
2. Employment created in the wider economy as an indirect result of the creation of the new University.
3. Graduate level employment that rises as new graduates enter the workforce and graduate level jobs are created or attracted to the region.

Economic appraisals of the Business as Usual, Do Minimum and Recommended options have, therefore, been conducted on the following basis:

a. Direct staff employment follows the forecasts from the ADP's final tender document. For the purposes of the appraisal, all forecasts assume only Phase 1 costs and student numbers.

b. Indirect employment is anticipated to be 200% of the direct employment reflecting the buying power of the institution, its staff and its students.

c. Average GVA per employee for direct and indirect jobs created is estimated at £42,000.

d. Average graduate salary in 2018 is 34,000, average non-graduate salary is 24,000. Grad salaries inflate at 3.5% per annum, non-graduate at 2.5%. GVA from graduate employment is calculated as 161% of total salary uplift (difference between graduate and non-graduate earnings).

e. For the Do Minimum option, further growth is projected arising from the proposed intervention (+1%) making the combined growth factor +3% above the baseline.

f. The expectation is that all qualifying graduates will enter a job attaining the average graduate salary (average of salary for all UK workers with a degree-level qualification or above) and thereby contribute the associated GVA (total cumulative GVA is forecast on this basis).

g. Additional corporation tax revenues from enhanced GVA are forecast at 1.36% of the GVA generated.

h. PAYE from new jobs created has been estimated based on tax rates for 2019/20 per graduate level job.

i. National Insurance Contributions from new jobs has been estimated at 11.1% of salaries per employee

The key Inputs for each option are summarised in the table below:

Input Costs (Fiscal Costs)	Business as Usual	Do Minimum	Recommended
Capital Investment	£0.00	£0.00	£24,800,000
Revenue Investment	£0.00	£3,000,000	£0.00
Land Value	£0.00	£0.00	£1,870,000
Total Fiscal Costs	**£0.00**	**£3,000,000.00**	**£26,670,000.00**

The economic appraisal analyses and the outputs from each are provided at Annex 6.3. The key outputs from these appraisals are summarised in the table below:

Appraisal Outputs	Business as Usual	Do Minimum	Recommended
Total Net Present Benefits	0	£7,793,658	£414,604,165
Total Net Present Costs[7]	0	£2,844,500	£25,073,715
Net Present Value	0	£4,949,158	£388,652,870
Benefit Cost Ratio[8]	**N/A**	**3**	**16**

2.2.2 Risk appraisal

The key risks with respect the economic appraisal all lie in the ability of the ADP to deliver the predicted student numbers contained in their final tender and reviewed in more detailed in this Full Business Case.

The economic appraisal is vulnerable to fluctuations in the numbers of students recruited and graduated by the University as highlighted in the sensitivity analysis below. The ability to recruit locally based staff may also be a factor that erodes the impact of the new University. A further concern could be the extent to which graduate level employment is available locally and whether the

[7] CPCA grant only rather than total public sector contribution.
[8] Given by Net Present Total Benefits/Net Total Costs

new University is able to generate the scale and quality of graduates required to meet local economic needs. These sensitivities have been tested and the net impacts reported below.

The impacts of Covid-19 on student numbers are, as yet, unclear, with factors that point simultaneously to both short term reduction in intakes and potential increases in demand for local provision if students are less wiling/able to travel. A more detailed assessment of the potential impacts of Covid-19 impact on the ADP's proposed business model is provided in section 3.3 of this FBC.

The ADP has also provided an analysis of HE demand in the region, which predicts an increase in the number of 18 year olds over the next 5 years leading to a 13% increase in students entering HE by 2025 with a static participation rate of 44%, and a 20% increase if the participation rate grows to the England average of 47%. Further demographic analysis suggests also that this new demand is likely to be from groups who are more likely to stay in the region to study and then subsequently to work.

2.2.3 Preferred option

The economic appraisal of the three options presented above shows that the Benefit Cost Ratio (BCR) for the recommended option still far outstrips the alternatives. This review confirms the recommended option as the preferred option in this Full Business Case.

In the Outline Business Case the BCR was 46 with a total Net Present Benefits estimated to be just over £1.1 billion. These are primarily derived from the forecast for student numbers which was estimated to peak at just over 12,500 by 2028. The Full Business case is based on the ADP's final tender document and assumes just over 5,000 students by 2028, thus the Net Present Benefits have reduced accordingly to just over £400 million.

The preferred option delivers a Benefit Cost Ratio of 16 based on current costings and student numbers. While this is a significant reduction from the value in the Outline Business Case, it is still an exceptional return according to government guidance and benchmarks which defines the VfM category as:

- Poor VfM if the BCR is less than 1.0;
- Low VfM if the BCR is between 1.0 and 1.5;
- Medium VfM if the BCR is between 1.5 and 2.0;
- High VfM if the BCR is between 2.0 and 4.0; or
- Very high VfM if the BCR is greater than 4.0

However, reducing this project to a simple BCR number belies the fact that the success or failure of this investment in Peterborough, relies on many factors. Simply assuming that such a high BCR value assures its success can lead to a false sense of comfort. The Economic Analysis is only one part of a well-informed decision.

2.2.4 Sensitivity analysis

In light of the risks outlined above, sensitivity testing has been carried out by adjusting key variables as follows:

- 50% reduction in staff and student numbers (NB: as staffing levels are forecast on a student-staff ratio, a change in one variable inevitably affects the other). There are further consequences for indirect employment that are also a function of the scale of the University.
- Complete elimination of the effects of new graduates entering the market.

The key outputs from these appraisals are summarised in the table below:

Sensitivity Tests	Recommended Baseline	Sensitivity to 50% drop in numbers	Sensitivity to failure to create graduate jobs
Total Net Present Benefits	£414,604,165	£207,302,083	£92,965,915
Total Net Present Costs	£25,951,295	£25,951,295	£25,951,295
Net Present Value	£388,652,870	£181,350,787	£67,014,620
Benefit Cost Ratio[9]	**16**	**8**	**4**

Therefore, even allowing for these significant risks, the preferred option outperforms the other options and a strongly positive net present value and BCR is sustained. Therefore, there remains a strong economic case for investing in the new University in line with the recommended option to generate direct and indirect benefits for the region.

Further testing has been carried out to determine the impact of a substantial cost over-run on the construction of the phase 1 Building. The outcomes from this appraisal, which tested a doubling of the construction costs, are set out in the table below:

Sensitivity Tests	Recommended Baseline with Construction Costs Doubled	Sensitivity to 50% drop in numbers with Construction Costs Doubled	Sensitivity to failure to create graduate jobs with Construction Costs Doubled
Total Net Present Benefits	£414,604,165	£207,302,083	£92,965,915
Total Net Present Costs	£51,902,590	£51,902,590	£51,902,590
Net Present Value	£362,701,575	£155,399,492	£41,063,325
Benefit Cost Ratio[10]	**8**	**4**	**2**

The benefits are not particularly sensitive to even very significant rises in the cost of the phase 1 building (although naturally any cost over-runs will challenge the basic affordability of the scheme).

A critical point to note is that the key benefits stem largely as function of the ambitious student growth projections (which reflect market needs). Only this factor will generate a significant direct and positive economic impact. The critical sensitivity is therefore the extent to which the ADP can commit to delivering the project objectives and bringing the know-how and capabilities necessary to deliver this ambitious agenda.

[9] Given by Net Present Total Benefits/Net Total Costs
[10] Given by Net Present Total Benefits/Net Total Costs

3 Commercial Case

3.1 Structure of the deal

3.1.1 Procurement strategy

Academic Delivery Partner (ADP)
As a publicly funded project the selection of the Academic Delivery Partner has been subject to statutory public procurement regulations and must adhere to stipulated requirements. Prior to adopting an appropriate strategy, the key client deliverables and key outcomes identified several areas which must be satisfied, namely:

1. Timeframe: CPCA required the procurement of the ADP at the earliest opportunity to inform the design of the phase 1 building and for approval of Full Business Case.
2. Complies with public procurement processes and in line with CPCA procurement guidelines.
3. Seeks formal feedback from the marketplace to ensure formal expressions are received on which the procurement process can be progressed.
4. Provides the best opportunity to allow dialogue with the bidders on the proposed solution.
5. Allows sufficient time to prepare documentation to publish formal procurement processes. (which includes details of the tender processes at publication).
6. Establishes an option should only one tenderer be interested. As a general rule, the procurement of goods, services and works non-competitively directly from a sole provider should be avoided where possible. However, it is recognised that in some instances, a single source tender is appropriate and can be justified in the context of the regulations. The regulations permit clients to negotiate contracts otherwise caught by those rules without placing a contract notice or running any form of competition in certain limited, very narrowly defined, circumstances in which it is considered not appropriate, or not practicable, to have a competition. This is referred to as "the negotiated procedure without prior publication". The specific exemptions are contained permit clients to negotiate the purchase with a single provider.
7. A procurement that allows negotiation due to the specific nature, complexity or legal or financial make-up of the contract or the risks attaching to it.

Following consideration of all OJEU procurement options (Open, Restricted, Competitive Dialogue, Competitive with negotiation and Innovation partnership) the Open, Restricted and Innovation partnership procedures were discounted due to their unsuitability for procurement of the ADP on the following basis:

- Open procedure – Most suited for simple procurement of commodity products which do not require a complex tender process. Due to the bespoke needs of CPCA this option was discounted.
- Restricted procedure – discounted on the basis that there is no ability to alter the specification or for further negotiation with tenderers. The use of pre- and post-tender negotiation under this procedure is strictly prohibited, and therefore discounted as it would not serve CPCA's best interests.
- Innovation Partnership – More suited towards establishment of long-term partnerships which allows ongoing development and subsequent purchase of new and innovative products, with initial tender proposals based on limited high-level information. This did not meet the requirements or aims of securing an academic delivery partner.

Upon review of the remaining procurement options available, the preferred strategy for the procurement of the ADP was developed on the following basis:

- **Publication of a Prior Information Notice (PIN)** and associated Advert in the Education press (see cambridgeshirepeterborough-ca.gov.uk/news/hunt-for-higher-education-partner-to-support-development-of-new-trailblazer-university-of-peterborough/) as a call for competition requiring all interested operators to inform the contracting authority of their interest in the Contract. Stating that the Contract will be awarded without publication of a further call for competition. CPCA also published the PIN notice.
- Following expiry of the PIN the Combined Authority progressed with a **Competitive Procedure with Negotiation**.
- The Competitive Procedure with Negotiation was proposed for the selection of the ADP on the basis that:
    - Suppliers can be prequalified based on their financial standing and technical/ professional capability.
    - Ability to specify the entire requirement now such that the bidders will be able to tender, deliver and fully proceed the bid without the need for negotiation.
    - The route meets CPCA selection requirements.

The benefits of this approach were:

- Use of a PIN ensures that the procurement process can be determined by likely number of bidders without abortive process based on a call for competition.
- It provides more time for CPCA to conclude actions/ decisions required to inform the procurement action.
- It provides time for PCC to review and approve tender documentation and procurement action prior to publication.
- It provides opportunity for CPCA to consider procurement with one provider if only one bidder expresses interest.
- It maintains publication of formal Expression of Interest within the Original CPCA 1 timeframe and award of the preferred ADP by the end of Q2 2020.
- It allows for requirements of the tender to be agreed as part of a negotiated procedure.
- It allows the timeline for procurement of the ADP procurement and the development of the design and planning submission for building one to be separated, to allow more time for the procurement of the ADP, accepting the low risk that the ADP seeks changes to the design of the building which requires redesign or delays submission of planning.

The procurement process described above elicited responses from 11 parties who showed interest in the ADP opportunity when first advertised. Owing to the extensive, complex and stringent requirements it was always likely that some of the smaller entities would be unable to submit even an Expression of Interest and, accordingly, many felt unable to submit formal expressions of interest and did not participate further in the procurement.

Three prospective bidders submitted Expressions of Interest, which demonstrated reasonable levels of engagement with the substantive requirements included in the Call for Competition Notices and associated documentation. This process demonstrated positive interest and competency within the market, however, owing to technical short-comings, one bidder was disqualified early in the process.

Of the two remaining in contention, only one was able to successfully complete all stages of the process and satisfy all the requirements of the tender, to produce a compliant and sufficiently high-quality bid.

Following the successful annulment of a challenge received during the OJEU standstill period, the formal procurement of the ADP was completed on the 11 June 2020. The outcome is that a Higher Education Corporation, OfS Registered Higher Education Provider was appointed as the ADP. The ADP will provide the skills, knowledge, experience and resources to make establishing a new higher education provider in Peterborough, ultimately holding degree awarding powers and University Title a practical reality. The full scale and scope of the offer includes:

- **Capital Investment –** The ADP has committed to provide up to £6.5m of capital investment to integrate their existing nursing provision (provided at Guild House) into the phase 1 provision on the new University campus (this investment is currently expected to be £3.8m, subject to confirmation of the final contract sum for the construction contract).
- **Cashflow- support –** A forecast £5.4m shortfall in funding to support the start-up costs for the new University is to be funded by a loan from the ADP to UniCo.
- **Staff recruitment** – an initial Development Team will be formed by the ADP to work with CPCA and key stakeholders. The Development Team will include senior leadership, academic subject specialists and professional service support. The ADP will be responsible for making available for the new University a full complement of staff and procuring relevant services, with further detail to be agreed as the transactional agreements are finalised.
- **Curriculum design and development** work including development of a learning and teaching strategy with reference to the ADP's Curriculum Model of teaching and learning to take place off-campus and programme validation arrangements (with the ADP awarding its degrees to students of the new University, pending it being awarded degree awarding powers). The ADP will undertake full market research and product development to ensure the curriculum portfolio meets the vision for a University in Peterborough. Depending on the outcomes of such market analysis, the ADP will fully support the curriculum from inception to maturity and retirement/renewal of individual courses. The support required may also include learning technologists and materials production services to support blended and distance learning, enabling of virtual learning environments etc.
- **Intellectual Property** - The ADP will retain all rights in its background intellectual property rights. The ADP and the new University, both acting reasonably and in good faith, will enter into binding arrangements regarding the licence of the ADP's background intellectual property rights to the new University during the term of the contract and during the new University's transition to an independent University of Peterborough on terms to be agreed by the ADP and the new University. If the new University requires use of the ADP's background intellectual property beyond its transition to an independent University of Peterborough, The ADP and the new University will negotiate in good faith and acting reasonably the terms of the required licence. All foreground intellectual property rights in materials developed by the ADP exclusively for the new University will belong to the ADP and the ADP will grant a perpetual, royalty free, non-exclusive licence to the new University to use such foreground intellectual property rights. If Unico develops its own foreground intellectual property rights by its own staff or third party contractor (excluding the ADP) then if it licenses such intellectual property to the ADP such license will be on market terms to be agreed by the new University.

- **Staff workload planning, resource scheduling and timetabling** – linked to curriculum modelling and business model prototyping.
- **Student recruitment, marketing and admissions** processes and systems to include UCAS support, direct entry and employer-sponsored routes to be developed. It is anticipated that the focus of these services will be positive, proactive, outgoing and engaging to reach out to under-represented groups, to engage with their needs and win their active participation in the new University.
- **Student and academic services and systems development** – a full range of transactional, advisory, welfare and other student-facing services along with regulatory and academic policy support including assessment, examinations, graduation. It is anticipated that these services will be fit for purpose with respect to the diverse needs of the student population (segmentation) – the service orientation should be capable of responding to the "segment of one".
- **Library and learning resources services/systems** – physical and virtual resources and associated services including licensing.
- **Strategic planning, finance and governance services and systems development** (including full Head Office / VCO functions) – to be transitioned from the ADP to an independent "University of Peterborough" as part of the Roadmap, with further detail to be agreed as the transactional agreements are finalised.
- **Full range of 'soft' FM and ICT services** and resources required to operate the new University effectively and to deliver an excellent student experience. Such soft FM/ICT services may include cleaning, security, catering and reception services, network connectivity and infrastructure (Janet), business and academic IT and AV systems and software[11].

IT Infrastructure	Main Contractor (phase 1)	Academic Delivery Partner (ADP) Unico
Core ICT Infrastructure ICT (data) cabling and ancillary items such as distribution frames and equipment racks	Y	
Ongoing Maintenance of core ICT Infrastructure		Y
Other ICT packages Network Wireless Connections 4G/5G mobile Phone enhancement (the scope of which remains to be agreed) Digital /Audio Visual systems		Y

[11] UniCo will be responsible for 'hard' FM services under the Lease. Such hard FM services may include signage (external and internal), future maintenance registers, asset registers, statutory inspection records etc, project works move and churn, QHSE control of works / permits, risk management, statutory compliance, structure and fabric, MEP installations, 'life safety systems', fixtures fittings and equipment, ICT installations, highways and paths and external hard landscaping. In order to ensure UniCo's compliance with its maintenance obligations, the Lease will contain a schedule of maintenance and obligations on UniCo and PropCo to conduct an annual review of the condition of the Building. In the event that UniCo fails to remedy any maintenance issues following the annual review, the Lease will contain a right for PropCo (acting reasonably and following an appropriate process) to step-in and perform the required maintenance together with a contractual requirement for UniCo to reimburse PropCo for the costs of it undertaking such maintenance by way of service charge.

IT Infrastructure	Main Contractor (phase 1)	Academic Delivery Partner (ADP) Unico
Local Server and storage systems (Design input from ADP)		
Ongoing maintenance of other ICT Packages		Y
Software Business and academic software solutions and licences. (Input from ADP)		Y
End User Devices laptops, printers and PCs (Input from ADP)		Y
External Connectivity Internet and HE network (JANET)		Y

Infrastructure

Procurement of the infrastructure is split into two categories:

1. **Land:** the proposed development plot 'The Embankment, off Bishops Road Peterborough' forms part of the agreement between Cambridge and Peterborough Combined Authority (CPCA) and Peterborough City Council (PCC) where PCC have committed to providing land for use in the development of the new University. The valuation of the land has been agreed; subject to finalising the acreage. At the time of writing the necessary due diligence and valuation for Phase 1 of the University is ongoing. It is proposed that the agreement will also allow for future growth of the University beyond phase one on the Embankment site and that the Heads of Terms will reflect how this is achieved. The procurement of the land from PCC may require an Advertised Sale via a notice in the local press (public owned land for disposal under reg: 1972).
2. **Main Contractor**: procurement of the main contractor will be required to deliver the physical capital works, which will broadly include:
    a. Off plot Utilities, highways works associated with Phase 1.
    b. On plot infrastructure works, utilities, road, car parks, landscape and ancillary buildings.
    c. Building and internal fit out (including IT and AV).
    d. Procurement of infrastructure for use in operation of the building by the ADP.

Following approval of the Outline Business Case a supplier event was held to look at the market opportunity for developer led delivery and operation of the asset for phase one or delivery by the main contractor and operation by the ADP. The opportunity for both routes has been allowed for in the ADP procurement. However due to feedback from the supplier event; which suggested that while there are alterative options to design, build and maintain the phase 1 and future phases of the university, the general consensus is to maintain programme was for a Design and Build tender for Phase 1.

Since the supplier event there has been the further impact of Covid-19; which has had to be considered in the selection of the preferred procurement route, to support contractors cash flow during procurement where possible without undue burden on project cost; gain feedback on the design and buildability to increase the likely hood of availability of materials and labour for installation and, once appointed, ensure fair payment across the supply chain. Any impacts on construction cost arising from the need to incorporate social distancing measures into operating procedures are, as yet, unknown.

Procurement of the main contractor has commenced with the publication of a Selection Questionnaire through an OJEU restricted procedure. The purpose of this is to seek interest from the market and establish a short list of up to 5 main contractors who will progress at their cost into the first stage of a two stage process; with award of a single contractor in August 2020. Following approval of a further iteration of the FBC in late 2020, the selected contractor will work with the CPCA /PCC and its advisors to develop the design, procure works packages and agree a fixed cost for approval in January 2021.

A two-stage procurement route approach has been necessitated by the need to:

a. Maintain programme for opening of the new University in September 2022.

b. Identify a single contractor capable of working with PropCo and its advisors following sign-off of this FBC.

c. Attract a suitable main contractor capable of constructing phase 1 by identifying a procurement route that allows the main contractor to receive payment for developing the design and procurement of the works packages up to agreement of a fixed price.

d. Respond to the impact of Covid-19 on the construction market in terms of payment and design development input by the main contractor.

e. Enhance the opportunity for the identification and elimination of the associated financial and construction risks prior to entering into contract, through engagement with their supply chain, and specialist input on sequencing and buildability.

3.1.2 Service streams and required outputs

Annex 6.4 sets out the selection criteria for the ADP as published in the call for Expressions of Interest and Invitation to Tender, which in turn reflect the project's required services and outputs. In summary the selection criteria were:

- Formal definition of the ADP to meet the ultimate objective of establishing an independent University of Peterborough with degree awarding powers and University Title.
- Commitment to the vision for an Independent University in Peterborough including the growth trajectory set out in the project objectives.
- Commitment to develop the operational capabilities of the University including staff and student recruitment and support, curriculum design and development and all support functions.
- Commitment to the long-term success of the University including branding and performance requirements
- Commitment to resourcing and addressing working capital requirements.
- Commitment to the programme for establishing and growing the new University.

The minimum expectations and outcome of the finalised deal are as stated in section 3.1.1 above.

3.1.3 The contracts

Academic Delivery Partner

Form of contract and key features of the deal

Finalisation of the contractual documentation arising from procurement of the ADP is taking place in parallel with preparation of this FBC through a negotiated process that has led to agreed Heads of Terms with drafting advised on by Pinsent Masons (CPCA legal advisers). A copy of the Heads of Terms is attached at Annex 6.5 and includes details of the proposed structure of the contractual arrangements.

The purpose of the Heads of Terms is to form the basis of negotiation between the ADP, CPCA and PCC up to contract award. The ownership structure of the new University will reflect the commitment of resources by CPCA, PCC and the ADP. The structure for delivery agreed between the ADP, PCC and CPCA is outlined below:

- CPCA, PCC and the ADP will be joint venture partners in respect of a new special purpose vehicle ("**PropCo**") into which the land will be transferred by PCC, together with the Local Growth Funding (LGF), the CPCA PropCo Contribution (capital and revenue funding from CPCA) and ADP financial continuation of between £3.8 and £6.5m (depending on final build costs). PropCo will develop on the land the building and campus intended to be used by the new University. Since approval of the OBC, CPCA has signed an Office Decision Notice (ODN), to allow incorporation of PropCo, initially with CPCA as a single shareholder. The incorporation of PropCo along with a project bank account is required to be in place so that LGF monies can be defrayed into PropCo account by the end of August 2020[12].
- The ADP will establish a separate new special purpose higher education vehicle ("**UniCo**"), which it is intended will eventually be the University of Peterborough, subject to the outcomes of the independent review. It will be established by the ADP as a charitable company limited by guarantee. A Collaboration Agreement will include arrangements for a revised ownership structure for UniCo when it is capable of fully independent operation from the ADP (if desired by the parties at that time).
- It is intended that PropCo will grant a lease of the Building to UniCo, the terms of which include a 10 year rent-free element during the start-up phase (see above).

To date CPCA and PCC have approved working together to deliver the project with CPCA establishing PropCo and investing funds into PropCo and PCC working to secure transfer of the the land to PropCo. As there have been delays in securing the transfer of the PCC's land into PropCo the company has been established with CPCA as the sole shareholder and a subscription agreement entered into between CPCA, PropCo and PCC which commits PCC to transfer the land a later date, at which point it will receive shares in the company in proportion to the value of this investment.

The subscription agreement between CPCA and PCC describes the commitment between parties who will work together toward realisation of the new university buildings. The ADP also intends to participate as a shareholder of PropCo in return for an investment of up to £6.5m (currently anticipated to be £3.8m)). At the point of the transfer by PCC of the land into PropCo, a shareholders’

[12] This requirement has arisen as a result of delays to the procurement of the ADP meaning that the expenditure of the LGF Grant cannot meet the March 2021 deadline; to safeguard the funding it must be transferred to PropCo before September 2020. LGF funds will be drawn down by CPCA from 1 April 2020 and the balance transferred to PropCo before the end of August 2020; based on the current spend profile in line with the Revision B master programme the LGF funding is targeted to be expended by September 2021.

agreement will be entered into with all participating shareholders (including the ADP) to document the governance of PropCo together with operational parameters for the company and exit provisions in the case of default or sale of shares.

CPCA have signed an Office Decision Notice (ODN) since approval of the OBC, to allow incorporation of PropCo with CPCA as a single shareholder. The incorporation of PropCo is now complete, with a bank account being put in place in order that LGF monies can be defrayed into PropCo account by the end of August 2020; this requirement has arisen as a result of delays to the procurement of the ADP meaning that the expenditure for the LGF Grant monies cannot meet the March 2021 deadline; in order to safeguard the funding it has to be transferred into PropCo before September 2020. LGF funds will be drawn down by CPCA from 1 April 2020 and the balance transferred into PropCo before the end of August 2020; based on the current spend profile in line with the Revision B Master programme the LGF funding is targeted to be expended by September 2021.

The main transactional documents will be as follows:

- Articles of Association of (UniCo), the newly formed higher education provider established as a wholly owned subsidiary of the ADP.
- Collaboration Agreement between the new University of Peterborough, the ADP and PropCo in relation to the development, operations, governance of and milestones to be met by the new University of Peterborough..
- Articles of Association of PropCo (as a joint venture between CPCA, PCC and the ADP).
- Shareholders' Agreement between CPCA, PCC, the ADP and PropCo in relation to PropCo.
- CPCA Services Agreement in relation to the services to be provided by CPCA to PropCo in managing the development of the university building project and ongoing operation of PropCo as landlord of the completed building. The CPCA Service agreement will be in place from August 2020 to give authority for CPCA and its agent to act on behalf of PropCo in the design, procurement and delivery of Phase 1 of the new university.
- Land Transfer from PCC to PropCo.
- Agreement for Lease with agreed form lease between PropCo and the new University of Peterborough.
- Any other ancillary documentation required to implement the provisions of the Heads of Terms.

The basis of these legal agreements is set out in Heads of Terms approved by the parties. It is intended that these agreements be signed by all parties by the end of August 2020.

Contractual issues

The full scale and scope of the requirements has been shaped in negotiation and includes the requirements outlined above, albeit with attendant risks described in more detail in section 1.4 and other sections of this FBC. The basis of the agreement with the ADP is set out in the Heads of Terms that will form the basis of the transactional agreements currently being drafted for execution in August.

Payment mechanisms

In accordance with the agreed the Heads of Terms, CPCA, PCC and the ADP will enter into a Joint Venture (PropCo) which will hold the property from PCC, LGF

Investment monies, CPCA funding contribution and capital investment from the ADP capped at £6.5m for the construction works of the phase 1 building. Additional investment associated with the University start-up capital requirements will be provided by the ADP via a short-term loan.

A separate Special Purpose Vehicle will be established by the ADP (UniCo) as the new higher education provider which is intended to ultimately become the University of Peterborough. The agreement of rent and rent-free periods and the basis on which these will be paid by UniCo to PropCo has been agreed between parties through the ADP negotiated procurement; a 10 year rent-free period will apply.

Accountancy Treatment

CPCA, PCC and the ADP will enter into a Joint Venture (PropCo), which will hold the property from PCC, LGF investment monies, CPCA capital contribution and the ADP capital contribution. All the assets will sit within PropCo which will be a local authority-controlled company and therefore, be incorporated into the financial statements of the local authorities accordingly.

Building/Infrastructure

Form of contract

The construction works are proposed to be delivered via a Design & Build procurement route using a two-stage tendering process and an industry standard form of contract. The current contract form is intended to utilise a JCT Design & Build form with client amendments.

This contract form is an industry recognised and widely used contract, which ensures all parties are familiar with the structure, risk apportionment, key provisions and contractual procedures/mechanisms. It is typical for clients to amend this form to insert additional provisions surrounding risk apportionment and payment. As such CPCA have procured the services of Pinsent Masons to provide professional legal advice to provide the necessary client amendment to this form of contract.

A design and build procurement route will provide PropCo with a fixed price lump sum offer for the construction of the works, which will reduce PropCo’s exposure to potential overspend within the construction work. By adopting a two-stage tendering process, CPCA’s client team will work with the contractor on an open-book basis to ensure competition is maintained throughout the second stage, and that risks are appropriately managed. Long-lead items and works packages will be reviewed with the Main Contractor to verify competition throughout the supply chain, and to offer greater financial certainty to all parties. This process will assist in ensuring Contractor’s risk pricing is reduced and PropCo achieve value for money.

In order to meet the Q4 2020 spade in the ground, it will be necessary for PropCo to place order with utilities supplier in August 2020 as there is a three month lead in for the works – works would be carried out by the Main Contractor to remove redundant cable, along with minor enabling works on the site on land provided by PCC to PropCo ahead of entering into the building contract, following which an order will be placed with UKPN for removal of the cable in November 2020

The signing of a pre-construction service agreement with the Main Contractor will permit them to develop design and agree a fixed contract sum by January 2021.

Key features of the deal

The main contract will ensure a single point of responsibility from the Main Contractor to PropCo for the design and construction of the phase 1 building in accordance with the specified Employer’s Requirements. The contract provides the following key outcomes:

- Time certainty through fixed start and completion dates.
- Cost certainty through a fixed price lump sum.
- Clear identification of liquidated damages for late completion.
- Agreement on change management processes.
- Single point of design and build responsibility by the main contractor.
- Regular payment provisions and fair payment provisions throughout the supply chain.
- Agreed apportionment of risk between Client and Contractor.
- Provisions for 3rd party interests, including collateral warranties.

Contractual issues

Covid-19 continues to have a significant impact on businesses across the construction industry and whilst case law is not yet established on how construction contracts will deal with its impacts, the current JCT suggests this is a relevant event; entitling the contractor to an extension of time. In response to this, Pinsent Masons have provided legal advice and the proposed contract amendments include provisions for pandemics to allow the main contractor assured extension of time. This will provide comfort to the contractor by avoiding exposure to late completion and liquidated damages that arise as a result of delay outside of their control. This should benefit PropCo by the avoidance of inflated risk pricing to cover such events.

Payment mechanisms

PropCo will appoint the main contractor and make payment under the agreed form of contract. A specific project bank account will be set up based on the JCT project bank account principles to ensure sufficient project funds are available for the construction of the phase 1 building, protected against misappropriation, and providing security for the Main Contractor and their supply chain of appropriate funding and regular payment. This will be formalised in a trust deed included within the main contract.

PropCo will be responsible for paying for the design, procurement and delivery of the phase 1 building under the agreed contract to the consultant team and the Main Contractor. The project bank account will be operated by CPCA on behalf of PropCo and will act as a mechanism to facilitate direct payment from PropCo to the main contractor and the top five suppliers (in terms of contract value), to be named within the Contract Particulars. This mechanism will safeguard regular payment to the supply chain, which under current economic circumstances is paramount in safeguarding performance. The bank account will also provide a mechanism, if required, for all supply chain members to be paid directly in accordance with the fair payment charter, if PropCo deems that payment is not being made regularly throughout the Contractor's supply chain.

The payment mechanism for the construction works associated with the provision of the new buildings will be set out in the form of contract used, and subsequently in accordance with the payment terms dictated under the Housing Grants Construction and Regeneration Act 2011. It is typical for such payments to be based on interim monthly valuations of progress completed on site and applied for via the Main Contractor's Interim Applications for Payment. These applications will be verified by CPCA's appointed Quantity Surveyor through valuation/inspections on site, validated through the necessary payment notices and paid in accordance with the contract terms.

Further payment amendments are proposed via advice from Pinsent Masons, to ensure that the contractor signs up to the fair payment charter and that prompt payment is made throughout the whole supply chain.

Accountancy Treatment

As no PFI or similar arrangements are proposed for construction of the phase 1 building, no accounting treatment questions arise for presentation in this FBC. PropCo, a local authority controlled joint venture company, will own the asset once constructed and this will be incorporated into the financial statements of the local authorities accordingly.

3.1.4 Risk apportionment

Academic Delivery Partner

The risk register at Annex 6.1 provides details of the risk apportionment between CPCA/PCC (PropCo) and the Academic Delivery Partner (ADP) agreed in the Heads of Terms and to be finalised in detail through the full legal documentation. In summary:

- all costs associated with the procurement of the ADP; acquisition of the land; design procurement and delivery of phase one building until August 2020 will be the responsibility of CPCA/PCC; and
- the ADP, , from practical completion of the development will assume responsibility for operation of the University including hard and soft facilities management services, pending securing the independence ultimately sought for the University.

In addition, a more detailed assessment of the potential impacts of Covid-19 on the ADP's business model is provided in section 3.3.

Infrastructure

The apportionment of risk for the infrastructure construction phase will be agreed as part of the procurement strategy prior to the procurement of the main contract and sub-contract packages. The apportionment of risk (yet to be agreed) will allocate risk appropriately to mitigate risk to the client by whom the contractor is appointed (PropCo). The risk register appended at Annex 6.1 identifies several key infrastructure risks for the delivery of the Phase 1 building, noting the risk likelihood, severity, and time and cost impact, and proposed mitigation strategy.

3.1.5 Implementation timescales

The implementation timetable has been prepared by CPCA's advisors as the basis of the legal documents between CPCA, PCC and the Academic Delivery Partner (ADP) that will be taken forward in developing the university campus in Peterborough and the establishment of a new higher education provider that is intended to ultimately become the University of Peterborough.

The timeline of events follows the approved project master programme (Revision B) to meet the key project milestones to achieve spade in the ground in Q4 2020. The programme makes no allowance for delay in contracting with the ADP or for impact of Covid-19 on the construction duration, which remains a risk to the overall scheme. The timetables for finalising and contracting with the ADP and with the Main Contractor are set out in Annex 6.6:

3.2 Deliverability

Academic Delivery Partner

As outlined in section 1.4 above, the ITN Final Submission from the ADP provides a good strategic fit with the project objectives. However, the agreement with the ADP inevitably generates risks that could adversely impact on achievement of the project objectives, in particular:

- Whether higher than anticipated levels of growth in student numbers will be able to be accommodated by the ADP.

- Whether the form of provision proposed will reach under-represented and local groups of students and meet the needs of the region's businesses.
- Whether the marginal surplus generated by the Operating Model proposed by the ADP will be sufficient to generate a sustainable, independent University in the long term (taking into account future growth phases).

These and other risks described in more detail in other sections of this FBC will be managed through negotiation of contractual terms, governance arrangements and ongoing positive relationships between the public authorities and the ADP through the delivery phase of the project to ensure continued confidence (not least given the uncertainties arising from Covid-19) that the ADP will be able to establish a new University which has the positive economic, regeneration and social impacts sought by CPCA.

Detailed assessments of deliverability of CPCA's objectives for the new University are set out elsewhere in the FBC, most notably in sections 3.3 and 4, which address the risk arising from the financial model and Covid-19 impacts respectively. CPCA concludes that, given the safeguards/mitigation plans set out in those sections and the governance arrangements described in section 5, the project is deliverable, and the risks associated with it are manageable.

Critical to mitigating the risks inherent in the project as proposed, will building and sustaining strong, productive relationships between the public sector partners and the ADP relationships at all tiers of those organisations. A shared vision and a common understanding of how to achieve it, will be the best way to avoid these risks

Infrastructure

The OBC proposed a phase 1 building of 3500m^2 Gross Internal Area, derived from a notional fixed £20m budget at the time. Following negotiations with the ADP, it became apparent that the ADP would require a larger building to accommodate their student numbers and proposed activity. A revised design proposal has been prepared for a phase 1 building based on a 5300m^2 Gross Internal Area; a multi-use educational facility suitable for a mixed use of working, learning, teaching, collaborating, and eating. The building will include all associated external landscaping and infrastructure, all delivered within the available cost envelope (currently assumed to be £28.6m). The revised larger building is a more appropriate size for a building of this nature, and allows more flexible use of the building as an adaptable asset for the future.

A summary and elemental cost summary of how the budget is derived is shown below. The construction works costs have been benchmarked against known industry data for similar size and quality educational buildings and are aligned with the median cost parameters.

Elem Ref				Cost Target £	£ / m^2 GIFA
0	Facilitating Works			180,000	34
1-10	Building Works			17,615,541	3,324
	Works Cost Estimate		**£**	**17,795,541**	**3,358**
11	Fees & Surveys			2,553,499	482
12	Client Project Costs			1,032,900	195
13	Client Contingency (applied to 0-10 and 12)	10%		1,882,844	355
	Cost Limit (Excluding Construction Inflation)		**£**	**23,264,785**	**4,390**
14	Inflation; to mid-point construction 4Q21 (applied to 0-10 and 12)	3.0%		564,853	107
	Cost Limit (Including Construction Inflation)		**£**	**23,829,638**	**4,496**
	VAT Assessment (applied at the prevailing rate)	20%		4,765,928	899
	Estimated Outturn Costs		**£**	**28,595,565**	**5,395**
	"Say"			**28,600,000.00**	

GIFA'
5,300 m2

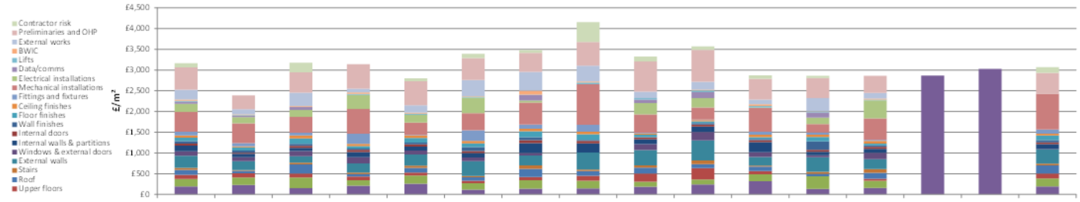
Budget Cost Plan **University of Peterborough - Phase 1 Development**

Elemental Summary **14 April 2020**

			Cost Target £	£/m2
0	Facilitating Works		180,000	34
1	Substructure		1,032,900	195
2	Superstructure		5,616,506	1,060
3	Internal Finishes		1,129,600	213
4	Fittings, Furniture & Equipment		503,500	95
5	Services		4,568,000	862
6	Prefabricated Buildings & Building Units		N/A	N/A
7	Works to Existing Buildings		N/A	N/A
8	External Works		1,361,359	257
		Sub-Total	**14,391,865**	**2,715**
9	Main Contractor's Prelims	13%	1,870,942	353
10a	Main Contractor's OH&P	5%	813,140	153
10b	Main Contractor's Risk	3%	431,756	81
10c	Main Contractor's Design	2%	287,837	54
		Construction Total (Exc. Inflation)	**17,795,541**	**3,358**
11a	Project / Design Team Fees - RIBA Stage 1-2 (CPCA Stages 1-4)		449,642	85
11b	Project / Design Team Fees - RIBA Stage 1-4 (Includes re-design work and CPCA Stage 5)		681,279	129
11c	Project / Design Team Fees - Client monitoring role (CPCA Stage 6) - As per framework fee	1.39%	322,578	61
11d	Legal Fees		300,000	57
11e	Surveys, Statutory Fees and Additional Services		550,000	104
11f	Section 106, Section 278 and other conditions (allowance)		250,000	47
12	Client Direct Project Costs (loose furniture, café, ICT)		1,032,900	195
13	Client Contingency (applied to 0-10 and 12)	10.0%	1,882,844	355
14	Inflation; to mid-point construction 4Q21 (applied to 0-10 and 12)	3.0%	564,853	107
		Total (Exc. VAT)	**23,829,638**	**4,496**

A benchmarking exercise has been undertaken to investigate the estimated build cost against a range of similar HE projects to ensure market buildability. The benchmarking data represents an average cost per typical building element, represented as a cost per m^2 of Gross Internal Floor Area. The benchmarking data excludes site specific abnormal elements such as facilitating/demolition works, and external works, to allow a fair comparison. This benchmarking indicates an average build cost (£Nett/m^2) of approximately £2932/m^2 (excluding site facilitating and external works), and this is supported by wider industry benchmarking mean averages of £3026/m2 (BCIS data). The phase 1 construction cost estimate is £3,067/m^2, which supports the conclusion that the proposed phase 1 building can be delivered to a suitable standard within the current budget, and within typical cost parameters for a HE building. The benchmarking exercise is shown below.

University of Peterborough
General Teaching New Build (Base date: 1Q20 (334) / Location: Peterborough (99))
Average Build Cost - Excluding external works



	Average	Project 1	Project 2	Project 3	Project 4	Project 5	Project 6	Project 7	Project 8	Project 9	Project 10	Project 11	Project 12	BCIS Average 20yr	BCIS Average 25yr	Stage 2 Cost Plan
	GIFA	21,892 m2	5,943 m2	7,437 m2	6,451 m2	4,075 m2	10,300 m2	3,055 m2	3,042 m2	2,810 m2	2,430 m2	17,216 m2	1,934 m2	Varies	Varies	5,300 m2
Substructure	£190	£227	£154	£210	£258	£116	£142	£143	£187	£239	£318	£133	£157	£2,864	£3,026	£195
Frame	£181	£182	£251	£131	£197	£153	£197	£188	£117	£118	£165	£303	£173	Included	Included	£185
Upper floors	£103	£103	£99	£93	£72	£60	£83	£118	£200	£277	£82	Inc.	£47	Included	Included	£125
Roof	£116	£56	£219	£61	£112	£87	£192	£113	£140	£96	£107	£64	£145	Included	Included	£198
Stairs	£51	£19	£43	£33	£58	£30	£85	£36	£59	£91	£25	£45	£90	Included	Included	£40
External walls	£292	£217	£154	£217	£268	£358	£238	£408	£367	£483	£203	£353	£240	Included	Included	£336
Windows & external doors	£106	£93	£127	£155	£96	£86	£59	Inc.	£143	£200	£113	£48	£149	Included	Included	£18
Internal walls & partitions	£136	£83	£80	£121	£94	£108	£241	£226	£121	£129	£247	£81	£102	Included	Included	£118
Internal doors	£49	£26	£41	£52	£54	£51	£72	£57	£38	£49	£50	£46	£44	Included	Included	£40
Wall finishes	£57	£52	£52	£31	£40	£93	£72	£26	£11	£38	£27	£207	£39	Included	Included	£57
Floor finishes	£86	£75	£127	£65	£111	£90	£146	£134	£60	£41	£46	£106	£36	Included	Included	£112
Ceiling finishes	£52	£29	£76	£48	£63	£62	£60	£62	£27	£28	£55	£51	£67	Included	Included	£44
Fittings and fixtures	£92	£77	£63	£250	£11	£251	£97	£167	£17	£17	£71	£55	£28	Included	Included	£95
Mechanical installations	£476	£477	£383	£596	£302	£412	£536	£979	£443	£291	£576	£205	£515	Included	Included	£862
Electrical installations	£197	£147	£168	£341	£179	£378	£46	Inc.	£273	£225	£13	£153	£439	Included	Included	Included
Data/comms	£49	£29	£69	Inc.	Inc.	Inc.	£133	Inc.	£87	£145	Inc.	£127	Inc.	Included	Included	Included
Lifts	£25	£21	£7	£20	£31	£26	£11	£42	£35	£39	£33	£23	£18	Included	Included	Included
BWIC	£26	£20	£17	£35	£23	£12	£90	£23	Inc.	£20	£43	£7	£20	Included	Included	Included
External works														Excluded	Excluded	
Preliminaries and OHP	£536	£337	£489	£589	£579	£533	£453	£569	£722	£770	£502	£483	£408	Included	Included	£506
Contractor risk	£107	Inc.	£238	Inc.	£68	£97	£70	£479	£121	£82	£82	£53	Inc.	Included	Included	£136
Construction (£/m2)	**£2,932**	**£2,270**	**£2,858**	**£3,049**	**£2,616**	**£3,002**	**£3,023**	**£3,771**	**£3,169**	**£3,380**	**£2,758**	**£2,543**	**£2,717**	**£2,864**	**£3,026**	**£3,067**

The procurement route proposed is typical for a project of this size and nature and is typically preferred by Main Contractors over a single-stage tender process, as their efforts in developing design are paid under a PCSA. Construction projects of this nature are desirable to a Main Contractor within the current construction market which has been further increased as a result of Covid-19, which will affect short to medium-term pipelines of work for main contractors, and a high level of competition is expected. The project construction timescales are achievable, although tight, and the works are generally viewed as low risk, which should be reflected in the Main Contractor's commercial offer. However, it is anticipated that the Covid-19 pandemic could affect priced risk and programme duration as a result of the need to maintain social distancing / increased lead-in on materials and risk of supply chain liquidity.

CPCA on behalf of PropCo has commenced procurement of phase 1 under an amended Design and Build form of contract. Following feedback from the supplier event, this was more attractive to the market prior to the Covid-19 pandemic and continues to be preferable. This is due to the ability of the main contractor to influence design, minimise their own and sub-contractor risk under the two stage procurement route, and to be paid for their efforts in establishing the design and works via a pre-contract services agreement.

Prior to tender issue there has been strong appetite from the market through initial expressions of interest, and attendance at the pre-tender briefing meeting, held by CPCA. Within the surrounding regions there is a wealth of experience from the construction market for delivering similar schemes through this procurement model. The site location is well served by key transportation links and the site itself is generally unrestricted, which bodes well for acquisition of labour and materials. There is a strong supply of main contractors, and subcontractors who operate in the area and therefore interest in this scheme is expected to be high throughout the supply chain, which will typically result in competitive pricing. We, therefore, expect a high level of interest for the project from a large number of suitable contractors whom have a strong portfolio of construction projects in the HE and

Local Authority sectors. An initial review of key Contractors with suitable experience of design and build Higher Education projects is identified below:

Contractor	Regional Office Location
Balfour Beatty	Manchester
BAM Construct	Birmingham
Bouygues (U.K.)	Birmingham
Bowmer & Kirkland	Derby
Galliford Try	Leicester
Interserve	Leicester
ISG Plc	Cambridge
John Sisk	St Albans
Kier	Corby
Mace	London
McAleer & Rushe	London
McLaren Construction	Birmingham
Morgan Sindall	Rugby
Multiplex Construction	London
Osborne	London
Vinci Construction	Cambridge
Wates Group	Cambridge
Willmott Dixon	Milton Keynes

Following the issue of the Supplier Questionnaire the following contractor's have formally expressed interest:

Contractor
BAM Construct
Bowmer & Kirkland
Clegg
Farrans
Galliford Try
Geoffrey Osborne
Gilbert-Ash
Henry Bros
Interserve
ISG Plc
John Graham
Kier
McLaren Construction
Morgan Sindall
RG Carter
SDC
VINCI
Wates
Willmott Dixon
Wates Group
Willmott Dixon

3.3 Covid-19 impact assessment (Academic Delivery Partner)

Data from the Cambridgeshire & Peterborough Independent Economic Review (CPIER), updated by new, ongoing econometric work to assess the extent of economic scarring resulting from the Covid-19 crisis, predicts that Peterborough and the Fens, will be one of the hardest hit economies in the

UK. This is supported by the recent Centre for Cities study putting Peterborough as the 5th most "at risk" city in the UK from the economic impacts of Covid-19.

This is partly due to education deprivation (Peterborough is in the bottom 10% of all UK cities), resulting in a less resilient and adaptable workforce. It is also partly due to the region's low-tech industrial base, characterised by increasing levels of administration and logistics employment, a waning high-value manufacturing sector and a reducing proportion of knowledge intense jobs. These factors combine to increase risks of the region also being one of the slowest to recover.

Therefore, a more inclusive recovery and regrowth strategy is needed for region's economy. To recover the region's growth ambitions requires action to be taken to increase higher value, more knowledge intense and more productive growth. Changing the spatial distribution of economic growth and supporting an increase in innovation-based business growth across the whole of the CPCA economy, was a key recommendation from the CPEIR and formed the basis of the following three priority goals of the Local Industrial Strategy; this will be more important than ever in the recovery following the Covid-19 crisis:

- To improve the long-term capacity for growth in Greater Cambridge to support the expansion of this innovation powerhouse and, crucially, reduce the risk of any stalling in the long-term high growth rates that have been enjoyed for several decades.
- To increase sustainability and broaden the base of local economic growth, by identifying opportunities for high growth companies to accelerate business growth where there is greater absorptive capacity, beyond the current bottlenecks to growth in Greater Cambridge.
- To do this by replicating and extending the infrastructure and networks that have enabled Cambridge to become a global leader in innovative growth, creating an economy-wide business support and innovation eco-system to promote inclusive growth

In common with a number of cities in the UK, the establishment of a university and associated innovation eco-system could produce the knowledge engine to drive the increased worker skills to raise business productivity, innovation, and knowledge intensity, capable of accelerating the economic recovery rate, in these "left-behind" towns.

3.3.1 Immediate Impact on the ADP's business model

The ADP is a large university operating at scale across several campuses (including Peterborough) with a shared cost model. The ADP has a long history of successful financial management. Its financial model is not heavily geared, consistently returns a surplus and the University has taken difficult decisions quickly when required. The ADP's business model rests on quick decision taking and being a first mover in the market, for example:

- First new medical school for 12 years.
- First to invest heavily into Degree Apprenticeships (now largest UK provider of these and a thought leader in their development).
- Early mover into Policing degrees.

The ADP delivers bespoke portfolios and delivery models for customers, for example:

- The ADP's London campus offers flexible courses (e.g. 2 days per week) and has grown from 1,500 to around 6.500 students in 4 years
- Offering employer focussed courses

- Degree Apprenticeships that are in tune with the market and able to respond very quickly to opportunities and requests

Following the impact of Covid-19 the ADP's set up a Covid-19 task force (September 2020 Delivery Project) and made an immediate move to online delivery. Its business model is less exposed to the potential impacts of Covid-19 than other HEIs, for example:

- The ADP is not heavily reliant on international students (see numbers in section 1)
- It has dispersed campuses (with limited competition) and Covid-19 is likely to see more students staying in the region to reduce travel, allowing them to study from home.
- The ADP has low building overheads (compared to other HEIs) as a result of its employer and employment-based curriculum.
- The ADP's strong base in health and public services is in tune with growing interest.
- While the ADP has taken significant one-off steps to respond to 'most likely scenario' it has not made redundancies and has not incurred any additional debt.
- The ADP has long experience in distance learning and has already successfully blended delivery with a viable strategy for September 2020 across all campus activity, providing clear reasons to bring students onto campus to further enhance their experience of working in small groups, using specialist facilities and equipment etc. This learning will have matured and embedded into delivery well before the new University opens in Peterborough in 2022.
- The ADP has heavily invested in learning technology, for example their learning management system (Canvas) is state of the art and able to support and deliver an outstanding educational experience.

3.3.2 Target market segments

The ADP has launched a Mobilisation Strategy and is finalising mobilisation plans (operational activities) across 8 workstreams (monitored on a monthly basis through the ADP's Steering Group) covering the following areas of work

- Course development
- Curriculum approval
- Learning resources and Infrastructure
- Workforce development and employee relations
- Legal, Finance and Governance
- Marketing and recruitment including admissions
- Stakeholder engagement
- Student support including SU

As prospective ADP, they have already started the first phase of work on development of the portfolio of courses for the new University in Peterborough and their suitability post Covid-19, including engagement with key stakeholders (schools, colleges, businesses, community groups). An initial report on market segments has been produced drawing on this.

Key strengths of the ADP that help to mitigate the risk posed by Covid-19 include:

- its range of provision, not being reliant on one or two markets;
- employer engagement;
- flexibility, adaptability and agility in response to changing market conditions;
- ability to invest in short courses

- expertise and capacity in marketing and recruitment activity; and
- existing use of virtual Open Days, Virtual Applicant Days and Virtual Q+

While the ADP procurement process did not allow for conversations with industry, this work has now started through the ADP's stakeholder engagement workstream to further develop industry partnerships in Peterborough and the wider region. The ADP is using both existing contacts and those in CPCA's networks. Opportunity Peterborough provides another route to engage with local businesses, to create awareness and develop courses that will ensure the current and future talent pool in the region is trained and work-ready. Specific activity will focus on the different market segments identified below.

<u>18-24 year olds from the local demographic</u>
Population estimates of the numbers of 18-24 year olds in the region indicate HE is about to enter a period of growth in the market, not least due to the latent demand in the "cold spot" identified in section 1 (approximately 24% of 18-24 year olds in the region are in full time education, compared to around 33% nationally).

Area	Population (18-24 year olds)
Peterborough	14,184
Cambridgeshire	59,133
East Cambridgeshire	5,497
Fenland	7,082
Huntingdonshire	11,526
Total	**97,422**

The ADP's analysis of HE demand in the region, predicts an increase in the number of 18 year olds over the next 5 years leading to a 13% increase in students entering HE by 2025 (up to 6,105) with a static participation rate of 44%, and a 20% increase (up to 6,521) if the participation rate grows to the England average of 47%. Demographic analysis suggests also that this new demand is likely to be from groups who are more likely to stay in the region to study and then subsequently to work.

The ADP will use its existing footprint to leverage demand (e.g. Guild House and Nursing provision. Its approach is to bring in a team quickly to create demand, build intelligence and assess local need and infrastructure. This will create the relationships in the schools/colleges and wider community.

The ADP has started the recruitment process for a Student Recruitment Manager who will be based in Guild House and will be engaging with the community, adopting a marketing approach of 'think local, act local'. By 2021, the ADP will have additional marketing staff e.g. student recruitment and outreach officers, events officers, etc

<u>First generation HE students of all ages</u>
The ADP will undertake a segmentation exercise to identify key segments followed by communications and marketing activity to build awareness with first generation and 21+ prospective students (likely to be radio and regional TV). They will leverage their digital capability to widen reach including Virtual Open Days, Virtual Applicant Days and Virtual Q+A's. Their stakeholder comms plan will focus on creating demand (working with community groups).

People who are unemployed, retraining or upskilling (esp. post Covid-19)

The ADP's Canvas platform is robust and effective and they will be looking at options of 'tasters'; short programmes that will help build student confidence through bite size chunks of learning and online delivery. Virtual Open Days etc will again have a part to play here. The ADP will work in partnership with other providers e.g. CWA.

Large Corporates and bespoke apprenticeship programmes.

The ADP has a strong track record in Degree Apprenticeships, built on a reputation for vocational based HE provision; a brand that will be further carried into Peterborough. Key activities and interventions to target this market segment will include:

1. Leveraging the ADP's existing Degree Apprenticeships course list:
    a. While these require post-Covid-19 review, those listed continue to be UK wide standards that prevail in the market and are likely to remain relevant.
    b. The ADP specialises in focusing these on the needs of individual companies and sectors, for example:
        i. The Chartered Manager Degree Apprenticeships adapted by ARU for the charity sector.
        ii. The Civil Engineering Site Manager Degree Apprenticeships adapted for Kier.
2. The ADPS approach to Degree Apprenticeships in Peterborough will include:
        i. Immediately deploying an existing and experienced member of the ADP's Consultancy team to lead the short-term conversation and strategy in Peterborough including desk-based Industry and Business research, contributing to evolving plans via the Curriculum Development and Stakeholder Engagement workstreams and finding quick wins in the market and planning approaches.
        ii. By March 21 (18 months prior to opening) recruiting a full time Consultant to work with businesses in Peterborough to design and deliver Degree Apprenticeships and learning needs.
3. Leveraging their successful approach to Degree Apprenticeships in Peterborough as exemplars, including:
    a. ensuring the approach is always market led, collaborating with industry including listening to business needs and then providing co-designed solutions (work with Sanger/Welcome Trust bringing The Bioinformatics Degree Apprenticeship to market;
    b. creating long term partnerships from small starts (e.g. BBC and Amazon Web Services in Digital Marketing);
    c. operating at scale (e.g. as part of a consortium of commercial partners and HEIs to deliver Police Degree Apprenticeships;
    d. educating organisations on how to use and get the best from their Apprenticeship Levy;
    e. working with IFA, ESFA, UUK and others to influence policy; the ADP sits on and develops Industry Trailblazers for new Apprenticeship standards with the ESFA, (e.g. as founders of the Digital Marketing Trailblazer with the Post Office and as key members of the 'Building' Standards trailblazer) and is active in the Cambridge Ahead Skills Group.

3.3.3 Impact of social distancing

If social distancing represents even a medium-term expedient, most organisations will run out of space and capital before they can correct their buildings to become Covid-secure and still deliver the same capacity. With estimates varying between 75% and 90%, the net reduction in operating capacity anticipated is beyond the resources of almost all organisations. Nor is it easy simply to accept that the experience in, say, a 30 seat room with 8 people will be the same, or that to put 8 in one room and stream the class to other settings will be considered fair or equitable. Social distancing, therefore, fractures normal practices to levels at which they become a major resource challenge.

As outlined above, the ADP is mitigating risks such as these and is already delivering a range of activity in response to Covid-19 impacts including:

- return to campus planning;
- an agile working and transformation group;
- auditing buildings to ensure that can safely accommodate staff and students;
- communicating with returning students and applicants around a blended September;
- RAG rating all courses for suitability to deliver in different modes;
- timetabling students in a blended mode on campus (splitting the day into blocks)

This best practice will be shared with the new University of Peterborough. In addition, the Phase 1 building will not be at capacity until 2025, ensuring space will available should social distancing be needed into the medium term. Other contingencies include options to use other buildings in Peterborough and/or region e.g. Guild House.

3.3.4 Covid-19 sensitivity test on current operating model

The ADP has committed to managing the new University of Peterborough operating model to ensure it does not fail, managing risks in a variety of ways, outlined above and also to include

- Only recruiting staff as needed, including limiting senior staff costs.
- Flexible deployment or resources and management of costs within the operating model (see risk analysis in chapter 4 above.
- Using market intelligence to decide which courses to continue to develop; those that are not likely to be viable will not be taken forward. Equally, where interest from stakeholders has suggested new courses, the ADP are receptive to moving quickly to create and meet demand
- Careful planning of future building on the Peterborough campus (both timing and configuration) in the light of actual growth in student numbers.
- Sharing costs across the ADP's business will create economies of scale from which the new University of Peterborough will benefit.
- Prudent use of the contingency in the model.
- Monitoring and contingency planning around the journey to independence with clear millstones to check progress, monitor risk and provide accountability.

The Heads of Terms include flexibility (recognising the uncertain times), for example, if student numbers drop and income reduces, the ADP will reduce the cost base accordingly. By operating a shared service model and only employing new staff when demand dictates, the ADP is confident in its ability to manage a financially viable product.

<u>Recessional impacts</u>

Recessional impacts may also drive students to study degrees that are sector specific via Degree Apprenticeships and higher-level degrees in companies that lead to jobs as an outcome. The ADP intends this to be a key feature of the new University of Peterborough offer.

Previously, when recession hits the employed population the ADP have seen that their student mix changes. In the period leading up to and during recession they see fewer employed students join part time courses with more switching to full time study. As industry starts to come out of recession and the employment market picks up, part time numbers start to increase and those students studying vocational degrees become much sought-after individuals from employers.

ARU's market know-how and extensive experience of delivering courses in different modes of study and being able to react to market forces will position them well to utilise this flexibility to deliver the new University of Peterborough successfully. As the second largest of any public university provider in the UK in delivering Degree Apprenticeships, the ADP has a track record of listening, working in partnership and responding positively to employers to shape the curriculum content.

The ADP's proposed portfolio of courses for phase 1 is vocational, employment specific and driven to meet market needs. By offering courses at different levels (level 3 through to level 7) through a variety of study modes (full time, part time, blended) they will have flexibility to cater for different student needs. For example, in their School of Engineering and the Built Environment the ADP runs a combination of full time, placement, part time day release and block release courses leading to foundation degree, honours degree and degree apprenticeship qualifications. Students are able early in their course to move between the different modes of study as the marketplace dictates. At the ADP's London campus, they offer degree courses over two days per week to meet the needs of the student demographic (over 90% mature students), combined with the needs of industry and employers. Students are developing their qualifications and capability while often retaining part time work commitments alongside their full-time studies. This personalised approach to study will be a key feature at the new University of Peterborough's.

From September 2020, the ADP will be delivering face-to-face tuition, supported by online technologies. This experience of responding and succeeding in adversity will play a key part as we develop the new University of Peterborough curricula. Greater use of online technologies and a shift towards a blended delivery approach will suit particular market segments such as those students balancing family and work commitments. The blended delivery mode is one that the ADP uses successfully with Degree Apprenticeships, bringing students together on campus to create a community of learning whilst delivering content that students benefit from through face to face delivery. Learning and professional competence go hand in hand through the delivery process for PSRB accredited courses including Degree Apprenticeships, where theory and practice are inter-related. Offering career relevant courses whether they be in health, business, agri-tech or the creative and digital sectors will be a key selling point as these course lead to future employment.

There are potential positive potential impacts on student numbers, resulting from the 2m forecast job losses over the coming months and high levels of unemployment medium term, as young people and older re-trainers look to move into university to avoid the peak period of unemployment

The vocational, practice-based nature of the ADP's proposed curriculum is designed to be attractive to adult learners seeking to upskill, re-train or join HE. The new University of Peterborough is intended to be a new 'skills engine' for Peterborough and its region, undertaking activity directly with businesses through Degree Apprenticeships and work-based learning, and through community-based activities and work with local FE providers by providing access courses as a stepping stone to HE.

The 2016 Digital Skills Report showed that the shortage of digital skills represents a key bottleneck for industry and is linked to one in five of all vacancies. There is a mismatch in the types of skill offered by the labour market and those demanded. Over the set-up phase of the project, the ADP will be working with FE providers to ensure the courses being delivered support the skills needed in the 'new normal', that they are delivered in bite size chunks of learning using digital technologies wherever possible and that they provide a grounding to further study and employment.

The ADP also see the reduction in employment levels due to job losses as the stimulus for 18–24 year olds to invest in their future at a time when jobs may be in short supply. The 50+ institutions in the region offering post-16 education provide a 'HE ready' group of students able to engage with the new University of Peterborough industry focussed HE portfolio. The new University of Peterborough's offer is designed to tackle local skills gaps in digital technologies and more specifically advanced and specialist IT skills. There are skill shortage vacancies in Professional, Associate Professional and Technical occupations. Therefore, equipping the next generation of students with relevant technical and practical skills as well as developing their managerial and leadership skills (including people and personal skills) at a time of reduced employment, will be an investment for the future recovery of the economy. Covid-19 has increased interest in health-based courses and this will benefit the new University of Peterborough's offer.

Local provision

Importantly, a key potential impact of Covid-19 is that it might make young people who live locally, more likely to study nearer to home; The new University of Peterborough is designed to fill the gap identified through the "cold spot" and will, therefore, enable more students in the region to study from home should they wish to do so. The ADP has a diverse mix of students and have experience of delivering an educational experience that supports the needs of local students. The ADP will adopt a 'think local, act local' marketing approach and will build their track record of working with underrepresented groups identified by the Office for Students (OfS); the majority of the ADP's students fall at least into one group of disadvantage.

Partnerships

The development of the University of Peterborough's curriculum will be undertaken in conjunction with key stakeholders, using expertise within the ADP to drive curriculum development forward and using many of the methodologies the ADP already uses to engage employers. Course design phase will ensure employer input is firmly embedded through the design and approval process. The ADP's active curriculum model, 'live' briefs and course design intensive process are designed ensure the courses are meeting the needs of both students and employers with a focus on developing the skills needed to seek and be successful in employment.

The ADP is committed to develop new local, regional and national industrial partnerships targeting companies or organisations within the areas of its proposed curriculum. They will prioritise engagement of local companies including Caterpillar, BGL, Bauer Media, Peter Brotherhood and Perkins Engines. These partnerships will match the ADP's key strengths to make the University of Peterborough's sustainable in the medium and long term, comprising

- Short term partnerships with local/regional companies that have the potential to bring immediate results. These partnerships are highly likely to result in employer engagement in curriculum design and enhancement, student placements, internships and local graduate employment opportunities.

- Medium-term tactical partnerships in response to needs across the education portfolio.
- Long-term strategic partnerships with 1-2 companies in each curriculum area who are keen to engage with the new University across teaching, placements, employability, and further business opportunities including corporate education, research and knowledge transfer.

4 Financial Case

4.1 Financial model and appraisal

4.1.1 Project budgets and funding

The project budget (capital) has been identified and agreed by CPCA for phase 1 of the new University, informed by the RIBA Stage 2 design and cost plan completed by CPCA's design team and is summarised below

Elem Ref				Cost Target £	£ / m² GIFA
0	Facilitating Works			180,000	34
1-10	Building Works			17,615,541	3,324
		Works Cost Estimate	**£**	**17,795,541**	**3,358**
11	Fees & Surveys			2,553,499	482
12	Client Project Costs			1,032,900	195
13	Client Contingency (applied to 0-10 and 12)		10%	1,882,844	355
		Cost Limit (Excluding Construction Inflation)	**£**	**23,264,785**	**4,390**
14	Inflation; to mid-point construction 4Q21 (applied to 0-10 and 12)		3.0%	564,853	107
		Cost Limit (Including Construction Inflation)	**£**	**23,829,638**	**4,496**
	VAT Assessment (applied at the prevailing rate)		20%	4,765,928	899
		Estimated Outturn Costs	**£**	**28,595,565**	**5,395**
		"Say"		**28,600,000.00**	

GIFA*
5,300 m2

The agreed budget incorporates design and survey information from the CPCA's design team, in addition to allowances made for client direct costs, it represents the maximum budget currently available for the design and construction of the physical infrastructure, agreed at £28.6m comprising the following;

- Facilitating Works – all site clearance, remediation, services diversions required to facilitate the main construction works to take place.
- Building works – all substructure, superstructure, internal works, finishes, fittings furniture and equipment, services, external works, and the associated management and supervision by the Main Contractor.
- Fees & Surveys – all design fees applicable by the professional consultants forming the design team, including building control and legal support, plus all associated professional reports and surveys.
- Client Project Costs – the associated client direct costs consisting of loose furniture, wayfinding signage, café fit out, specific ICT enhancements.
- Client Contingency – contingency funds applied to the facilitating works, building works and client direct costs to cover increased costs resulting from progression and maturity of the design and associated project risks.
- Inflation – accounting for increases in building costs to the mid-point of construction
- VAT applied at the standard rate as applicable.

The phase 1 capital build is to be funded through multiple streams comprising a combination of capital investment and secured loans. The table below, sets out the proposed sources of funding for the capital investment required by the project.

Funding Source	Amount (£)
CPCA Capital Investment	12,300,000
LGF Investment Funding	12,500,000
The ADP'sCapital Investment (anticipated)	3,800,000
Total Funding (Phase 1 only)	**28,600,000**

The underlying basis of the funding model is that CPCA's commitment will be solely capital funding for the construction of the Phase 1 building including £12.5m funding secured from the Local Growth Fund (LGF), which is required to be spent by March 2021. In order to ensure these terms are met, CPCA have confirmed that the funds will be defrayed into the PropCo project bank account by August 2020. The LGF funding terms also stipulate that the LGF capital is repaid in full by September 2028 through a single lump sum payment. The impact of this on project cash flow is identified in section 4.1.2 below.

The Academic Delivery partner will provide a capital contribution to the construction shortfall, capped at £6.5m. It is currently anticipated that this contribution will be £3.8m (subject to confirmation of the construction contract costs through procurement of the Main Contractor). The initial investment for start-up costs and the ongoing operational cashflows will additionally be the responsibility of the ADP; CPCA will have no responsibility or obligation to underwrite such cashflows.

4.1.2 Financial model and appraisal(s)

PropCo/CPCA

For the phase 1 project it is essential that funding is available to proceed with completion of the design and to secure a Main Contractor for the construction and delivery of the phase 1 building, for August 2021. A cash-flow forecast has been prepared to identify the impact on PropCo's finances and forecast the anticipated funding requirements. CPCA is currently committed to a cumulative cost of £1.87m and, following approval of this FBC, it will assume a further commitment of £480,000 for completion of the phase 1 design, the payment of cost overruns will be agreed between parties in finalisation of the main agreements

PropCo will need to ensure sufficient funds are allocated to enable payments in line with the agreed fee draw down schedule. The most significant financial milestone occurs in November 2020, when it is expected that PropCo will enter into a binding contract with the Main Contractor for the design and construction of the phase 1 building. To ensure appropriate funds are available to enter into this contract, a separate Project Bank Account is to be set-up by PropCo, with the investment of each shareholder held in the account. This will ensure that PropCo has the required funds to cover the construction costs, providing certainty of payment for the Main Contractor and their supply chain, and ensuring that cash funds are readily available for PropCo to make payments as required. A full cash flow forecast for the Phase 1 construction is included at Annex 6.7.

The key funding milestones are shown in the table below.

Period	Financial Milestone	Cost	Cumulative
Jul '19 - Feb '20	Original Budget Approval to Spend	£539,570	£539,570
Mar '20 - Jul '20	Spend to completion of FBC	£1,334,696	£1,874,266
Aug 20' - Oct '20	Finalisation of design	£479,650	£2,353,915
Nov '20 - Onwards	Commitment to Contract Sum	£26,241,650	£28,595,565

The funding sources, as identified above, are all secured with the exception of ADP's financial contribution (expected to be capped at a maximum contribution of £6.5m) which is agreed within the Heads of Terms and awaiting execution of the main transactional agreements. This introduces a critical risk to funding the capital costs of the project, i.e. the risk that the £6.5m contribution cap could be insufficient to meet any increase in construction costs (e.g. arising from Covid-19 impacts).

UniCo/ADP

A key project objective is to create a sustainable operating model for the new University such that, after initial start-up costs, the University will operate on a self-sufficient basis. The fundamental principles of a sustainable operating model include:

- Effective control of costs in relation to tuition fee income (this is at the core of the operating model).
- Recognition that estates/asset maintenance must be prioritised to avoid backlog maintenance liabilities that add to corporate risk profiles and undermine the core of the operating model.
- Ensuring all operational costs are covered by generated incomes, and any surpluses generated support reinvestment in new facilities to support further growth.

The operating model for the new University has been developed based on forecasts of student and staff numbers provided by the ADP, and includes the following working assumptions:

Income:

- Tuition fee income is forecast based on a range of full time and part time courses proposed by the ADP, including undergraduate and postgraduate courses both on-campus and off-campus.
- The average tuition fee is based on £9,000 per student FTE (after allowing for both premium fee levels and bursaries/hardship grants and other fee discounting practices).

Staffing:

- Staff will be provided on a 26:1 student to staff ratio.
- The above ratio accounts for all Faulty Staff, Heads, Academic Directors, HR, Finance, Academic Registry, Student Services, ICT heads, Marketing, Vice Chancellor's Office, Marketing and Admissions.
- Staff provision is split between academic staff and faculty professional services staff on a 3:1 ratio.
- Additional staff for the development phase have been included (19 professional staff, 5 academic staff and 1 Project Manager).
- Staff costs will be on an average full time equivalent £65,000 for Academic staff and £35,000 for Professional services staff, allowing for a range in grades and levels of seniority.

Non-Pay Costs:

- Non-Pay costs cover costs such as advertisement, printing, stationary, books, consumables, scholarships, bursaries, staff non-pay costs (travel, development and employee related costs), contract and professional fees.
- Costs are calculated at 35% of faculty staff costs.
- OfS will require student support arrangements which will include scholarships or bursaries within the Access and Participation Plan.

Estates OPEX:

- Estates running costs have been calculated on a rate of £200/m^2 of Gross Internal Floor Area (GIFA) (5300m^2 for phase 1), increasing in line with the proposed growth over subsequent phases to a; total GIFA of 13,658m^2 by 2028/29
- This rate is to include all operational running expenditure such as cleaning, utilities, rates, and insurances

Asset & Estate Maintenance:

- Long-Term maintenance costs are assumed to be 1% of generated income on a rolling basis to maintain the estate. This figure has been generated based upon the current ADP values of Long Term Maintenance as a percentage of income.
- Rent & lease costs are assumed to be £140/m^2, following an initial rent-free period of 10 years.

Other Costs:

- It assumed that the non-pay costs associated with indirect professional services costs are 29% of income. This includes the indirect costs associated with professional services.
- 2% inflation rate is applied to pay and non-pay costs.

ICT Start-up Costs:

- Software and infrastructure costs are included for the start-up phase as a year zero cost.
- Contingency is built into the model and continues at £1m per year from 2023/24 onwards.

Shortfall:

- A shortfall in funding of £5.4m will be required to be bridged to support the start-up costs for the new University. The shortfall is to be funded by a loan to UniCo from the ADP assumed to be repayable at a rate of 2.5% over 5 years. This results in a total repayment of £5.75m which is included within the operational and financial models.

The operating model does not generate sufficient surplus cash necessary to pay off capital provided by the LGF investment, nor does it account for any repayment of LGF investment funds. *The LGF investment was approved by the Business Board and Combined Authority Board on the proposed repayment by 2028 in the original LGF application, which stated that there would be an option in 2025 or 2028 to review the grant investment repayment in light of its agreed outputs and outcomes. The CPCA proposes that this will only be done after consultation around best value options and market interest for disposing of the shares in the PropCo either to the ADP or a third party in accordance with the terms agreed in the shareholders' agreement.*

The financial model attached at Annex 6.8 forecasts revenues and expenditure for the period to 2030/31 in line with the longer-term ambitions of CPCA. Initial start-up costs are anticipated to exceed the available budget and the ADP will provide working capital to cover this anticipated as

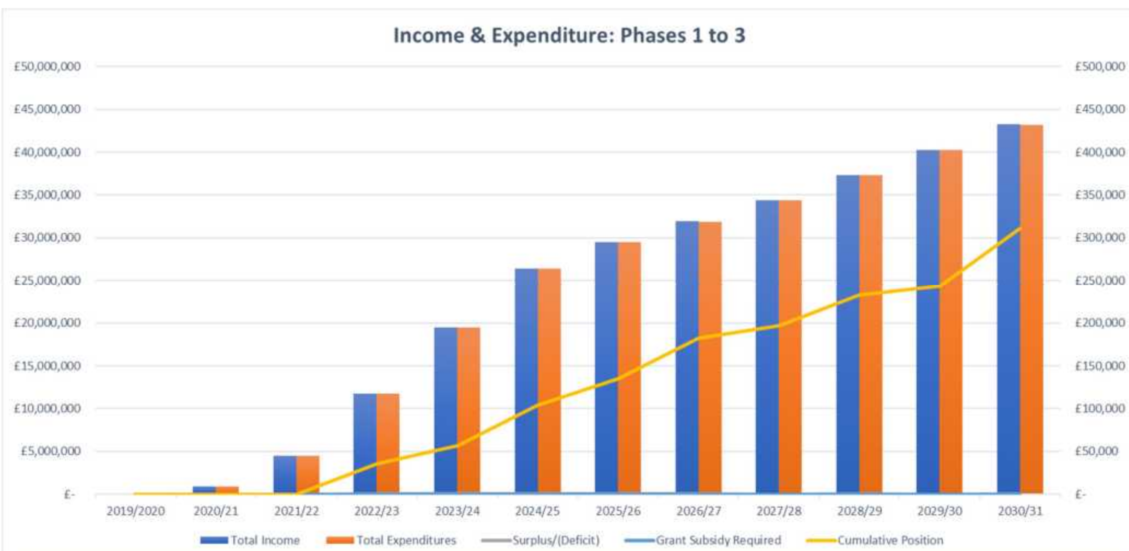
£5.4m deficit through a loan, as set out above. Provided that the broad scale of recruitment envisaged by the curriculum model proposed by the ADP is achieved and costs are controlled, this should be a matter of effective cashflow management and short-term financing.

The costs associated with facilities management have been provided by the ADP and are based upon a rate of £200/m^2 benchmarked against the ADP's internal data. These costs have been reviewed against internal cost data provided by CPCA's professional advisors (Mace FM Limited) and benchmarked against reputable and well-established independent industry data, with the conclusion that these costs represent fair and reasonable allowance. The costs associated with facilities management include all aspects of hard and soft facilities management, incorporating: insurances; routine maintenance; security; cleaning and waste management; energy usage; telephone communications; and general real estate management.

Mace FM Limited have advised that as a rule of thumb a cost of 1% of capital expenditure per has historically been applied to public sector projects under a design, develop, construct and operate contract to determine affordability prior to agreement of contracts. This relates to major replacements only and is in addition to the routine maintenance costs incurred in preserving the assets to ensure they reach their optimum life expectancy (covered by the facilities management costs). In this financial appraisal long term maintenance has been based on 1% on this basis.

The financial operating model presented includes the operational costs and incomes of the new University building only. The capital costs of the project and associated building phases are to be funded from other sources as set out above.

The financial outputs from the operating model are summarised in the chart below, with further details of project cash flow are provided in the tables.



	Start Up Phase			Phase 1		
Academic Year	2019/2020	2020/21	2021/22	2022/23	2023/24	2024/25
Total Income	£ -	£ 927,600	£ 4,472,400	£ 11,780,500	£ 19,499,425	£ 26,410,000
Total Expenditures	£ -	£ 927,600	£ 4,472,400	£ 11,745,000	£ 19,478,500	£ 26,362,700
Surplus/(Deficit)	£ -	£ -	£ -	£ 35,500	£ 20,925	£ 47,300
Cumulative Position	£ -	£ -	£ -	£ 35,500	£ 56,425	£ 103,725
Grant Subsidy Required	£ -	£ -	£ -	£ -	£ -	£ -

	Phase 2			Phase 3		
Academic Year	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Total Income	£ 29,532,375	£ 31,921,625	£ 34,365,400	£ 37,346,550	£ 40,264,725	£ 43,249,850
Total Expenditures	£ 29,500,900	£ 31,874,900	£ 34,350,700	£ 37,310,900	£ 40,253,500	£ 43,182,200
Surplus/(Deficit)	£ 31,475	£ 46,725	£ 14,700	£ 35,650	£ 11,225	£ 67,650
Cumulative Position	£ 135,200	£ 181,925	£ 196,625	£ 232,275	£ 243,500	£ 311,150
Grant Subsidy Required	£ -	£ -	£ -	£ -	£ -	£ -

The start-up phase identifies the requirement for £5.4m working capital prior to opening to students in phase 1 (2022/23). This will be funded by a short-term loan secured by the ADP, to be repaid over a 5-year period, and is included within the financial operating model shown in Annex 6.8.

The operating model shows sufficient revenues are generated throughout to cover operational costs, on a broadly breakeven basis from 2022/23 and revenues generated appropriately thereafter to fund the ongoing operational expenditures, with a marginal profit delivered year on year which reaches no greater than 0.3%.

The operating expenditures run very close to the revenues generated and there is a linear relationship between revenue and expenditure, which indicates that economies of scale and operational efficiencies are not anticipated.

Continued growth in revenue is predicted over subsequent project phases as a direct result of increases in student numbers and income generated via tuition fees. The reported revenues are based on student numbers identified by the ADP across a range of course types including full time, part time and distance learning-based tuition.

The cumulative position is illustrated by the yellow line within the chart, demonstrating that only a marginal surplus is generated in the model. The start-up phase does not generate any surplus, and the revenues identified are only sufficient to cover expenditures. Throughout each phase approximately £100,000 surplus is generated, culminating in a total of £311,000 at the end of Phase 3, which would be insufficient to fund any future infrastructure expansion plans, which in turn will require capital investment from alternative sources.

4.1.3 Risk analysis

Whist the shadow financial model set out in the OBC targeted a surplus to be generated each academic year, the financial model provided by the ADP shows only a marginal surplus in each year and does not generate significant financial returns. This is a direct result of reduced targeted student numbers and increase staff costs within the ADP's model.

The differences from the OBC financial model and the associated risks are analysed in summary below:

- The shadow financial model included higher turnover figures as a result of higher **student numbers**, whereas the ADP's model is based on lower student numbers, and as student numbers grow as a result of future growth, increased revenues are offset by increased operational costs. The absence of **economies of scale** as student numbers increase leaves scope in the model for greater efficiencies in operational expenditure. The current model, therefore, represents a worst-case scenario in this respect.

- The ADP's model sets **staff costs** at a much higher rate than the shadow financial model, starting at 56% of income, and rising to 64% of income (the shadow financial model limited staff costs at 52% of income). This also leaves scope for future cost reductions that could further improve the outcome of the financial operating model. Conversely, the financial model is very sensitive to **cost inflation** (e.g. University staff pay increases), which may reduce the scope for economies of scale and operating efficiencies to yield financial savings.
- Costs for asset maintenance are shown as 1% of income. The shadow financial model set asset maintenance at 5% of IRV, which is more typical for Higher Education. There is a risk that 1% of revenue will result in **underfunding of building maintenance**, with resultant deterioration of the asset. Should maintenance costs be increased to 5% of IRV this would have a detrimental impact on the operational model and further funding may be required if the **contingency provision** is insufficient (see below). The ADP and CPCA are continuing to develop the details of the main transactional agreements, including flexibility in building design to meet requirements of the University and the portfolio of courses intend to be offered. As the design progresses is finalised there may be opportunity to **review the costs associated with long term maintenance** that could result in an improvement on the current forecast figures.
- The financial model does not include any **rent payments** to PropCo (i.e. it assumes a 10-year rent-free period). At the end of the 10 year rent free period PropCo will agree, as part of the rent review defined in the agreement to lease, any rent to be paid; PropCo will determine how this income will be used. Rent payments beyond the rent-free period will adversely affect the model in that period and, given the marginal operating surplus in the first 10 years this could result in a deficit once rent payments fall due.
- The operating model indicates the £5.4m start-up costs being funded by a short term (5 year) loan, based upon a 2.5% interest rate. There remains a low risk to the project that this **interest rate** may not be achievable, resulting in a higher loan repayment. Conversely, there may be opportunity under the current economic conditions for betterment in the 2.5% interest rate assumed.
- The financial model includes an ongoing **contingency** provision throughout the ten year period, averaging approximately £1m per annum. Given the other risks inherent in the financial model, this contingency provision will be a critical tool for management of financial risk in the operation of the new University, including the risks described above. If the contingency is not required, it represents a potential opportunity to provide betterment to the financial model.

A key risk under in current climate (most notably the **impacts of Covid-19**) that the level of student fees assumed may not be achievable and that students may expect a reduced tuition fee should additional distance learning and e-learning principles be applied. A reduction in revenues would negatively impact the operational model, should staff numbers and staff expenditure remain unchanged, and could lead to an annual deficit.

Conversely, as described in detail in section 3.3, the impact of Covid-19 could lead to higher numbers of students studying from home, which fits well with the business model for the new University and could, therefore, deliver student numbers in excess of those included in the ADP's forecasts. Furthermore, the ADP's analysis of HE demand in the region, predicts an increase in the number of 18 year olds over the next 5 years leading to a 13% increase in students entering HE by 2025 with a static participation rate of 44%, and a 20% increase if the participation rate grows to the England average of 47%.

Sensitivity testing of the operating model shows that a 1% net loss of revenue will translate into a cumulative deficit of approximately £300,000within 3 years (i.e. by the end of Phase 1). If revenues fall by 3%, that deficit exceeds £1m and at 5% approaches £1.9m. Therefore, the sensitivity of the model to fluctuations in revenues is very high. Flexibility in the operating cost base has been identified by the ADP as a scalable factor and a contingency budget is included in the model, however there are likely to be other calls on such contingencies and with such low initial margins, operating costs may be set too high to create a sustainable model. Further attention will be given to these variables during detailed negotiations with a view to achieving a target surplus in a range acceptable to both partners and which will help to mitigate these risks.

As a matter of principle for on-going operations once the main transactional agreements have been finalised, the new University pedagogy will need to be managed by the ADP to ensure that the predicted revenue generated from tuition fees is realised and the costs are managed to match the student numbers and hence reasonable and sustainable surpluses achieved. A more detailed assessment of the potential impacts of Covid-19 on the ADP's business model is provided in section 3.3.

Furthermore, the Collaboration Agreement will include terms to ensure an organised termination of the ADP's involvement with UniCo, provided always that UniCo will remain entitled to occupy the facilities on a rent-free basis during the period required to teach out students enrolled on the ADP'scourses in Peterborough. As outlined in section 1.4 above, the transactional documentation will also include further remedies for any failures by the ADP to achieved the plans set out in those documents including ADP working with CPCA, PCC and PropCo (with the aspiration for there to be a long term continuing relationship between the new University and the ADP beyond the achievement of University Title to support the long-term sustainability of UniCo as a university).

The LGF investment requires repayment by 2028. As the surpluses forecast by the financial model would not provide sufficient funding to support this repayment, it is proposed that this will be funded by selling CPCA's equity investment in PropCo either to the ADP or a third party as provided for in the Heads of Terms.

As outlined above, the operating model does not generate sufficient surpluses to build reserves to fund the expansion of the new University in phases 2 and 3 nor is there adequate headroom to underpin borrowing to fund such expansion. Alternative funding strategies for the future expansion phases will therefore need to be developed by CPCA to facilitate further growth in student numbers. A key risk is that such funding is not obtained and, therefore, the physical infrastructure to allow the phase 2 and 3 expansions cannot be completed, which in turn would impact adversely on the student numbers and income assumed financial model.

4.2 Affordability

The project funding position is outlined in the table below, with project funds generated from a combination of CPCA's own funding and Local Growth Fund investment, supported by financial contribution from the ADP. All figures are inclusive of VAT and other tax requirements.

Funding Source	Amount (£)
CPCA	12,300,000
LGF investment Funding	12,500,000
ADP's anticipated capital investment	3,800,000
Total Budget	**28,600,000**
Construction Works (Phase 1 building, inc. Client Directs and Contingency)	28,600,000
Land Acquisition (gifted at £1.87m value by PCC as part of PropCo)	0
Total Expenditure	**28,600,000**
Balance	0

The land acquisition will be invested by PCC with an approximate value of £467,500 per acre, totalling £1.87m, which will form the PCC contribution to PropCo. The final value of land is yet to be agreed against Section 123, and will determine the extent of PCC's shareholding in PropCo.

The capital expenditure and financial investment from CPCA and the LGF for the Phase 1 construction project is capped at £24.8m with the remaining investment provided by the ADP. The current anticipated investment required by the ADP is £3.8m and it is agreed that the ADP's financial contribution for the build will be capped at £6.5m (independent of short-term loans secured for the start-up costs). The table below demonstrates how the Phase 1 capital spend will be utilised. As described in section 3 above, the construction and project cost has been benchmarked against other HE projects of similar scope and size and supports the conclusion that the proposed phase 1 building can be delivered to a suitable standard within this budget, and within acceptable cost parameters for a HE building.

Elem Ref				Cost Target £	£ / m² GIFA
0	Facilitating Works			180,000	34
1-10	Building Works			17,615,541	3,324
	Works Cost Estimate		**£**	**17,795,541**	**3,358**
11	Fees & Surveys			2,553,499	482
12	Client Project Costs			1,032,900	195
13	Client Contingency (applied to 0-10 and 12)	10%		1,882,844	355
	Cost Limit (Excluding Construction Inflation)		**£**	**23,264,785**	**4,390**
14	Inflation; to mid-point construction 4Q21 (applied to 0-10 and 12)	3.0%		564,853	107
	Cost Limit (Including Construction Inflation)		**£**	**23,829,638**	**4,496**
	VAT Assessment (applied at the prevailing rate)	20%		4,765,928	899
	Estimated Outturn Costs		**£**	**28,595,565**	**5,395**
	"Say"			**28,600,000.00**	

GIFA'
5,300 m2

Conclusions

Project affordability is, therefore, critically dependent on:

1. securing the LGF investment capital funding within the project bank account;
2. the capital funding from the ADP being sufficient to close the funding shortfall required for the proposed phase 1 building (up to £6.5m has been agreed through the procurement);
3. ARU securing the start-up loan on adequate terms to bridge the cash-flow gap indicated in the financial model; and
4. risks associated with income (student numbers) and expenditure being able to be mitigated through cost control, increased income and/or use of the contingency provision.

Subject to these considerations, at this stage of project development and implementation, it is anticipated that funds will be available (as described above) to meet both the project budget and the requirements of new University operating model.

With respect to the infrastructure works, no cash-flow implications are anticipated for CPCA or PCC as all funding to be provided by them (including LGF grant) will be in place before the construction phase goes ahead and liability is sat with PropCo.

5 Management Case

5.1 Stakeholders

The stakeholder analysis associated with the new University project can be split into two phases: first the design procurement and delivery of phase 1; and second the set up and operation of the new University (phase 1).

The stakeholder analysis described in the OBC remain broadly unchanged, albeit with the inclusion of the ADP following contract award.

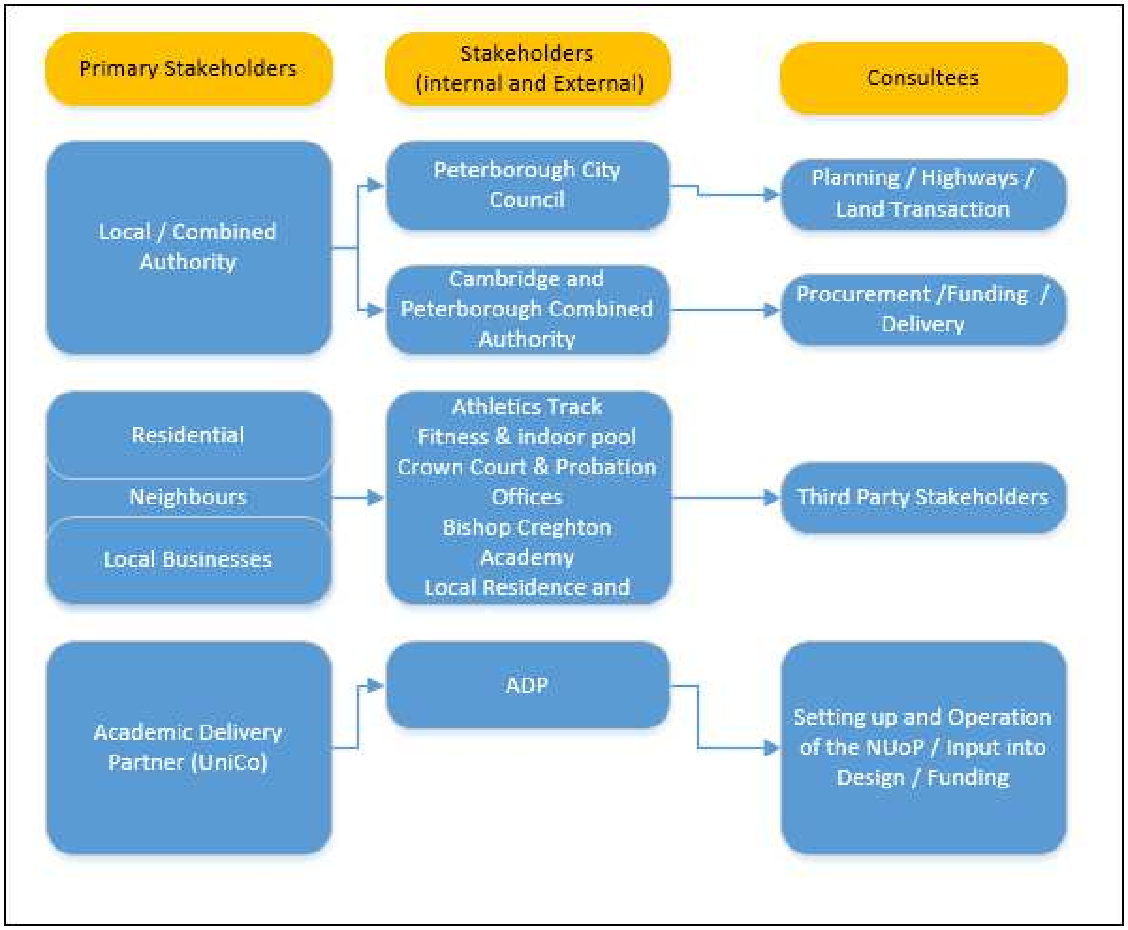
This FBC describes the approach to stakeholder management during the design, procurement and delivery phase and in the setup and operation of the University.

Design Procurement and Delivery of Phase 1

The communications strategy will be managed by CPCA, as service provider to PropCo, with support from the external consultants in the design procurement and delivery of the university phase 1.

The project has a number of stakeholders, summarised in the following categories.

1. Peterborough City Council (PCC) and Cambridge & Peterborough Combined Authority (CPCA).
2. Neighbours including local residents and owners.
3. Academic Delivery Partner.



These key internal and external stakeholders will be managed by CPCA and its appointed team of consultants led by Mace, in consultation through the design procurement and delivery of phase 1 on behalf of PropCo. The stakeholders will be managed under an agreed communications strategy underpinned by the PropCo collaboration agreement, between PCC, CPCA and the ADP.

Set up and Operation of the New University of Peterborough

From award of the contract and signing of the collaboration agreement at the end of August 2020, the ADP will be responsible for the management of associated stakeholders to achieve the objectives of the new University, working with employers and stakeholders in the communities the University will serve. This will be led and managed by the ADP in consultation with PCC and CPCA.

5.2 Achievability

CPCA and PCC have put in place the resources needed to manage the work streams required to deliver the project, based on an understanding of the shared goals. Those goals and the resource requirements for CPCA and PCC are set out in the Collaboration Agreement as part of the PropCo agreements and the Service Agreement for delivery of phase 1. Both authorities have to date provided resources in line with those requirements and both are, therefore, confident that the project is achievable based on their readiness and the available resources to meet the requirements of both agreements.

CPCA have appointed external consultants, where required, to ensure the necessary capacity and capability is available for successful implementation of the project including:

- Design, project and cost management and education specialists: as described with in the project management section below.
- Legal support: Pinsent Masons.
- Fundraising: Dayton Bell who wrote LGF bid.

Further external support or internal resources will be secured and deployed should any capacity/capability shortfalls be identified, subject to governance approvals, to ensure the project is fully resourced for successful delivery. At the time of writing the only additional resource requirement identified is for post-project evaluation.

PCC have provided resources to support the project, including through their Interim Development Director and internal legal support.

The ADP has put in place the resources needed for project delivery based on the timeline from contract award (see section 3 above). The ADP has provided details of the resource profile as an indication of current thinking of resource planning including the recruitment and employment of Senior Management, Academic and Professional staff, based on the proposed student numbers and staffing forecasts within their final submission. With the recruitment of the Principal starting within six months of the contract award starting with appointment of the Principal 12 months before opening of the new University. The ADP is committed to added value in recruitment as set out in the following extract from their final submission:

Economic: *We will ensure we adopt a 'think local' policy for recruitment of staff and procurement of resources to* XXX-X*, so that we develop a circular economy and keep as much wealth as possible in the local area*

Social: *Our Recruitment Policy already supports applications from individuals with protected characteristics and this will also be embedded in recruitment of staff at XXX-X. We believe XXX-X needs to a place where the community feels welcome*.

5.3 Project management

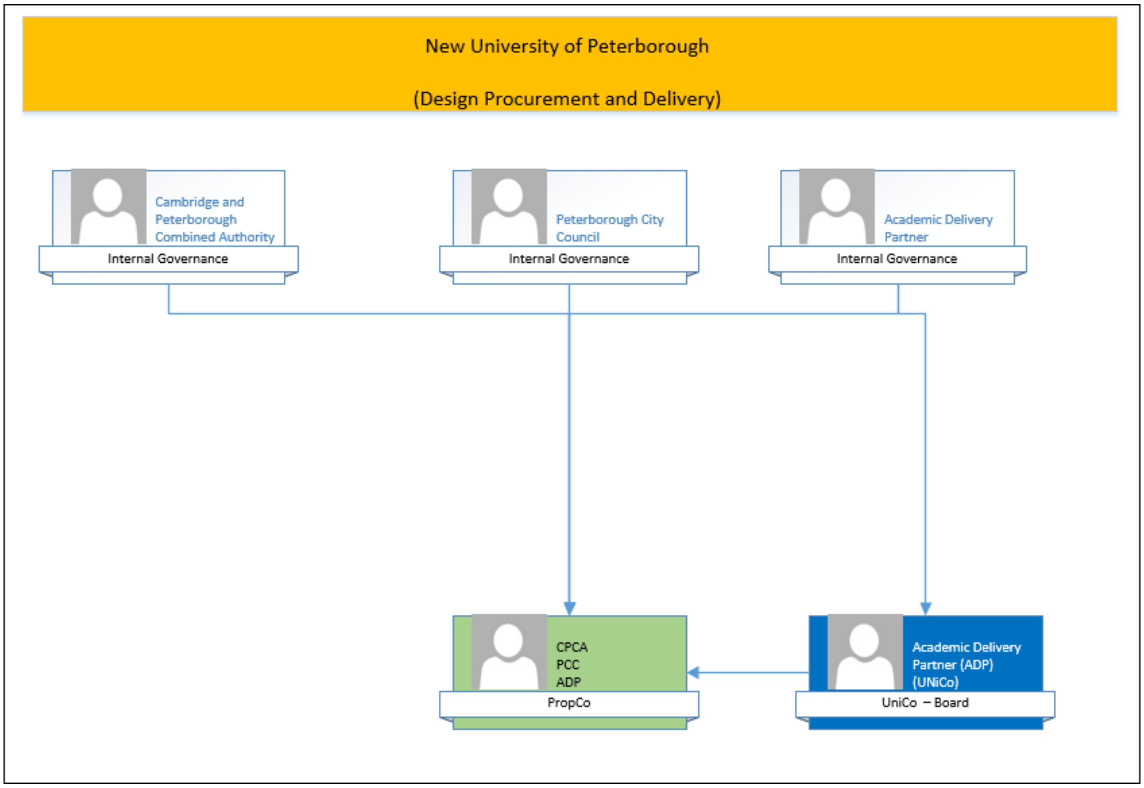
5.3.1 Structure and Governance

Project governance has been established to reflect the arrangements within each organisation and specific terms of reference for the project will be mandated by each organisation.

- CPCA governance requires all decisions to be mandated by the CPCA Board. All decisions required for the project will be submitted to the CPCA Skills Committee and the Business Board and then taken to the CPCA Board for final approval.
- PCC governance arrangements require all decisions to be mandated by PCC Board in the same way that CPCA do.
- ARU governance is led by its Vice-Chancellor's Group (VCG) which acts as a forum for discussion of strategy and direction, and determination of high-level priorities for approval by the Board of Governors. The University Executive Team (UET) is the formal, senior decision making body of the University (under delegated authority from the Board) and the wider Corporate Management Team (CMT) acts as a forum for discussion and development of strategy and operational delivery, bringing together all Director-level appointments whom are based at the main campuses of the University. One member of CMT will be the Principal

of the new University of Peterborough reporting directly to the Vice-Chancellor and leading the Peterborough Development Team, working closely with the CPCA and key stakeholders.

Following completion of the legal agreements in August 2020, the three parties (PCC, CPCA and the ADP) will be governed by the suite of legal agreements which defines parties' contractual obligations in realising the New University of Peterborough. This is outlined in the diagram below:

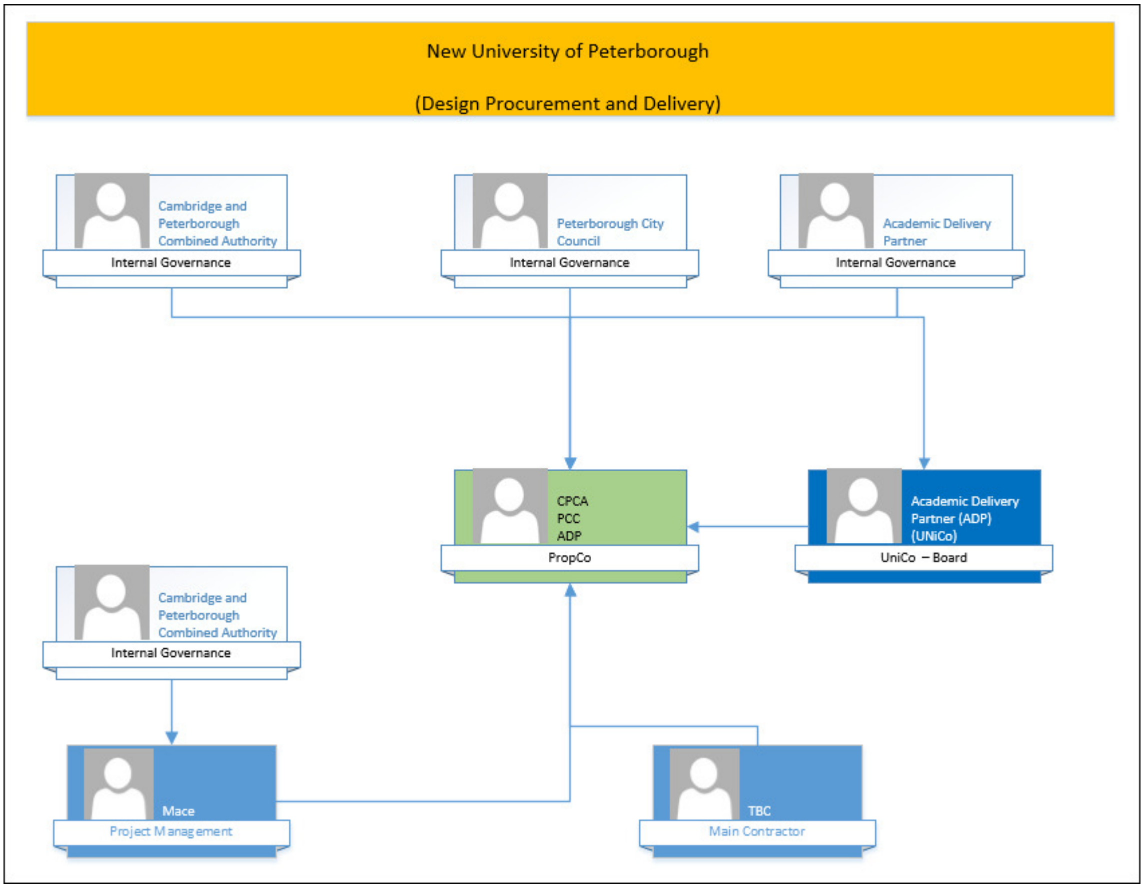


CPCA will, under the Service Agreement be granted authority by PropCo to manage the design, procurement and delivery of phase 1 within parameters agreed with PropCo. Responsibility for the delivery of phase 1 will be mandated to the Transition Board and Project Management Board until the suite of legal arrangements are signed in August, thereafter it will be managed within PropCo The CPCA Service Agreement will remain in place for the term during which CPCA holds shares in PropCo.

The main contractor will report to the Board of PropCo via the contract administrator (Mace) in respect of the agreement of the contract sum, enabling works and delivery of phase 1.

Day to day management and progress meetings will be managed by the contract administrator and will include the ADP (as tenant) and the Main Contractor for delivery of the phase 1 building.

The organisational structure for the delivery of phase 1 is outlined below.



5.3.2 Roles and Responsibilities

Cambridge and Peterborough Combined Authority (CPCA)

The new University project is led by CPCA in partnership with PCC and this relationship is formalised through the Subscription Agreement and will be documented in more detail in the main transactional documents to be executed in August 2020

CPCA (led by Kim Cooke, Skills Strategy Manager/Lead for new University) is providing leadership for development of this project and to ensure a professional team is in place to support the design, procurement and contract administration for delivery of the infrastructure for the new University.

CPCA will provide funding to support the development of the new university through existing capital monies and grants and further grant applications to be made to support future phases.

Peterborough City Council (PCC)

PCC is working with CPCA to support the delivery of the new university in partnership with CPCA and this relationship is formalised through the Subscription Agreement and in particular is providing the land for phase one of the project.

ARU

As described in section 3, the ADP will provide the skills, knowledge, experience and resources to make a practical reality of UniCo as a new higher education provider and ultimately a university with degree awarding powers and University Title. They are also a JV partner providing finance for development.

This includes responsibility for:

- Staff recruitment

- Curriculum design and development
- Staff workload planning, resource scheduling and timetabling
- Student recruitment, marketing and admissions
- Student and academic services and systems development
- Library and learning resources services/systems
- Strategic planning, finance and governance services and systems development (including full Head Office / VCO functions)
- Full range of 'soft' FM and ICT services and resources

Consultant team

CPCA and PCC are supported by professional team of consultants, procured by CPCA to develop the master plan for the proposed site and support procurement of the ADP and Main Contractor. Mace limited will remain in contract with CPCA to take responsibility for the management of the design procurement and delivery of Phase 1. The core design team will be novated to the main contractor on completion of RIBA 3. Novated consultants will include MCW, CPW, S&W and LUC, the remaining consultant's commissions will end on completion of the RIAB 3 design.

The Consultant team consists of:

1. **Mace Limited** – project management, cost management and facilities management
2. **Moses Cameron Williams (MCW)–** architecture
3. **Couch Perry Wilkes (CPW)** – mechanical and electrical engineering, environmental
4. **Smith and Wallwork (S&W)** – structural and civil engineering
5. **Land Use Consultant's (LUC)** – landscape design
6. **CPB Projects** – Education
7. **PTS Consulting** – IT consultancy
8. **Pegasus** – planning consultant
9. **Hewdon** – economic consultants

5.3.3 Project Plan

Since approval of the OBC, the key milestones have largely be achieved on programme despite longer negotiated process as part of the procurement of the ADP and accommodating the increase of building area from 3500m^2 to 5300m^2 arising from changes required by the ADP, resulting in a revisit of RIBA 2 design, delay to planning submission and increase in the construction duration. These delays have largely been accommodated by using up the terminal float in the programme and postponing submission of planning until after submission of the FBC with determination remaining ahead of contract award.

The project plan has been developed around the following key dates:

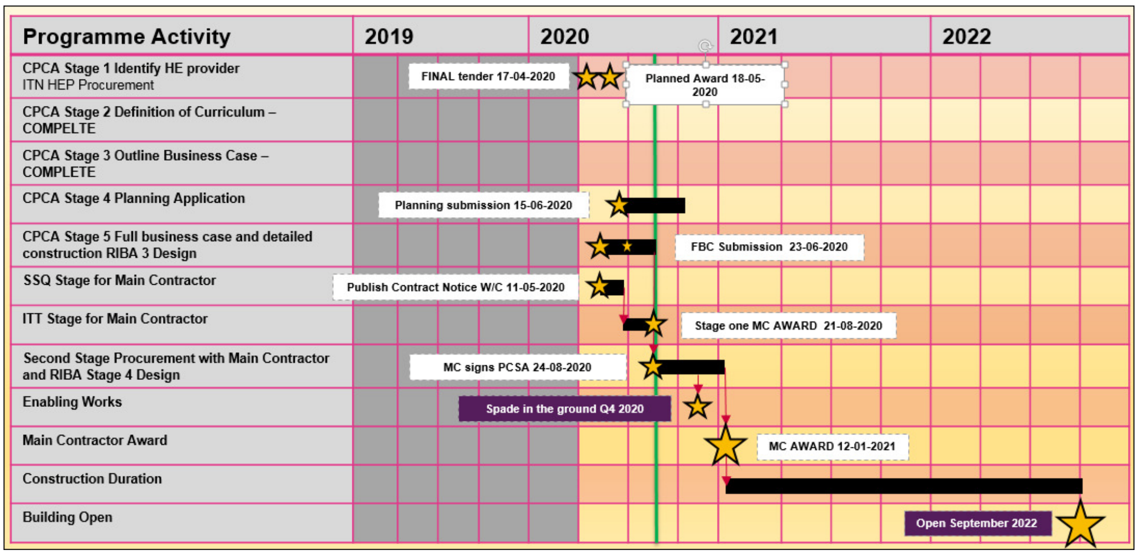
1. Spade in the ground (commencement of phase one) Q4 2020
2. Completion of phase 1 (for occupation) September 2022.

To achieve these milestones there are three key work streams:

1. Develop, design and procure a Main Contractor to deliver phase 1 infrastructure.
2. Sign off of the Full business case with delegated authority to develop design and procure a main contractor
3. Enter into SPJV (special purpose Joint venture between PCC, CPCA and the ADP) by January 2021 to provide sufficient time to deliver phase one for September 2021.

To meet the key dates it has been necessary to twin track these workstreams, in particular development of the brief for, and procurement of, the ADP and development of the design and planning determination for phase 1. These two work streams have come together into one unified workstream slightly later than outlined in the OBC, due to the extended procurement phase for the award of the ADP, to be achieved at the end of August 2020 subject to approval of this FBC, after which the project will be progressed under the SPJV.

The illustrative programme below shows the current work streams; the critical path requires that the ADP is awarded the contract and is able to sign the main transactional documents with CPCA, PCC and the ADP by the end of August following approval of the FBC in July. This will be followed by award of the first stage of the Main Contractor procurement with a single contractor to achieve spade in the ground in Q4 2020 and satisfaction of all the conditions precedent by January 2021 concluding with appointment of the Main Contractor to deliver the phase 1 building by September 2022. The full project plan is attached at Annex 6.9.



5.4 Change management

The strategy, framework and plan for dealing with change will be embedded in the legal documents.

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Change management will take place under two scenarios: delivery of phase 1 of the new university by PropCo and subsequently the operation of the university by the ADP (UniCo).

The key principles are that PropCo will delegate authority to CPCA and its agent to manage the delivery of phase 1 under the Service Agreement. Should change be required that is outside that mandated to CPCA under the Services Agreement then authority will need to be sought from PropCo.

The ADP (UniCo) will have sole responsibility for the operation of the new University reporting to PropCo on an annual basis in respect of the building condition and maintenance and review of the roadmap which sets out the intended corporate and academic governance arrangements for delivery of higher education courses by UniCo (moving towards registration with the OfS degree awarding powers and University title). The parties agree to review each of the roadmap, milestones and steps towards them on an annual basis to consider whether the plan remains achievable and compliant and where it is not believed to be so, to agree changes to be made.

5.5 Benefits realisation

The benefits sought from the project are a critical element of CPCA's programme under the Devolution Deal. Benefits realisation arrangements, within overall project governance, must, therefore, ensuring benefits are realised over the life of the project.

The objectives and benefits of the project will be realised at key project milestones as follows:

1. Completion of the main transactional agreements which will formally launch the project. CPCA via its officers and the Skills Committee will oversee this step. The incorporation of UniCo is "Step 1" of the Roadmap set out in the Heads of Terms.
2. The strategy for identifying, planning and tracking the detailed benefits (outlined in earlier sections of this FBC) is set out in Collaboration Agreement and includes:
    a. UniCo will start to provide education at the beginning of academic year 2022/23 ("Step 2" of the Roadmap).
    b. UniCo will register with the Office for Students by the beginning of academic year 2025/26 ("Step 3" of the Roadmap).
    c. UniCo will be granted unlimited taught degree awarding powers (TDAP) by the beginning of academic year 2028/29 ("Step 4" of the Roadmap).
    d. UniCo will be granted University Title by the beginning of the academic year 2032/33 ("Step 5" of the Roadmap).
3. Meeting KPIs, milestones and targets agreed with the ADP prior to opening in 2022. The Roadmap in the Heads of Terms will evolve into a formal Benefits Roadmap/Register and be underpinned by SMART KPIs. Changes will be evaluated by reference to this FBC and the Benefits Roadmap to ensure that project decisions are consistent with the benefits sought and that benefits ownership is integral to the working of the partnership.
4. Meeting the agreed milestones and targets for design and delivery of the physical Infrastructure. This will be managed via Propco in line with the agreed programme for completion of the phase 1 building.
5. Following opening, maintaining agreed KPIs, milestones and targets within the operational plan agreed with the ADP.

Responsibility for benefits realisation will be for PropCo and UniCo within their respective spheres of responsibility.

<u>Infrastructure</u>
The agreed infrastructure milestones and targets will be reported against at monthly PropCo Board meetings by CPCA who will be granted authority under the service agreement to act on behalf of PropCo to manage the delivery of phase 1 to practical completion and close out of 12 months defects.

<u>Academic Delivery Partner Benefits Realisation</u>
Milestones, targets will be set out in the Collaboration Agreement. These will be audited under the terms of the Collaboration Agreement and will be reviewed on an annual basis. The next two years will be critical to the success of the new University. Pending formal establishment of UniCo ("Step 1"), The ADP will establish shadow arrangements. CPCA will ensure that the recruitment planning and early stage development is consistent with this FBC prior to UniCo becoming fully responsible for realisation of the academic benefits. CPCA will then monitor progress (including benefits realisation) in line with the arrangements set out in the Collaboration Agreement and points 1-5 above.

5.6 Risk management

A detailed project risk register (including risk control strategies) has been developed (attached at Annex 6.1) based on the following risk categories:

1. Surveys and Site Constraints
2. Commercial
3. Design
4. Legal
5. Procurement
6. Operational
7. Governance

The top-level risks and control measures are outlined in preceding sections of this FBC. The Risk register has been split into two to provide a more detailed understanding of the risks associated with construction of the phase 1 building and the risks associated with the setting up and operation of the new University. A more detailed assessment of the potential impacts of Covid-19 on the ADP's business model is provided in section 3.3.

The costs associated with the delivery of the project and risk of it not completing prior to establishing the Joint Venture is the responsibility of each party

CPCA, PCC and the ADP will enter into agreements under which they will become shareholders in PropCo. PropCo will deliver the development and carry the risk of delivery subject to the risk assumed by CPCA in acting as services provider to PropCo and interface with the consultant team. it is intended that, under the Service Agreement, PropCo will delegate authority to CPCA for the management of risk associated with the design, procurement and delivery of the phase 1 building within parameters set by PropCo.

Day to day responsibility for risk management will be the responsibility of the Project Manager, who will hold quarterly risk workshops with members of the project team and the PropCo Board. The risk register will be reviewed at least monthly by the PropCo Board. These monthly risk reviews will be an integral part of monthly reporting to PropCo by CPCA.

Where management of risk requires interventions beyond the authority delegated to CPCA by PropCo, decisions will be referred to PropCo for agreement on how risks are to be mitigated in line with the governance of PropCo as set out in the Shareholders' Agreement. Project assurance

CPCA's Assurance Framework can be found at cambridgeshirepeterborough-ca.gov.uk/assets/Combined-Authority/Cambridgeshire-and-Peterborough-Combined-Authority-Assurance-Frameworkv3final-002.pdf. It sets out how the seven principles of public life shape the culture, processes and practice within CPCA in discharging its responsibilities in the administration of the Cambridgeshire and Peterborough Investment, incorporating the Single Pot funding.

At project level, project assurance (phase 1 onwards) will be conducted under the main transactional agreements and, once the conditions precedent are satisfied, responsibility for project assurance will transfer to PropCo and UniCo for the building and HE operations respectively.

5.7 Post-project evaluation

The project will adopt the BSRIA Soft Landings framework and follow the five Stages of the Soft Landings process. Stage 1: Inception and Briefing, Stage 2: Design Development is predicated on Stage one; while Stage 3: Pre-handover requires follow-through with Stage 4: Initial Aftercare.

The benefit of this approach is that it will help solve any performance gap between design intentions and operational outcomes by appointing soft landing champions who will agree the roles and responsibility of the client, contractor and professional team.

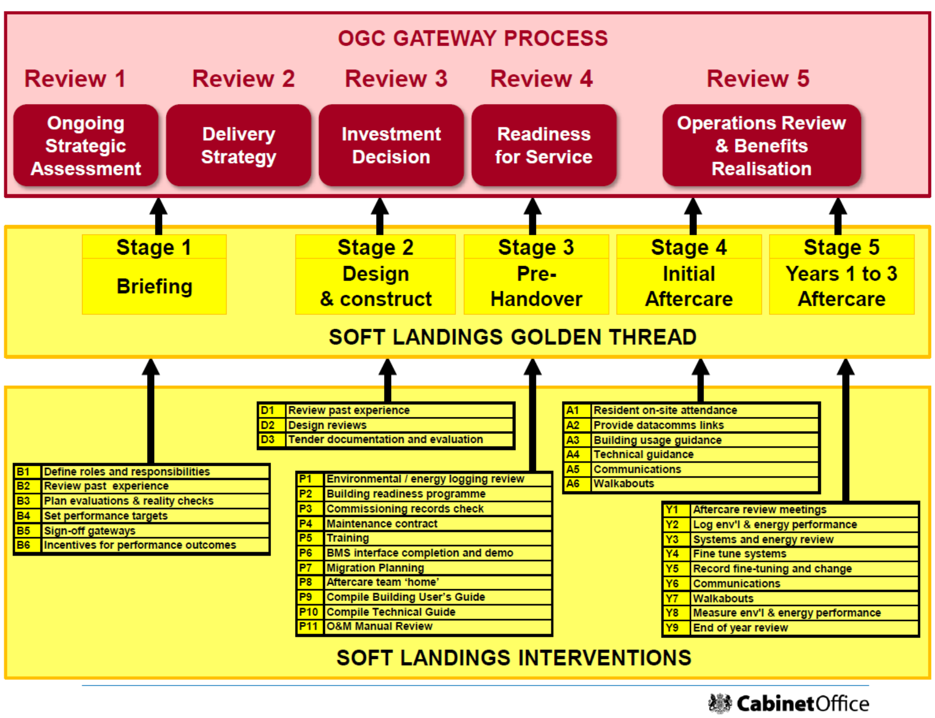
This process will commence from Royal Institute of British Architect (RIBA) stage 2 and run through to completion of the construction of phase 1 and into the occupation and aftercare stages.

Design
Workshops will be held with the project team to review learning from previous projects and develop a design that will work from the point of view of the manager and users. This will include agreement and review of an energy strategy and commissioning (for incorporation into relevant tenders) as well as review of proposed systems for usability and maintainability.

Construction
Soft landings considerations will be incorporated into the project plan, employer's requirements and the role and responsibilities of the contractor's soft landing champion up to and following completion of the phase 1 building.

Operation in use
The contractor will be required to provide: comprehensive operation and maintenance manuals; escorted tours of completed facilities to demonstrate functionality; Building Information Modelling models to assist with future maintenance; and aftercare for an agreed period post-handover. The contractor will carry out post occupancy evaluation.

Key Milestones for Stage reviews of the Soft Landing Process



6 Annexes

6.1 Project risk register

6.2 Campus site options

6.3 Economic appraisal outputs

6.4 ADP selection criteria (EoI and ITT)

6.5 Academic Delivery Partner Heads of Terms

6.6 Contracting timescales (ADP and Construction)

6.7 Construction cashflow forecast

6.8 Financial model

6.9 Project plan

CAMBRIDGESHIRE & PETERBOROUGH
COMBINED AUTHORITY

Cambridgeshire and Peterborough Combined Authority

Adult Education Budget 2019-22 Commissioning Strategy

Cambridgeshire and Peterborough Combined Authority
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1. Introduction

1.1 There is an inquisitive interest to improve the skills for adults as they continue throughout life as individuals, members of a community and within their employment career. The areas for improvement have been universally accepted such as skills gaps, especially the softer skills such as communicating with colleagues and customers, how to manage working in a team and prioritising tasks.

1.2 Economic growth prospects are unclear. There are challenges to charting the employment landscape in modern economies: creating and reinvigorating a different education and training pathway and how to best develop a culture of lifelong learning. We have to find ways of facilitating and adapting to a skills environment in which employment needs are rapidly changing as new technologies enter at an ever-growing pace.

1.3 To meet these challenges purposeful relationships and partnerships between education, local communities, individuals and employers are key. The task is to create an environment whereby individuals, education and training establishments and employers are empowered to create economic value added and sustainable employment that benefits the local economy and is supported by an inclusive, dynamic skills offer.

1.4 Economic development and technology changes make improving our adult skills vitally important. Future generations are set to face significant challenges as they navigate increasingly complicated labour markets influenced by demographic pressures on the nation's productivity as the older non-working population grows and as the uncertainties of EU membership unravels.

1.5 This commissioning strategy for the adult education budget seeks to be a vital component in alleviating and overcoming the specific challenges to Cambridgeshire and Peterborough and at the same time understand and work within the national context.

1.6 It will focus on the key competencies such as literacy and numeracy, digital capabilities and employment skills and seek to show an education pathway throughout adulthood that will improve the agility and flexibility of the local labour force.

1.7 The commissioning strategy sets out an active approach to equipping Cambridgeshire and Peterborough for globalisation by making sure we have the foundation skills that underwrite the services and industries of our future. The strategy seeks to build new bridges between the workplace and progression through learning and engaging employers to a much greater extent in communicating the skills existing and potential employers need for the world of work. An outstanding education and training market reflects the skills needs of employers, communities and the expectations of learners and the workforce and sets in place clearer benchmarks of high quality for education and training.

1.8 Improving the workforce development and the skills of adults entering and already within the local workforce is crucial to achieving the economic development of Cambridgeshire and Peterborough. There has to be a locally responsive adult education budget that reacts to the needs of local communities, employers and learners so that skills can be a driver for economic growth. The strategy has to articulate the environment it would like to create to support key skills and the principles which underpin it.

2. National Skills Context

2.1 As the economy changes and progresses towards 2030, the more able who can develop their skills and adjust their career path to take advantage of the high skilled jobs which will be created will benefit and those who cannot will become trapped in insecure, low level, low paid non-routine jobs. As the demand for jobs needing academic knowledge and information processing skills increases, adults need to spend longer in formal education be that part time or full time. There has to be a balance between equipping adults with a general education to prepare for further study and providing more employment specific skills.

2.2 The post 16 skills plan is a genuine opportunity to improve a complex vocational educational system. The grouping of college-based programmes and apprenticeships into one of 15 routes makes career education easier.

2.3 The importance of soft skills is being increasingly recognised internationally such as finding people who can manage time and prioritise tasks, possess customer handling skills and are a good team worker. It is about how we promote skills that matter for the economic prosperity and social cohesion of Cambridgeshire and Peterborough; how we ensure all adults are empowered to equip themselves for future jobs; how we raise the recognition amongst employers of the value of investing in the workforce skills and how we improve the quality and business relevance of all educational and training establishments.

2.4 Digitalisation and automation are changing the number and types of jobs available and the skills required to carry out existing jobs effectively. Addressing the needs of the existing workforce is a priority.

2.5 Career paths today are more dynamic than in the past; spanning multiple roles in multiple fields. For some this is life enriching but for others it can be daunting. There are clear links to lifelong learning, national prosperity, reduced inequality, improvements in emotional wellbeing and social cohesion. The role of the adult education budget is to assist in inspiring adults to aspire and reach their maximum potential as a resident and a learner.

3. Local Background

3.1 Priorities for Action

3.1.1 There are various recommendations that should shape the design of an adult education budget commissioning strategy from a CPCA perspective;

a. A strategic skills management and governance – high level leadership that has an even balance and mix of employers and education and training establishments (AEB Programme Board).
b. Monitor and evaluate performance.
c. Outcomes – the new strategy has the ambition to achieve positive adult education outcomes and make a difference to the lives of adult learners in Cambridgeshire & Peterborough.
d. Further and faster devolution – there should be an equal and consistent spread of adult education progression across the whole of Cambridgeshire & Peterborough rather than in specific pockets.
e. Universal basic infrastructure – to be served by a high-quality adult education infrastructure.
f. Diffusion of innovation – world class innovations in adult education should diffuse across the combined authority area. There should be a link in basic and applied research in adult education with a world-renowned research and evidence based adult education development across Cambridgeshire and Peterborough.
g. Support a partnership, collaborative approach to adult education development that will stimulate and create demand by ensuring;
    - Employers and individuals value adult education and the benefits it brings through skills and qualification advancement.
    - An increase in the desire for adult skills and qualification progression.
    - The benefits of workforce development are well understood.
    - A strong systematic community, education provider and employer voice through listening and making changes accordingly.
    - Agility: responding to and identifying demand changes.

3.2 CPCA Commissioning Competencies for the adult education budget

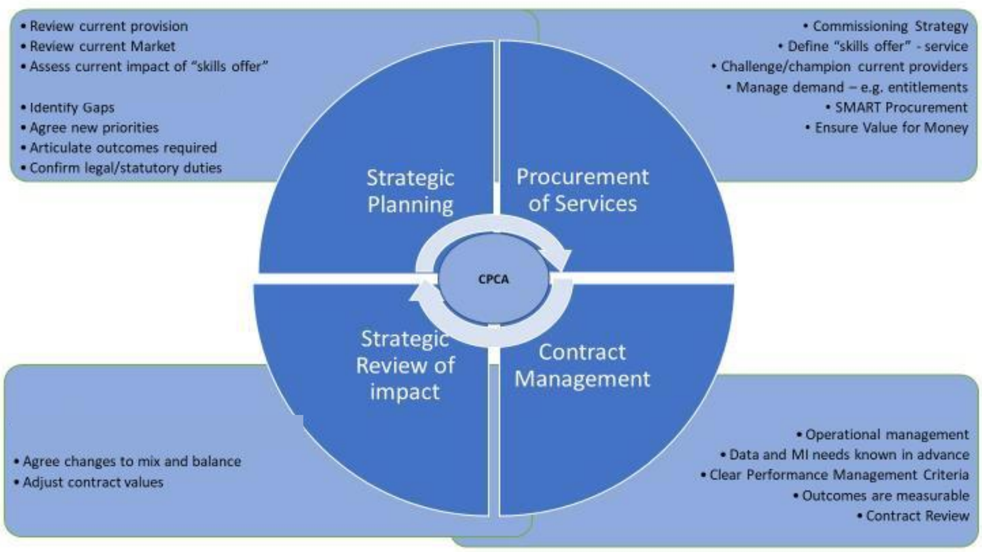
3.2.1 To lead, manage and administer the devolved adult education budget for the Cambridgeshire & Peterborough area from 1 August 2019, the combined authority will fulfil various competencies and;

a. Be recognised as the local leader.
b. Work collaboratively with partners to commission services that optimise education and skills gains.
c. Proactively seek and build continuous and meaningful engagement with the local community, employers and learners.
d. Lead continuous and meaningful engagement with Provider and stakeholder local senior leadership teams to inform strategy and drive quality.
e. Manage knowledge and undertake robust and regular needs assessments that establish a full understanding of current and future local skills needs

and requirements.
f. Effectively stimulate the market to meet demand and secure required skills outcomes.
g. Promote and specify continuous improvements in quality and outcomes through provider innovation.
h. Secure procurement skills that ensure robust and viable contracts.
i. Effectively manage systems and work in partnership with providers to ensure contract compliance and continuous improvements in quality and outcomes.

3.2.2 This commissioning strategy is written with the specific intention of enabling the adult education budget to procure low level skills provision. CPCA will improve upon the national skills system to create a skills economy that is sustainable, responsive, efficient and effective.

3.3 Overview of Commissioning, Performance Management and Review for CPCA



4. Purpose and Principles

4.1 The purpose of the commissioning strategy is to set out Cambridgeshire & Peterborough Combined Authority's priorities for allocating and funding the devolved Adult Education Budget (AEB) which will have a vital role in Cambridgeshire and Peterborough's growth and reform agenda. The AEB will be linking with other activity aimed at supporting our residents to progress in learning and to move towards or into productive and sustained employment. Our commissioning approach will involve a combination of plan-led grant funding and procured provision.

4.2 The principal purpose of the AEB is to engage adults and provide them with the skills needed for entering and sustaining work, an apprenticeship or traineeship, or other further learning. In Cambridgeshire and Peterborough, this means high quality provision which leads to demonstrable improvements in opportunities, positive outcomes for individuals and clear progression pathways for our residents, with a clear line of sight into the local labour market and future economic development opportunities. It should focus on ensuring adults have basic and core skills, including delivering the expanding range of entitlements which, notwithstanding the devolved nature of this budget, will continue to apply within Cambridgeshire and Peterborough.

5. Key Principles

5.1 The CPCA strategic ambitions from the CPIER and the skills strategy have given rise to clear adult education budget principles for managing the devolved AEB, for both procured and grant funded provision;

a. Create an adult education budget skills system where employers and learners are joint stakeholders.
b. A mutually beneficial system that improves social and economic development.
c. Create a culture for individual and collective responsibility to deliver better outcomes.
d. Learners are at the heart of the AEB skills system.
e. The focus is on achieving positive outcomes and a positive impact for residents supported by robust initial assessment, individual learning plans and careers advice and guidance to aid progression within learning and into work.
f. The AEB devolution is a long term journey of transformation towards making commissioning decisions on a learner centred and forward looking strategic priority basis rather than on a historic transactional basis in the delivery of learning aims.
g. Secure value for money (effectiveness, efficiency, economy and equity) for the public purse, best possible outcomes for learners and optimum social value through working with high quality providers.
h. The relationship between the CPCA and FE Colleges, local authorities and providers of all kinds should be strategic rather than transactional with long term collaborative vision resulting in localised, flexible provision that responds to the needs of our residents and area. It will require a proactive performance management that includes monitoring and evaluation and a strong contract management function to understand the impact and outcomes from the funding.

5.2 CPCA will ensure the AEB market is open to high quality providers of all kinds who want to build a strong place, focused relationships with the CPCA and with local businesses and residents in order to provide the best value for money through alignment with the wider skills and employment system.

6. Adult Education Budget

6.1 AEB Context

6.1.1 Devolution of the Adult Education Budget to the CPCA was agreed in the Devolution Agreement of November 2015. Local devolution will put the Combined Authority in control of AEB funding delivery from the 2019/20 academic year. It will enable a closer link between employers, local communities and the education and training curriculum offer.

6.1.2 The primary purpose is to engage adults and provide them with the skills and learning needed for work or further learning. In addition, it will improve employability skills including communication, self-confidence and attitude to work and enable people to contribute to the social wellbeing of their community. It will enable more specific programmes of learning to help those furthest away from the market place of work and learning.

6.1.3 Providers of adult education currently deliver a range of important learning in our community, including: literacy, numeracy, English Language, skills for employment, family literacy, and learning. Most is through colleges, local authorities and independent training providers and much of it has been successful in transforming lives for learners with people acquiring knowledge and skills that has helped them to secure employment and progress into work and to further learning.

6.1.4 The CPCA has an opportunity to work with providers, learners and employers in simplifying the system, and to demonstrate the advantages of a devolved skills administration and delivery.

6.1.5 The AEB programme will:

- meet the Cambridgeshire and Peterborough priorities as listed in the skills strategy.
- meet national entitlements and identified local priorities.
- ensure responsiveness to learner need.
- ensure responsiveness to employer need.
- ensure progression.
- align with other local services.

6.1.6 The Adult Education Budget priorities will:

- target sustainable employment.
- target low-skilled and low-paid adult residents in the workforce.
- secure skills at level 2 and above.
- increase digital provision.
- increase flexible delivery of learning that supports adults in work to upskill.
- target people in priority communities – Peterborough and Fenland
- improve progression between levels particularly from level 1 to level 2 and from level 2 to level 3.

6.1.7 The devolution of AEB offers an historic opportunity to simplify the system and make it easier to navigate for learners and employers. It also provides a means to strengthen the local provider base by developing longer-term and deeper relationships with fewer providers.

6.1.8 With these priorities, devolution of the AEB is the beginning of a journey towards creating a local skills strategy to support Cambridgeshire & Peterborough overarching ambitions for its residents and the emerging local industrial strategy. CPCA are determined to ensure it delivers on its crucial role in securing skills that employers require and delivering better outcomes for residents, aligning the devolved AEB with other reform initiatives.

6.1.9 To increase productivity and promote an inclusive and evenly distributed growth in Cambridgeshire & Peterborough we must have a flexible and responsive skills and employment system which puts the needs of learners and employers at the centre of what we do and have a strong focus on a sense of place for Cambridgeshire and Peterborough.

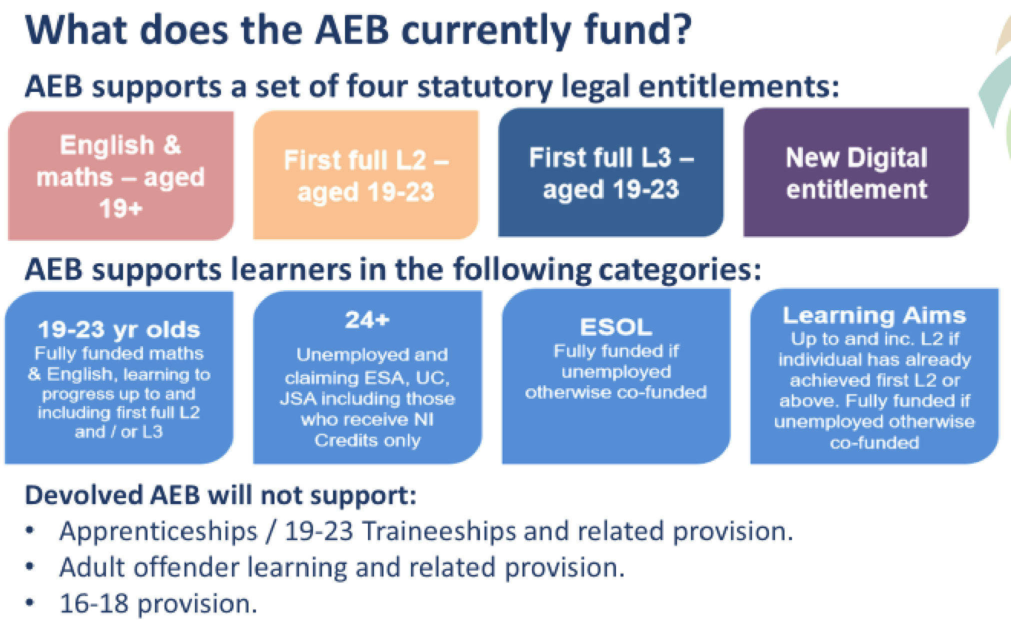
6.1.10 In support of these ambitions, devolution of the AEB formed a landmark agreement within Cambridgeshire and Peterborough's ground- breaking devolution deal. CPCA will assume responsibility for ensuring high quality adult education is available from 1 August 2019 for the 2019-2020 academic year and beyond.

6.1.11 The ESFA has confirmed to providers that all current AEB providers funding will be affected as a result of funding changes which includes devolution, even those in non-devolved areas. MCAs and GLAs will be responsible for funding their residents; ESFA, through a national system will be responsible for funding residents of non-devolved areas. In the future providers may have a single funding relationship with one commissioning body or multiple funding relationships covering one or more MCAs/GLA and the ESFA.

6.1.12 Providers will need to understand how much of their delivery is to residents of devolved and non-devolved areas.

6.2 AEB Background

6.2.1 The AEB is a single funding stream replacing what had previously been three separate budget lines: The Adult Skills Budget (namely skills provision for adults aged 19 years and above), Community Learning and Discretionary Learner Support. It encompasses a range of statutory entitlements for learners, including the right to fully funded provision for basic English and maths qualifications and depending on the resident's age and employment status, an entitlement to a first full level 2 and first full level 3 qualification.



6.2.2 It is part of a wider education and skills landscape most of which is not devolved but will be retained by central government and its agencies, including apprenticeships and traineeships for learners of all ages, 16-18 activity, technical and higher education, offender learning and student loans.

6.2.3 We must respond to sudden changes in the employment and business landscape and for priority cohorts of residents who might need additional support to access the opportunities that are available who are disadvantaged in some way or who disproportionately face barriers in learning and employment including:

- Learners with special educational needs and/or disabilities
- Homeless people
- Ex-offenders
- Looked after or previously looked after children
- NEET and hidden NEET young people
- Learners with a BAME background
- Residents aged over 50

6.2.4 The devolved AEB will be part of a transformational education, skills, employment and health system that delivers an incremental improvement in the basic and general skills needed for life and work particularly for English, maths and digital skills. In addition, the local skills system will deliver the higher level and technical skills needed to drive productivity in the CPCA sectors and in particular the priority sectors set out in the CPIER and the skill strategy. The AEB will be a key strand of activity supporting the progression within the broader delivery of CPCA skills and employment system linking other provision including technical education and apprenticeships.

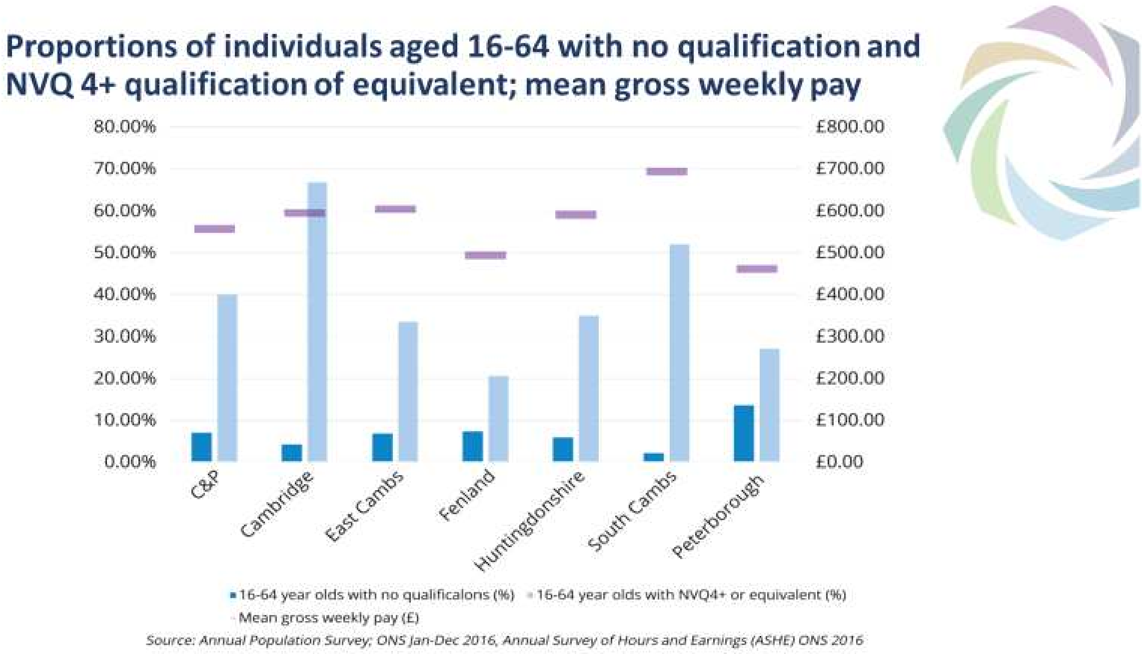
6.2.5 To achieve this, CPCA places great importance on the quality of the initial assessment of learner needs and goals and robust individual learning plans.

Initial assessments will enable progression pathways to be developed and we would expect providers to provide independent and impartial information advice and guidance to AEB funded learners to support their progression.

6.3 Challenges

6.3.1 The scale of the challenges and demands on the AEB in Cambridgeshire and Peterborough are significant. The policy for adult education entitles learners to access a full level 2, 7% of CPCA residents aged 19-64 have no qualifications (compared to a national average of 7.6%) and a further 12% are qualified to a level 1.

6.3.2 There are large variations in the qualifications profile between Peterborough, Fenland and the rest of Cambridgeshire. In Fenland 27% of the residents have a level 4 and above and in Cambridge 67% have a level 4 and above which equates to 1 in 4 in Fenland and 2 out of 3 in Cambridge.



6.3.4 The demand for skills provision outstrips the resources available. We will take the opportunity presented by devolution to enhance the focus on place, on the impact and outcomes for learners and employers and on making certain that provision aligns as closely as possible with the skills needs of CPCA employers and the priority sectors.

6.3.5 The AEB and the skills provision that it purchases warrants a strong strategic focus from commissioners and providers, recognising the important proactive role that can be played by training providers of all types; not just as receivers of funding but as vital strategic planning and delivery partners at the centre of the communities and economies they serve. We are seeking to build stronger links between AEB provision and the local economy, assisting local residents to enter and progress within learning that is relevant to jobs in the local labour market.

6.4 Nature and Pace of Change

6.4.1 AEB devolution will involve working with providers to focus on individual learners, progression and positive outcomes. Initially changes will focus on improving the intelligence that is available about progression and outcomes. A better balance is required between the volume of qualifications being delivered and evaluating the qualitative impact that AEB learning has for individuals and for the local economy.

6.4.2 Without robust and reliable information about 2018/19, it would not be prudent in the first year of operation to make significant changes to funding policies and models in 2019/20. However, we will not be viewing previous years as a year zero but will be expecting a smooth transition from a transactional relationship to more transformational agenda that through incremental changes better meets our priorities.

6.4.3 We are considering the vital role of local freedoms and flexibility in making an offer available to respond to local employer, learner and community skills needs. It will support adults at lower skills levels who want to re-engage with learning and their local labour market but for whom qualifications are not the key goal. Under devolution and through this procurement round, CP is seeking to extend the freedom and flexibility approach by enabling providers to outline the packages of support that the learner requires to support progression.

6.4.4 The principle changes planned for 2019/20 will be around working closely with providers, whether funded through a grant agreement or contract for services, to develop improved analysis of learner journeys and destinations with a focus on positive outcomes for individuals and tracking learner progression rather than simply measuring delivery and achievement of learning aims without understanding whether those achievements improve an individual's employability and quality of life.

6.4.5 The most recent data shows a provider base in 2016/17 that delivered to 176 ESFA funded providers spread across England. Maintaining such a large and wide-reaching provider base is neither strategically necessary nor practically desirable. It is proposed that a dual approach will be taken to commissioning in the first 3 years, building on the principle that AEB is for the long term and will be part of a skills system that supports the local industrial strategy, there will be a combination of a grant funding agreements and procured contracts for services.

6.4.6 In more detail, of the 176 providers the top ten funders make up 84% of the total AEB 2016/17 funding; 107 providers have 10 or less learners resident in Cambridgeshire and Peterborough and 158 providers are out of the CPCA area by more than 10 miles and 38 providers were delivering to only 1 resident learner.

6.4.7 The key considerations for each approach as recommended to the Combined Authority are;

a. CPCA establishes grant funding arrangements with funding education colleges based in the CPCA area or with substantial delivery sites and with a main office within a 10 miles radius which currently deliver AEB funded provision.
b. They are part of the CP state-maintained system of public education and its associated asset base and infrastructure which is funded wholly or mainly from the public purse and which has CP residents and place as the primary focus of their activity.
c. These providers cannot choose not to engage with policy changes nor can they shift their core business focus or suddenly cease operating; the FE regulatory framework and FE insolvency regime recognise the particular position of colleges and provide additional protection for learners which does not apply to learners in other education institutions.
d. The memorandum of understanding between DfE and CPCA will explicitly require CPCA to minimise the risk of insolvency of any further education institution in the combined authority area.
e. They will be subject to different and stronger strategic priority arrangements than are currently set out by the EFSA.

6.4.8 Other providers that intend to deliver CPCA funded provision to Cambridgeshire and Peterborough residents in 2019/20 and beyond will be required to tender for a contract for services. We do not wish in any way to limit learner choice or exclude valuable specialist provision and niche provision from the market. On the other hand, we cannot work with all of the current provider base in its entirety. The procurement process will encompass the existing procured provider base and it will encompass providers who are new to the market place such as;

- Independent training providers and the voluntary and community sector organisations
    - They currently operate under contracts for services with the EFSA to which public contracts regulations 2015 (light touch regime).
    - These providers are subject to Ofsted inspections and some operate on a not for profit regime and generally have different commercial status and more autonomy over policy priorities and business focus than colleges and local authorities.
    - Different regulatory arrangements apply, so that non FE institutions are outside the FE Commissioner's jurisdiction and the new FE insolvency regime.

- FE establishments whose main base of operation is outside of Cambridgeshire and Peterborough. More than 135 providers based outside of Cambridgeshire and Peterborough currently receive grant funding from the EFSA to deliver AEB provision to Cambridgeshire and Peterborough residents but this is not their core activity or business.
    - The procurement process will allow CP to focus the funding currently spread through a vast array of providers across the country as well as maximising the impact for learners by reducing management fees and

unnecessary subcontracting.

- This is not an indication that only Cambridgeshire and Peterborough based providers can apply but rather an opportunity to ensure the procurement establishes a more concentrated provider base which regardless of location is focused on high quality value for money delivery within Cambridgeshire and Peterborough. We want to encourage new market entrants.

6.5 Value and Duration

6.5.1 Based on the CPCA indicative allocation of AEB, the value of the procured element of activity for 2019/20 academic year from 1 August 2019 will be an estimated £2.5m. This will be dependent on confirmation from the DfE on the final CPCA AEB allocation which is expected in early 2019. Learner volumes fluctuate from year to year and many AEB participating learners undertake more than one learner aim which can mean that the cost per learner may vary depending on need. We do not therefore intend to specify a fixed volume of learner participation but based on recent years and taking into account value for money and quality considerations we would expect the procured provision to support 5,000 residents.

6.5.2 We are determined to develop effective high trust relationships with providers and partnerships or consortia delivering positive long-term impact for local residents. Providers will have a place-based curriculum offer and wrap around support with a clear focus on learner progression to further learning or employment.

6.5.3 Our intention is that contracts awarded from this procurement process will last for one year and thereafter we reserve the right to extend contracts on an annual basis up to and including 2021/22 which is a maximum period of three years (or one year plus one year plus one year). Any contract extensions will be subject to funding availability, the provider's delivery and performance against contract and skills policy. This should enable providers to plan and build capacity with a level of surety.

6.6 Funding Rules, Rates and Eligibility

6.6.1 The AEB allocation from the DfE to the CPCA will be calculated on the basis of residency within the CPCA area. From 2019/20, CPCA's devolved funding can only be used to support CPCA residents. If providers enrol CPCA resident learners without first ensuring appropriate funding arrangements are in place, CPCA cannot guarantee that funding will be made available.

6.6.2 CPCA will make use of the freedoms and flexibilities afforded by devolution in relation to its funding rules, rates and eligibility criteria. In the first year, however, the focus will be on working with providers to build robust evidence which will underpin any future changes.

6.6.3 In this procurement round we are proposing to align with the current funding arrangements and in line with national funding policies. The statutory entitlements will also align with national funding arrangements and requirements.

6.6.4 We will work with providers who have a strong performance focus on the outcomes we are seeking. We want to develop and test changes to elements of the policy entitlements e.g. fully fund some provision or increase the rates for particular priority sectors or geographical areas through a joint and agreed approach.

6.7 Sub-contracting

6.7.1 Many providers tender on a sole basis but based on our analysis of 2016/17 40% of learners access provision from a sub-contractor of a main provider. As such we expect that collaborative partnerships and consortia of providers and sub-contracting arrangements will be a feature of the CPCA AEB landscape.

6.7.2 This will be an important market entry opportunity for small specialist providers (including the voluntary and community sectors) and will assist in reducing the current provider base from 176 to a manageable and proportionate level while ensuring an appropriate range and choice of provision is available for all residents and learners.

6.7.3 Sub-contracting arrangements and the associated fees are a contentious area of discussion. Providers and colleges may work with supply chains of their choosing and good subcontracting can add real value for learners, providing an opportunity for niche providers to for example work priority cohorts in isolated geographical areas in a flexible way. On the other hand, excessive subcontracting can lead to funding diverting from the front line to pay management fees.

6.7.4 In the AEB pre-information notice sent out prior to the AEB soft market testing event in October 2018, the questionnaire beforehand and subsequent feedback suggested that the vast majority of providers accepted a management fee limit of 20% for any sub-contracting and we wish to enact this as official local policy. We will consider an increased limit for sub-contracting but only under exceptional circumstances for the future following a detailed discussion with the provider.

6.7.5 Also, sub-contracting towards the end of the funding year was often used by some providers in the past as a means of avoiding returning unspent AEB money and can result in significant volumes of poor quality sub-contracting. For this reason, we will put a 20% contract value limit on sub-contracting and anything above this value will require CPCA approval.

6.8 Process - Provision and Contracting

6.8.1 The primary purpose of the AEB is to engage adults and provide the skills and learning needed to equip adults for work, education and/or training. The AEB, to realise its full impact, will secure provision which supports access to the local labour market and future economic development. It will focus on ensuring adults have the basic and core skills they need for work, including delivering the expanding range of statutory and policy entitlements which will continue to be applied in Cambridgeshire and Peterborough.

6.8.2 CPCA will use the key factors within the ESFA's funding rules such as the annual funding cap which applies to each learner across the year. We want to fund broader more innovative types of learning which may mean in the future that funding per learner may vary but we want to base it on clear evidence and professional research.

6.8.3 Local freedoms and flexibilities are central to making a broad and relevant offer available to respond to the skills needs of local employers, learners and communities. Under devolution, Cambridgeshire and Peterborough will extend the freedoms and flexibilities approach by enabling providers to outline packages of support that the learner requires to support their progression.

6.8.4 Procured activity will be split into three lots. Our intention is to have a comprehensive, adult skills offer accessible to residents across Cambridgeshire and Peterborough. It will make the most of the flexibilities offered by devolution to focus on particular local priorities such as certain cohorts or geographical areas that need more intensive support and provide an opportunity to pilot new delivery models and approaches.

6.8.6 Capacity and capability considerations will apply to the totality of bids which might be submitted both as a lead provider and as part of any partnership or supply chain or sub-contracting arrangements that bidders might be part of.

6.8.9 CPCA will ensure that coverage across all of the CPCA (in terms of geography, sectors and the balance and mix of provision) is appropriate and will take coverage or accessibility of provision into account when evaluating tenders.

6.8.10 These contracts will deliver provision that responds to individuals as set out above. We will encompass all eligible provision delivered as part of the statutory and policy entitlements as well as regulated and non regulated learning.

6.8.12 Feedback from the soft market testing event in October 2018 reiterated the importance of ensuring that AEB caters for learners who are furthest from the delivery for learning and who need bespoke additional person-centred learning support.

6.8.13 It is for organisations or partnerships or consortia who are interested in bidding for services that provide targeted, specialist interventions for specific groups of learners from Peterborough and the Fens.

6.8.14 CPCA are determined to entice providers who deliver targeted, intensive and innovative provision to specific cohorts in Peterborough and Fenland and can deliver flexible provision or delivery models, either by bidding alone or in collaboration with other organisations.

6.9 Outcome Commissioning

6.9.1 To meet and influence a more transformational strategic priority dialogue between the CPCA and providers and in dialogue with the adult education sector we are proposing an incremental shift to payments by results. The results will be more outcome driven rather than output driven (such as participation or spend) and the outcomes will match the priorities set out in the priorities for action section and include

- Sustainable employment following learning
- Targeting low-skilled and low-paid adult residents in the workforce
- Securing skills at level 3 and above
- Increasing digital provision
- Improving progression between levels particularly from level 1 to level 2 and level 2 to level 3

6.9.2 The intention is to have a contract with no payments by results in the first year, then to have it as 10% of the contract in year 2 and as 20% of the contract in year 3.

1. 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:

1. **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.

2. **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.

3. **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.

4. **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[1] in area using the Compass tool and encouraged to reuse it regularly
2. All schools in area to have access to an Enterprise Adviser

[11] All schools to include SEND and Alternative Provision schools

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.

2. The Specification for the Skills Brokerage Service Line

2.1. 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.

2.2. 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.

2.3. 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.

2.4. 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.

2.5. 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.

2.6. 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.

2.7. 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.

2.8. 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.

2.9. 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:

2.9.1. **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.

2.9.2. **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.

2.9.3. **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.

2.10. 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.

2.11. 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).

2.12. 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.

2.13. 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.

2.14. 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"[2]. 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.

2.15. 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.

2.16. 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).

2.17. The construct of the procured service is to:

2.17.1. Engage learners and businesses
2.17.2. Diagnose needs and benefits for both
2.17.3. Scope a pathway for learners, or
2.17.4. Scope a skills development programme for employers
2.17.5. 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,

[2] https://www.blueoceanstrategy.com/tools/three-tiers-of-noncustomers/

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.

2.18. 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.

2.19. 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;

2.19.1. Fill and administer, in partnership with the CPCA, a virtual wallet of Apprenticeship Levy Funding.

2.19.2. Leverage and harness the CPCA's Adult Education Budget contracted out into the local FE colleges and 5 regional/ national ITPs

2.19.3. Provide advice on, and facilitate identification and access to learner loans

2.19.4. Support the CPCA in facilitating and co-designing with employers a local Retraining Scheme as part of the DfE National Retraining Scheme.

Sub Economy Delivery Plans

Greater Peterborough; 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

The Fens; 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.

Greater Cambridge; 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.

Local Industrial Strategy
Delivery Plan
The Business Growth Service

OUTLINE BUSINESS CASE

JOHN T HILL (BUSINESS & SKILLS)

Contents

EXECUTIVE SUMMARY

Business Case Headlines

The Business Growth Service will provide:

1. **A Growth Coaching 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.

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 increase our employment space, develop our transport infrastructure or establish a new university.

3. **A Skills Brokerage Service** to provide an effective 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 Small Business Capital Growth Investment Fund** to help SMEs, grow through organic expansion, paying for equipment and expanded premises. It will 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. Banks are an alternative, but micro businesses and sole traders struggle to secure funding. This is a clear gap that government continually seeks to fill through funds such as the Midlands Engine and Northern Powerhouse Investment Funds. This Business Board fund aims to fill the same gap in the market.

5. **An Innovation & Re-Location Grant** to co-invest with small firms in the cost of contracting experts to help;

   a. Access R&D funding from UK and EU agencies for new product development and increased productivity

   b. Access fast-track planning, partners and investment for new build employment space

By integrating all these services into one Business Growth Service 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 decades within Greater Cambridge, that has contributed to its rapid growth. To do this, the Business Growth Service will expand and build on the growth support networks that are already present in and around Cambridge, and the development of a commercial marketplace for all three advisory services, as well as a mentoring culture amongst supported entrepreneurs.

Policy Context

The proposed portfolio of growth support will better enable our academic ideas and inventions to be more rapidly commercialised and spun-out, whilst ensuring our most exciting entrepreneurs are supported to scale-up new services, products and markets. 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 single-front-door service for businesses, to provide the key coaching and advice for firms to overcome their barriers to growth and maximise their opportunities for capability and capacity development, with the objective of becoming a world-leading economy for high-growth start-ups, spin-outs and scale-ups.

Central to the idea is building a network of growth companies that, when connected through innovation, skills, growth and inward investment support, become more than the sum of their parts. Together, this network of scale-ups will foster a breakthrough area for growth through innovation that will become a driver for inclusive growth across our economy. Cambridgeshire & Peterborough will become a network of well-connected businesses and clusters centred on key industries, connecting across boundaries and accessing a world-class portfolio of integrated growth support, through a single-front-door; The Business Growth Service.

By joining business growth, global market access, productivity, skills and inward investment support we can create the opportunity to better connect our places and business clusters and provide across them, the same quality of growth support that has made growing businesses inside Cambridge, so much faster and more sustainable than has been the case elsewhere in our economy. This means we must help to replicate some of the business support conditions that have made Cambridge globally successful. 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.

We will do this by ensuring that we expand and build on the growth support networks that have enabled Cambridge to become a global leader in innovative growth. 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.

However, it is crucial to ensure growth is inclusive, and important for us to set out clearly **what inclusive growth means to us**. 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. We will ensure that all communities are able to benefit from the opportunities of economic growth and greater collaboration.

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.

The Case for Change

Enabling the doubling of our economy in a way that increases inclusivity of place-based growth, improves productivity and facilitates better global market access for our businesses 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 support and the ambition of outcome 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 typically engages firms at less than three hours of support and is measured only by the number of those engagements it makes. Instead, we must build 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 900 of them, with access to over £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 meaningful inward investment service** where there is currently none. This will assemble and promote a portfolio of new investable development opportunities across the CPCA's portfolio of strategic investments in employment space, transport infrastructure and higher education. It will also build attractive propositions for firms across the world and the UK to relocate into our economy and join our ambition to become the best place in the world to live, work and learn.

3. **Replace the current, mainly activity-based skills brokerage services across the total area** which, with the exception of the recently contracted service between Greater Cambridge Partnership and Form the Future available only in Greater Cambridge, are focused mainly on employer engagement with schools to provide broad-based careers advice. The proposed replacement, whole-economy service would be focused on creating a skills marketplace, where young people and those looking to retrain, and progress can find opportunities with businesses and skills providers to provide our growing businesses with the right skills at the right time in the right place. A key to what success will look like, will be to recover apprenticeship starts per annum to their peak 2012/13 levels within 2.5 years of the launch of the new service and nearly double the number of starts within 7 years of launch.

Economic Benefits

The summary economic benefits are that based on total public sector costs of £26,990,556 the Business Growth Service generates 5,890 new jobs. With BCR expressed as Cumulative Net Present Fiscal Benefits (£377,230,166), divided by Cumulative Net Present Fiscal Costs (£25,769,750) a BCR of 15 is generated.

Affordability & Investment Required

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 aim of the Business Board is 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 has devised a strategy to build a **Growth Service Delivery Fund** of £19.5m, to deliver the Business 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, as Working Capital	**£5,407,000**
ERDF Funding	£5,204,000
ESF Funding	£2,044,556
Total ESIF Revenue Funding, Applied for by CPCA on behalf of the Business Board	**£7,248,556**
CPCA budget for Growth Hub	£748,000
CPCA Skills Strategy Implementation budget	£150,000
Local Ind Strategy Implementation budget	£150,000
CPCA contract with Careers Enterprise Company	£360,000
CPCA Enterprise Zone businesses rates receipts	£927,000
Total CPCA Revenue Allocation from the CPCA 2020/21-22/23 MTFP Requested by the Business Board	**£2,335,000**
Total SME contributions acquired by the Procured Delivery Partners for the Business Growth Service	**£4,500,000**
Total Growth Service Delivery Fund for Procurement of the Business Growth Service	**£19,490,556**

In addition, to delivering growth coaching, skills brokering and inward investment promotion, the Business Board intends to task the Business Growth Service with the administration of the **Small Business Capital Growth Investment Fund**. Inclusive of a provision for £500k for the Innovation & Relocation Grants, 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 £12m 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.

Commercial Strategy for the Mobilisation of Services

It is 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 is the Business Board's intention and strategy 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 consists 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, 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, in return for 99 of the 100 shares in the Growth Service Management Company, held on behalf of the LGF by the CPCA. 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 Growth Service.

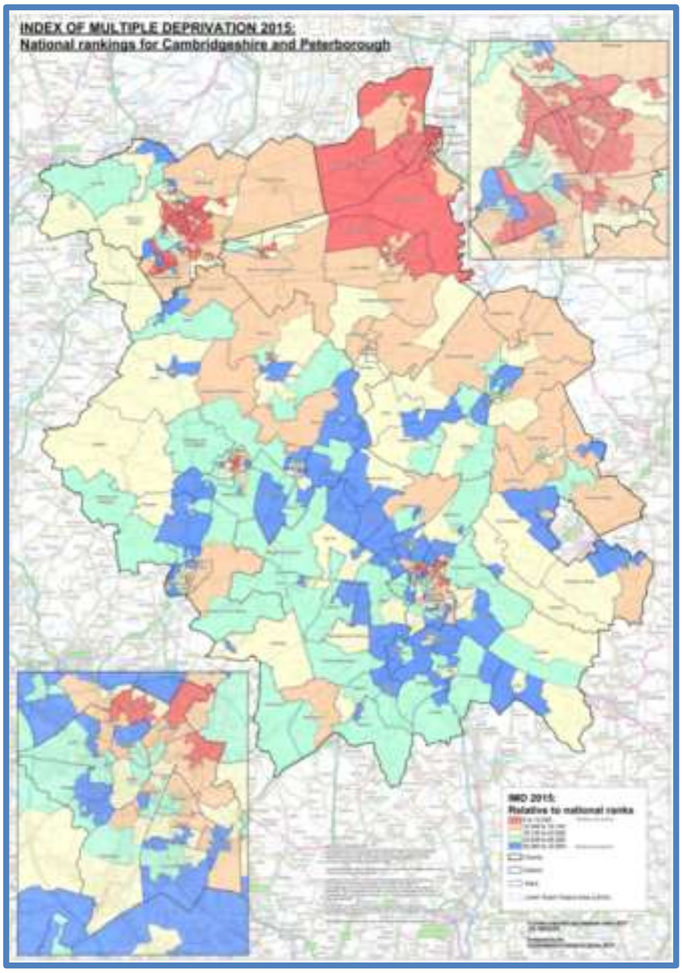
3. To request that the CPCA, as the Business Board's Accountable Body and legal personality, apply for funding on behalf of the Business Board, from the European Regional Development Fund (ERDF) and European Social Fund (ESF) and to allocate this external funding, through its 2020/21-22/23 MTFP, to the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

5. To task the procured delivery partners for the Business 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.

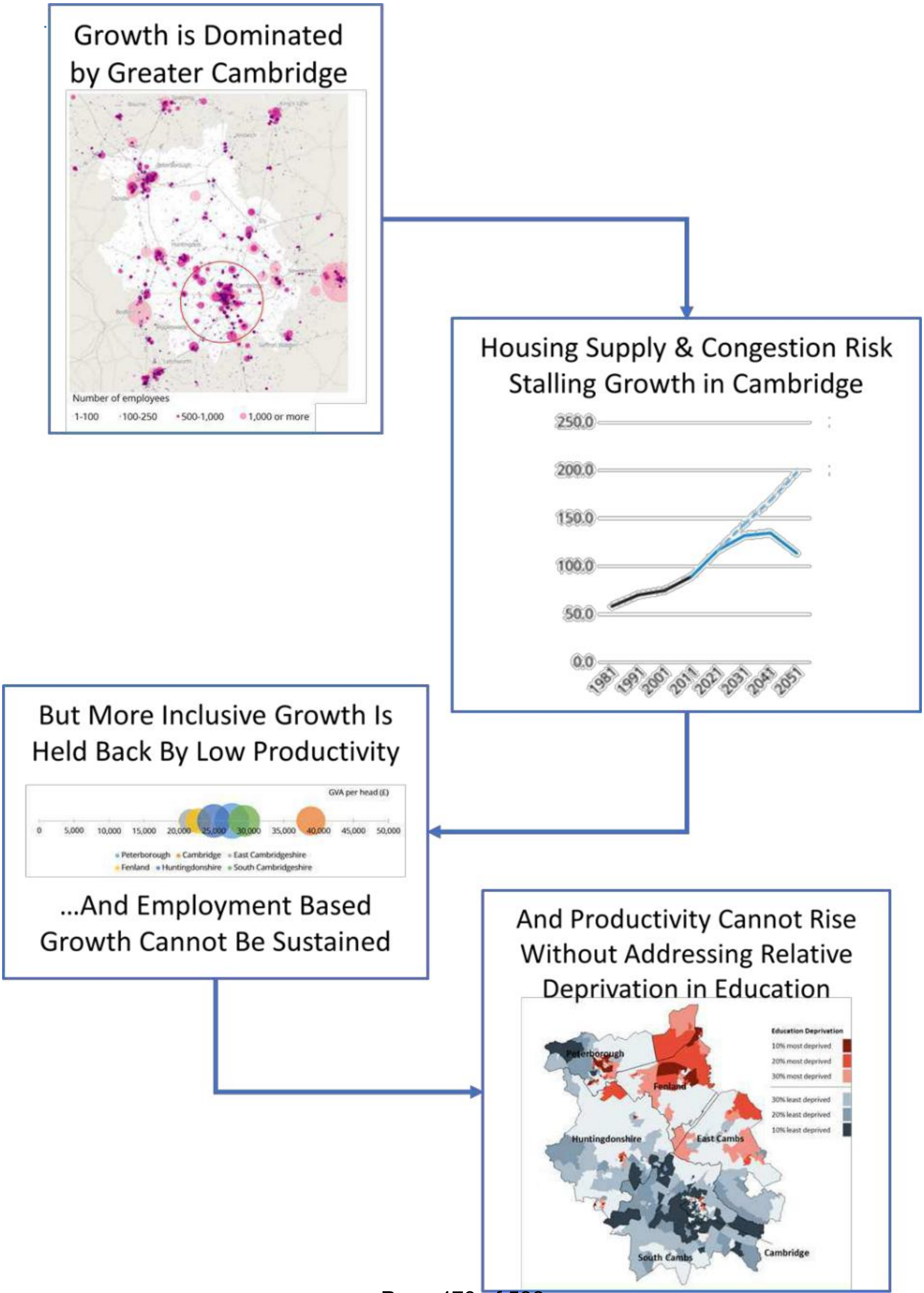
STRATEGIC CASE

Despite business growth having been strong across the area recently, the 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 Growth Service are summarised as follows:



Policy Response: The Local Industrial Strategy

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 new find 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 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, skills and market access support, complemented by greater access to growth finance and greater visibility and availability of the higher-level skills needed for productive growth.

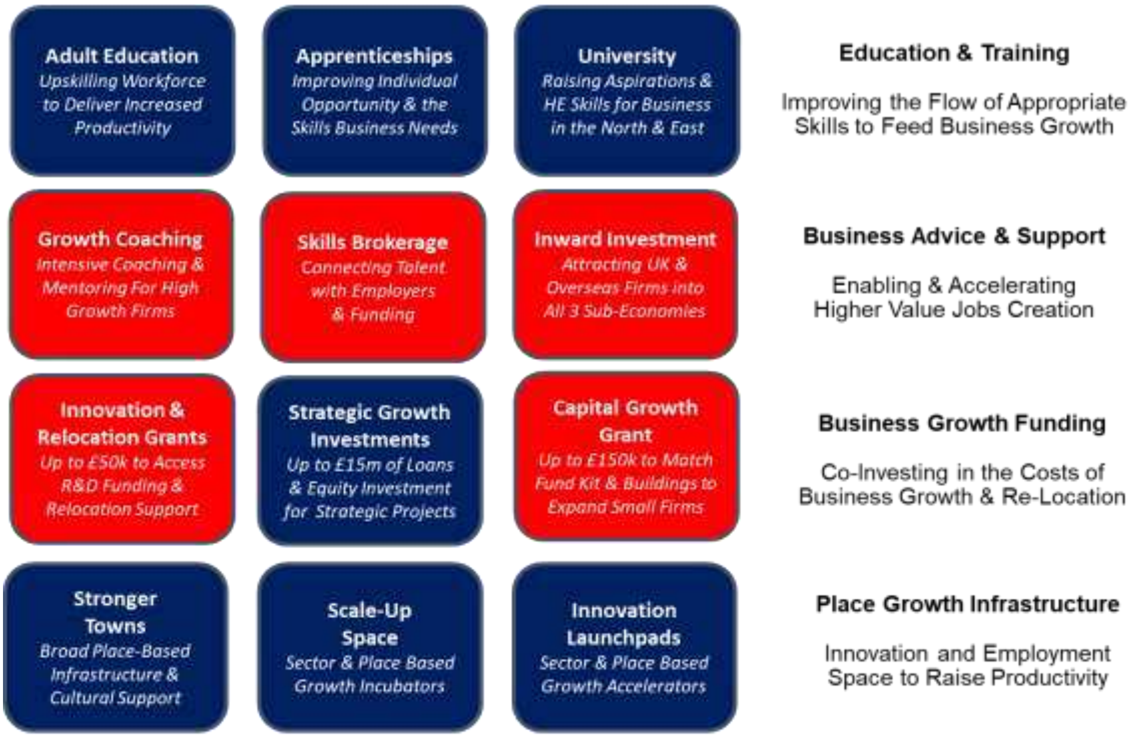
Working across the whole economy, the LIS proposes to develop and deliver a **Business Growth Service**, that networks to connect the growth, investment and skills support resources of Cambridge, and elsewhere, to firms across the economy, creating a marketplace for growth, investment and skills services, available to all our high potential firms, wherever they might be located. In doing so, the LIS aims 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.

The Business Growth Service will bring together a range of interventions into a new, targeted approach to business growth support. This will be an evolution of the Growth Hub, which will continue to operate within the new service.

A Strategy for Inclusive Business Growth

The Growth Service consists of 5 key interventions that within a portfolio of initiatives set out by the LIS and illustrated below:



The Business Growth Service will provide:

6. **A Growth Coaching 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.

7. **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.

8. **A Skills Brokerage Service** to provide an effective 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.

9. **A Small Business Capital Growth Investment Fund** to help SMEs, grow through organic expansion, paying for equipment and expanded premises. It will 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. Banks are an alternative, but micro businesses and sole traders struggle to secure funding. This is a clear gap that government continually seeks to fill through funds such as the Midlands Engine and Northern Powerhouse Investment Funds. This Business Board fund aims to fill the same gap in the market.

10. **An Innovation & Re-Location Grant** to co-invest with small firms in the cost of contracting experts to help;

    a. Access R&D funding from UK and EU agencies for new product development and increased productivity

    b. Access fast-track planning, partners and investment for new build employment space

By integrating all these services into one Business Growth Service 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 decades within Greater Cambridge, that has contributed to its rapid growth. To do this, the Business Growth Service will expand and build on the growth support networks that are already present in and around Cambridge, and the development of a commercial marketplace for all three advisory services, as well as a mentoring culture amongst supported entrepreneurs.

The Growth Service is 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 needs to increase from current rate of 2.5% pa (1998-2018), by 0.3% to the 2.8%. With around 418,000[1] 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.

To meet this challenge, the Growth Service, in combination with the Small Business Capital Growth Investment Fund, will aim to stimulate business growth in firms to generate an additional 5,890 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 Growth Service will grow the proportion of higher productivity firms in the broader population, to achieve a productivity lift at much lower cost.

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

Locally Tailored Delivery Plans

The SOBC 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 Business 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 promoting different services

2. **Firms should be provided with an integrated offer** and not be required to navigate the CPCA’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.

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, in September 2019 by both the Business Board and CPCA Board. Whilst currently being piloted with an initial £3m allocation, officers proposed that the main tranche of £12m should be administered by the Business Growth Service. It was felt that this Fund could provide much needed growth capital for some of the 12,000 firms the Growth service Engages with. The 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, and fill a specific gap in private sector growth capital provision.

    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.

	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		

Current State Assessment: Growth Service

Current Provision

Meeting the strategic growth ambition, set out in the LIS 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. 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.[2] 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, 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 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; which is central to our new LIS strategy;

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;

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.

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

The Proposal for Change

The proposed Business 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 high potential scale-ups and exporters, most able to help CPCA achieve place-based, productive and international 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 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;

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: 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.

Current CPCA & Previous LEP Inward Investment Model
• Very limited lead generation • Partial ability to handle DIT and direct enquiries • Creation of basic customised proposals • Limited capacity to host visits • Limited management of inward investment projects and pipeline • No proposition development • Limited pro-active engagement with DIT • Limited local stakeholder engagement

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 potential to be a future delivery partner. The project is pre-launch but has seed funding agreed with University of Cambridge for £100k and is in discussions with Greater Cambridge Partnership for a further and smaller level of commitment. It has the potential to be included into the proposed Combined Authority Inward Investment Service as a strategic delivery partner.

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.

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 150% 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. The *UK First Policy* that they operate, which means they are not able to easily promote a single area at Post to an investor and so a generalised approach manifests with many enquiries

2. Their resources are balanced to their funding formulae which favour Northern Power House and Midlands Engine on the ground, this was set through the last budget statement settlement.

3. They do not have the intimate relationships with networks and the granular understanding of the Cambridgeshire & Peterborough offer locally in our cities and market towns.

Comparison of UK Inward Investment Models and funding

The summary below highlights by comparison that current CPCA area inward investment activity is significantly under-resourced in both financial and human resource terms in comparison with some of the UK competitor regions (with most City-regions allocating funding of circa £1m+ pa minimum to conduct inward investment activity).

Greater Manchester (Combined Authority - MIDAS) - Area Profile	
Population	2.7 million
Infrastructure/Company	Large airport, large university presence, major commercial hub, including significant number of company HQs.
Sector Strengths	Financial, Professional and Business Services, Digital and Creative, Life Sciences, General (high value) engineering in several market verticals.
Organisation	
Ownership/Funding	LEP & Greater Manchester Combined Authority Funded
Annual Budget	Circa £1.5m per annum on Inward Investment (plus additional ERDF leverage).

Staffing	20, mainly devoted to inward investment
Local authorities covered by this service	Bolton Metropolitan Borough Council; Bury Metropolitan Borough Council; Manchester City Council; Oldham Metropolitan Borough Council; Rochdale Metropolitan Borough Council; Salford City Council Stockport Metropolitan Borough Council; Tameside Metropolitan Borough Council; Trafford Metropolitan Borough Council; Wigan Metropolitan Borough Council.

West of England CA and LEP (Invest Bristol and Bath) - Area Profile	
Population	1.1 million
Infrastructure/Company Base	Port, mid-sized airport, relatively well connected to London, two strong universities
Sector Strengths	Aerospace, Micro-Electronics, Financial, Professional and Business Services, Digital and Creative, Environment
Organisation	
Ownership/Funding	Funded by the four unitary authorities, accountable to the West of England LEP and CA boards, upon which authorities are represented
Annual Budget	£1 million (confirmed for 5 years)
Staffing	5 core staff members solely devoted to inward investment, support staff and marketing plus several part-time sector specialists or champions.
Local authorities covered by this service	Bristol City Council, Bath & North East Somerset Council, North Somerset Council and South Gloucestershire Council.

Liverpool City Region (Combined Authority - Invest Liverpool) - Area Profile	
Population	1.5 million
Infrastructure/Company Base	Port, mid-sized airport, strong university sector
Sector Strengths	Advanced engineering, financial and professional services, digital and creative, life sciences, low carbon and shipping and logistics.
Organisation	
Ownership/Funding	Originally City Council, Limited Company covering the broad LEP / CA geography
Annual Budget	Circa £1m pa
Staffing	6-8
Local authorities covered by this service	incorporates the local authority districts of Liverpool, Halton, Knowsley, Sefton, St Helens, and Wirral.

South East LEP (Kent County Council - Locate in Kent) - Area Profile	
Population	Circa 1.5m
Sector Strengths	Agri-tech; finance, business and professional services; clean tech. / renewables; life sciences; digital and creative
Organisation	
Ownership	Private limited company
Annual Budget	Circa £1m pa + additional private sector leverage
Staffing	13
Local authorities covered by this service	Kent County and Unitary Authorities

South East LEP (Essex County Council - Invest Essex) - Area Profile	
Population	Circa 1.3m
Sector Strengths	Life sciences; ports and logistics; financial and business services; Manufacturing
Organisation	
Ownership	Traded service of Essex CC
Annual Budget	Circa £1m pa (Essex CC matched with ERDF)
Staffing	10
Local authorities covered by this service	Essex County Council and Essex Unitary Authorities

The Need for Change

Inward Investment, has for many years, been very poorly funded and resourced in both the CPCA and GCGP LEP geographies. 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 the previous FY 2018/19 and is forecast to continue to in this current FY 2019/20. Unless the CPCA acts on the delivery arrangements for Inward Investment this trend is unlikely to reverse.

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.

Previous Inward Investment Successes in CPCA/LEP area

Destination	Data	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14	2014 /15	2015 /16	2016 /17	2017 /18
County data only until 2011 then whole GCGP area data	Total Projects	31	22	49	23	23	35	44	73	57
	New Jobs	*182*	*138*	*518*	*379*	*386*	*872*	*855*	*1556*	*1084*
	Safe Jobs	*269*	*91*	*1028*	*882*	*1*	*211*	*546*	*146*	*1085*
	Total Jobs	451	229	1546	1261	387	1083	1401	1702	2169

The unverified final results for CPCA area in FY 2018/19 communicated from the DIT Investment Services Team are just 35 successful investment projects landed and 928 jobs created – this is a substantial drop in performance and one that must be addressed. This 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

FDI created approximately 4 million jobs and contributed 27.0% of UK approximate gross value added (aGVA), and 27.2% of acquisitions of capital expenditure (closely related to investment). These large contributions by a small number of businesses reflect the nature of foreign direct investors, who are generally large multinational businesses or SME's scaling into global markets.

Table below shows the shares of UK business counts, employment, aGVA and acquisitions of capital expenditure attributable to firms based on foreign direct investment status in 2016.

	UK businesses	Employment		aGVA		Acquisitions of capital expenditure	
	(% total)	(million)	(% total)	(£ billion)	(% total)	(£ billion)	(% total)
1) FDI recipients	1.1	4.0	16.8	335.1	27.0	54.7	27.2
2) Non-FDI recipients	98.9	19.8	83.2	907.4	73.0	146.3	72.8

Source: Office for National Statistics

Inward investment is also a strong indirect contributor to increased productivity. Evidence shows that FDI firms in an economy tend to sit at the upper end of productivity and that areas with larger proportions of inward invested firms see an aggregate rise in mean productivity as a result.

The Proposal for Change

The case for resourcing a new enhanced, proactive Inward Investment service is a key element of the business Growth Service we propose to create. The proposed Inward Investment Service within the wider Growth Service, will create the central role of coordinating Inward Investment support across the CPCA area. Pragmatic improvements will substantially improve CPCA impacts on growth, additionality, the engagement of high potential overseas companies in Global Growth mode, investors, fast growing scale-ups and export led investors. 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, High Growth scale-ups and export led companies seeking EU/UK base.

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: Skills Brokerage Service

Current Provision

There are currently four Brokerage Services working within the Cambridgeshire and Peterborough Combined Authority area, each focused within one of the three sub-economies, but some with overlap.

1. **Opportunity Peterborough**, funded by the CPCA, covers the geography of Peterborough, Huntingdonshire, Fenland and East Cambridgeshire. Their focus has been broader than the proposed Skills Brokerage Service, in that they work 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 them and the CPCA has focused the Service more on raising the desire amongst local talent for apprenticeships.

2. **Form the Future**, funded by the Greater Cambridge Partnership, provide a service to connect students and businesses as part of their new Apprenticeship Service within Cambridge and South Cambs area. This is the only current service that has a target to increase apprenticeships. This is for 210 apprenticeships per year, but only in the Greater Cambridge area, where the market for apprenticeships is relatively strong in comparison to Greater Peterborough or The Fens.

3. **Edge Brokerage for Jobs and Skills**, EDGE Partners are; Urban & Civic, HDC, Groundwork East, Cambridge County Council, Job Centre Plus, CPCA, iMET & CRC, and cover 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 with employers with jobs and apprenticeships opportunities.

4. **Opportunity Area Levy Advisors**, funded by DWP under a memorandum of Understanding with the Combined authority, 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 and will start on 4th November 2019. The other post is still be advertised.

All four current skills services have good relationships and reputations with schools and businesses. However, there is geographic overlap and gaps in provision in some areas, and most of the provision is focused on generic careers advice, rather than connecting talent, employers and providers to raise apprenticeships in Cambridgeshire & Peterborough.

The Need for Change

The skills landscape is going through many changes; the reforms in Technical Education with the introduction of the Apprenticeship Levy, Trailblazers and the emergence of T Levels. This has created more complexity within an already complicated skills eco-system.
The Combined Authority must ensure it future-proofs its investment and ambitions for a skills solution fit for purpose to support the Skills Strategy, LIS and CPIER recommendations.

Businesses are looking to upskill; 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.

It demonstrates greatest need in areas such as management and higher-level skills. This supports the evidence within the CPIER and the need to have a targeted approach within each sub economy.

The need for change is informed by the CPCA's Skills Strategy which include the following, underpinning the investment recommendations and setting out the direction for change in skills services currently available:

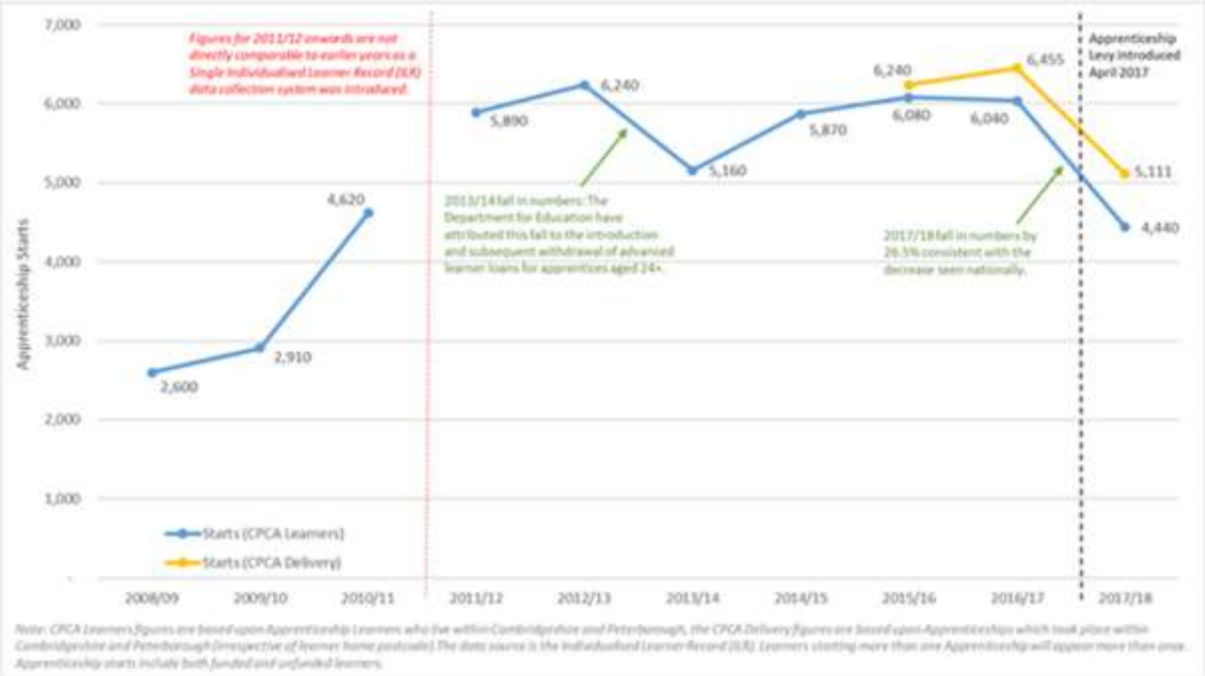
1. Wherever possible the CPCA should look to simplify access to skills support for employers and learners. At the same time our colleges and providers deserve a more stable basis for funding and relationships. This means contracting with fewer providers and developing deeper relationships. In this way, 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 collaboration between learners, employers, providers and organisations.

3. The CPCA should tailor its intervention and activities to appropriate geographies, sectors and learners. Above all a one-size fits all approach is not suitable for the three distinctive labour markets in the economy.

4. Finally, activity should be targeted on what makes the most difference to our people and economy. In this we can provide framework which clearly shows the advantages of further skills devolution.

The need for change is also informed by the analysis of our 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 introduction of the Apprenticeship Levy** in academic year 2017/18 precipitated a much large scale and systemic decline in Apprenticeship numbers. This has resulted in a reduction of 1,600 Apprenticeships as the levy paid by larger employers is failing to get through to smaller firms as was envisaged by the DfE.

3. From data received from the ESFA in December 2018 the **levy utilisation in CPCA was only 13%** of that generated in levy payments by firms; indicating a 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. **Widespread dissatisfaction among businesses with the skills system** across the economy. Employers drew attention to the lack of incentives for schools to provide accurate information which would enable young people to make decisions on their vocational education and training and the need for high-quality education and training

provision, particularly in relation to vocational skills and raising the desire and perception of value, amongst young people towards apprenticeships.

5. At the same time, **businesses are growing fast**, with this level of growth, all employers are ‘fishing in the same limited pool for skills.’ This results in an unstable skills pool and uncertainty for employers of where to access their future talent.

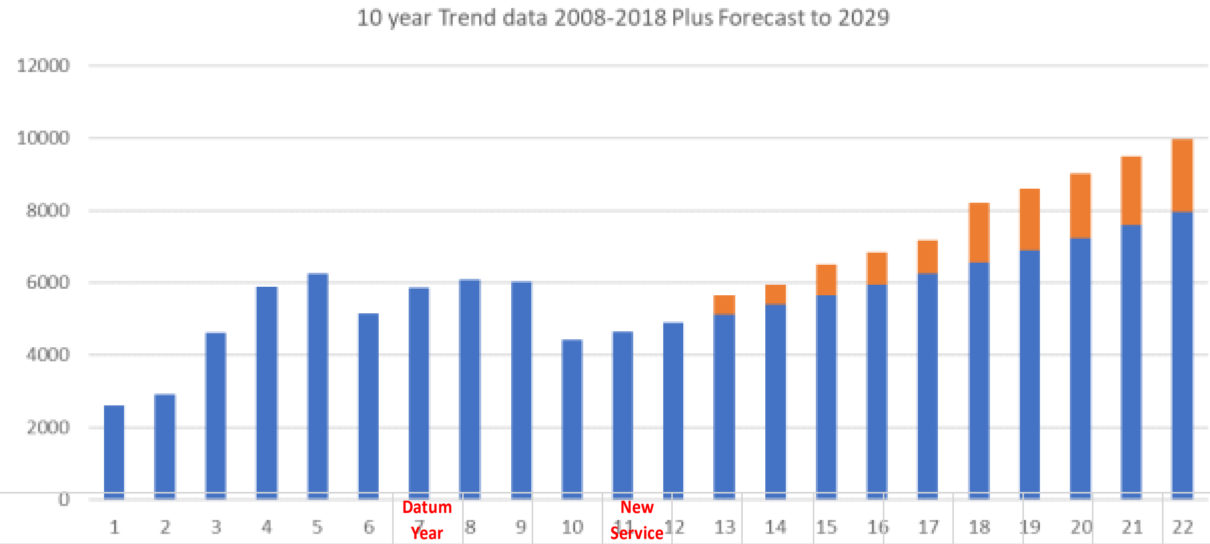
6. Employers considered that the introduction of the **Apprenticeship Levy has hindered**, rather than helped, in this ambition, due to the difficulty of finding providers and accredited programmes to benefit employees, and the lack of flexibility in its usage for wider training needs.

7. The CPIER also concluded that Cambridgeshire and Peterborough has a **long-term skills deficit** arising in part from poor education and skills formation due to failures in the vocational training system, alongside incentives on employers to train and a willingness to do so which are too weak.

The net impact of these market forces has been 26% drop in apprenticeships, from 6040 starts to 4440 between 16/17 and 17/18. The forecast bounce-back from the market is represents just 5% growth in apprenticeship starts (shown in blue), without some form of intervention to improve finance availability, connectivity between employers and talent, and the attractiveness of apprenticeships to both employer and learner alike.

The Proposal for Change

It is this market failure to which the Skills brokerage service addresses itself. Specifically, it is designed to increase the “bounce-back” growth rate from 5% to 15% over the next two years and then scale growth from the underlying 5% rate to 20% for the following three years and 30% for the five years after, as shown in orange. Hence, the net impact of the proposed new service will be to recover apprenticeship starts per annum to their peak 2012/13 levels within 2.5 years of the launch of the new service and nearly double the number of starts within 7 years of launch.



	Datum Year			New Service									
Academic year starting	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Starts BAU, modelled at 5% growth rate from datum year	4,440	4,662	4,895	5,140	5,397	5,667	5,950	6,248	6,560	6,888	7,232	7,594	7,974
Starts added through new service				514	540	850	893	937	1,640	1,722	1,808	1,898	1,993
				5,654	5,937	6,517	6,843	7,185	8,200	8,610	9,040	9,492	9,967

To deliver this recovery, the Skills Brokerage Service will include;

1. **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.

2. **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.

3. **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.

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

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

6. **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 and iMET as a route to direct young people.

The Skills Brokerage Service will support the promotion and connectivity to the following separately funded programmes and services;

1. **The Greater Cambridge Partnership Apprenticeship Service**; a partnership between Form the Future and Cambridge Regional College to connect students and businesses as part of their new Apprenticeship Service within Cambridge and South Cambs area. Co-development of these proposals with the Greater Cambridge Partnerships is enabling a clearer joint vision for how the proposed service might potentially offer an alternative platform upon which GCP might contract their local delivery partner, Form the Future, to provide additional and locally value adding services, beyond those proposed here.

2. **The Health and Care Sector Work Academy** to tackle the local shortage of skilled workers and provide a further 2100 learners into the sector. It specifically works with the Work and Health programme to support adults who have become disconnected from the labour market to support their progression into work.

3. **The Edge Construction Hub** will address the current and future construction skills shortage and provide vital training for the increased workforce required. Giving displaced workers the opportunity to upskill or retrain for new careers. This will include a Careers Guidance Service for adults as part of the commitment to support the National Retraining Scheme.

4. **The Adult Education Budget** provides funding for programmes of learning up to level 2 (GCSE level equivalent) and some level 3 qualifications (A level equivalent), dependant on eligibility.

5. **The new University of Peterborough** when it is operational in 2022. The new university is proposed to be a technical university focussing on the demands of local businesses in the priority sectors. Opening the doors to 2000 students in September 2022.

6. **The wide range of ESF contractors** supporting the following contracts; Skills Support for the Workforce, Skills Support for the Unemployed, Skills Support for NEETS.

The Business Growth Service: Why Now?

Strategically, and resulting from the Business Board and Combined Authority Board approval of the Local Industrial Strategy in March, 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 are presented with a closing window of opportunity to finance the services we propose through a broad funding strategy that allows us to fund £19.5m of new business support, externally leveraged from just £2.35m of the CPCA Business Board's MTFP 2020-2023.

The principle economic benefit of acting now, will be the securing of the funding delivered through the proposed leveraging strategy, 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.

The operational benefits include:

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

As part of our development of the OBC over the course of the summer, we have gathered evidence on the performance of similar Growth Service elements performed currently and in the past by BEIS and DIT. This has generated new evidence to enable more accurate quantification of the business growth coaching and inward investment service elements in particular. These include data from current and previous business support programmes including:

1. The Department for Energy & Industrial Strategy growth coaching programme, from which we have been able to source comparison data for a three-year period, April 2012 to March 2015. This has demonstrated a consistent level of performance that indicates that by engaging 10,400 SMEs (over 3 employees in size) around 64,000 jobs can be created, at an average gross job creation rate of 6.4 jobs per firm coached. However, this gross job creation rate has been factored to take account deadweight (using a factor of 1:1.5) in terms of growth that would have happened without support, and displacement (using a factor of 1:1.2) in terms of growth that simply substitutes for revenues from other firms in our economy.

2. The Department for International Trade's inward investment programme, from which we have been able to source comparison data for a five-year period, 2012/13 to 2017/18. This has demonstrated a consistent level of performance that validates that, by engaging firms into circa 2,000pa FDI projects, a consistent level of between 50,000 and 60,000 jobs can be generated from businesses landing into the UK to set up operations. However, again this gross job creation rate has been factored to take account deadweight (using a factor of 1:3) in terms of growth that would have happened without support, and displacement (using a factor of 1:1.3) in terms of growth that simply substitutes for revenues from other firms in our economy.

The Economic Evaluation is based on HMG's Green Book which provides guidance on how to evaluate and appraise publicly funded policies, programmes, and projects. The costs for the total Growth Service has been based on the total cost to the CPCA, including direct costs from its MTFP, funding acquired internally from the LGF and funding acquired externally from ERDF and ESF. This creates a total public sector investment figure to launch the Growth Service.

The summary conclusion is that based on total public sector costs of £26,990,556 the Growth Service generates 5,890 new jobs. With BCR expressed as Cumulative Net Present Fiscal Benefits (£377,230,166), divided by Cumulative Net Present Fiscal Costs (£25,769,750) a BCR of 15 is generated. This provides a significant safety factor against which to absorb 'stress test' assumptions, described in the Risk Assessment related to the Commercial Case.

Project Inputs

Strategy for the Creation of The Growth Service Delivery Fund				
LGF Capital Equity Investment by the Business Board	£5,407,000	£0	£0	£5,407,000
LGF Growth Investment Fund Administered by Growth Service	£3,240,000	£4,080,000	£4,680,000	£12,000,000
Total LGF Capital Investment by the Business Board	**£8,647,000**	**£4,080,000**	**£4,680,000**	**£17,407,000**
ERDF Funding	£1,712,000	£1,765,000	£1,727,000	£5,204,000
ESF Funding	£508,036	£687,222	£849,298	£2,044,556
Total ESIF Revenue Funding	**£2,220,036**	**£2,452,222**	**£2,576,298**	**£7,248,556**
CPCA budget for Growth Hub	£246,000	£256,000	£246,000	£748,000
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	£120,000	£120,000	£120,000	£360,000
CPCA Enterprise Zone businesses rates receipts	£230,000	£279,000	£418,000	£927,000
Total CPCA Revenue Allocation from the CPCA 2020/21-22/23	**£696,000**	**£755,000**	**£884,000**	**£2,335,000**
Total Public Sector Contributions to Costs	**£11,563,036**	**£7,287,222**	**£8,140,298**	**£26,990,556**
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	**£12,563,036**	**£4,707,222**	**£5,460,298**	**£31,490,556**

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	£11,563,036	£7,287,222	£8,140,298	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£26,990,556**
Total Costs	Yes	£11,563,036	£7,287,222	£8,140,298	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£26,990,556**
Total Fiscal Costs	**Yes**	**£11,563,036**	**£7,287,222**	**£8,140,298**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£26,990,556**

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	

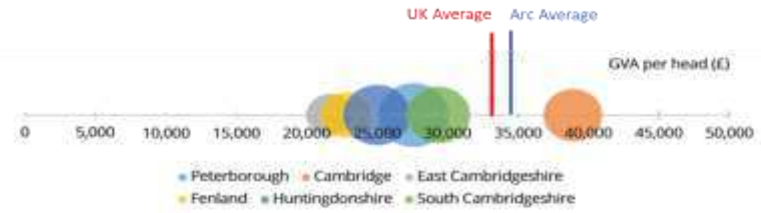
PROJECT OUTPUTS 2021/22		
Employment		
Number of permanent jobs to be created	Number of indirect jobs to be created	Number of apprenticeships
	1,595 (34% of 4692 over 3 full years) from Growth Service 408 (34% of 1200 over 3 years from Capital Growth Grant)	612 (34% of 1800 over 3 years) from growth 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	

Outcomes Generated from Inward Investment				
Average GVA/employee for new job	£37,000	£37,000	£37,000	£37,000
Average number of jobs created per business	9.5	9.5	9.5	9.5
Number of businesses supported	30	40	55	125
Total new jobs generated	**285**	**379**	**522**	**1,186**
Total GVA generated	£10,530,769	£14,041,026	£19,306,410	£43,878,205

Basis for Jobs Per Business : 2017/18 DIT FDI Performance		
Number of Businesses/ Projects	2,011	Deadweight is moderate, balanced between high unassisted demand for Cambridge and low unassisted demand elsewhere Displacement is low due to typical inward investor intent to sell into national UK & EU markets from a CPCA location
Number of Jobs	60,939	
Jobs Per Project	37.0	
Less Deadwight @ 1:3	12.3	
Less Displacement @ 1:1.3	**9.5**	

Outcomes Generated from Skills Brokerage				
Average GVA/employee for new job	£18,000	£18,000	£18,000	£18,000
Total number of apprentices	400	600	800	1,800
Total number of retained apprentices into all jobs	400	500	720	1,620
Number of businesses supported to fill a new job	60	75	108	243
Total retained apprentices into new jobs	**80**	**100**	**144**	**324**
Total GVA generated	£1,440,000	£1,800,000	£2,592,000	£5,832,000



Corp Tax on GVA Growth Assumed as
8.00% Average PBIT
17.00% Average Corp Tax

Outcomes Generated from £12m Small Business Capital Growth Investment Fund				
Average GVA/employee for new job	£37,000	£37,000	£37,000	£37,000
Average number of jobs created per business	5.0	5.0	5.0	5.0
Number of businesses supported	65	82	93	240
Total new jobs generated	**325**	**410**	**465**	**1,200**
Total GVA generated	£12,025,000	£15,170,000	£17,205,000	£44,400,000

Basis for Jobs Per Business : Benchmark Set for LGF Growth Prospectus		
Total Fund Invested or Granted	£11,500,000	Deadweight & Displacement taken as net within benchmark set for all LGF grantss and investments within Growth Prospectus published with call for applications
Cost Per Job Benchmark Set	£10,000	
Number of grants/Investments	240	
Jobs Per Grant/Investment	5.0	

Average GVA generated
5,890 total jobs
£211,770,205 total GVA
£35,955 Ave GVA/Job

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	£50,142,436	£70,231,026	£91,396,744	1.36%	£681,937	£1,637,079	£2,880,075	£2,880,075	£2,880,075	£2,880,075	£2,880,075	£2,880,075	£2,880,075	£2,880,075	£25,359,615
Tax from new jobs	1,396	1,949	2,544	£4,700	£6,562,526	£15,725,115	£27,682,518	£27,682,518	£27,682,518	£27,682,518	£27,682,518	£27,682,518	£27,682,518	£27,682,518	£243,747,785
NI contributions from new jobs	1,396	1,949	2,544	£4,287	£5,986,140	£14,343,982	£25,251,168	£25,251,168	£25,251,168	£25,251,168	£25,251,168	£25,251,168	£25,251,168	£25,251,168	£222,339,469
Total					£13,230,603	£31,706,176	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£491,446,868

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	1,316	1,849	2,400	£37,000	£48,702,436	£117,133,462	£205,938,205	£205,938,205	£205,938,205	£205,938,205	£205,938,205	£205,938,205	£205,938,205	£205,938,205	£1,813,378,538
GVA A from apprentices into new jobs	80	100	144	£18,000	£1,440,000	£3,240,000	£5,832,000	£5,832,000	£5,832,000	£5,832,000	£5,832,000	£5,832,000	£5,832,000	£5,832,000	£51,354,324
Total					£50,142,436	£120,373,462	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£1,864,732,862

Grand Total					**£63,373,039**	**£152,079,638**	**£267,583,966**	**£267,583,966**	**£267,583,966**	**£267,583,966**	**£267,583,966**	**£267,583,966**	**£267,583,966**	**£267,583,966**	**£2,356,124,406**

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	£11,563,036	£7,287,222	£8,140,298	£0	£0	£0	£0	£0	£0	£0	£26,990,556
Fiscal Costs	£11,563,036	£7,287,222	£8,140,298	£0	£0	£0	£0	£0	£0	£0	£26,990,556
Fiscal Benefits	£13,230,603	£31,706,176	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£55,813,761	£491,446,868
Public Benefits	£50,142,436	£120,373,462	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£1,864,732,862
Total Benefits	£63,373,039	£152,079,638	£267,583,966	£267,583,966	£267,583,966	£267,583,966	£267,583,966	£267,583,966	£267,583,966	£267,583,966	**£2,356,124,406**

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)	£51,810,003	£144,792,416	£259,443,668	£267,583,966	£267,583,966	£267,583,966	£267,583,966	£267,583,966	£267,583,966	£267,583,966	£2,329,133,850
Net Present Value (Net Value x Discounting Ratio)	£51,810,003	£137,152,994	£232,788,774	£227,425,167	£215,425,942	£204,059,810	£193,293,370	£183,094,979	£173,434,668	£164,284,047	£1,782,769,754
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)	-£1,667,567	-£24,418,954	-£47,673,463	-£55,813,761	-£55,813,761	-£55,813,761	-£55,813,761	-£55,813,761	-£55,813,761	-£55,813,761	-£464,456,312
Net Present Budget Impact (Net Budget Impact x Discounting Ratio)	-£1,667,567	-£23,130,581	-£42,775,555	-£47,437,274	-£44,934,426	-£42,563,632	-£40,317,924	-£38,190,702	-£36,175,714	-£34,267,040	-£351,460,416
Net Public Value (Public Benefits - Total Costs)	£38,579,400	£113,086,240	£203,629,907	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£211,770,205	£1,837,686,982
Net Present Public Value (Net Public Value x Discounting Ratio)	£38,579,400	£107,119,674	£182,709,244	£179,987,893	£170,491,515	£161,496,178	£152,975,446	£144,904,278	£137,258,954	£130,017,007	£1,405,539,588
Net Present Benefits (Total Benefits x Discounting Ratio)	**£63,373,039**	**£144,055,733**	**£240,092,749**	**£227,425,167**	**£215,425,942**	**£204,059,810**	**£193,293,370**	**£183,094,979**	**£173,434,668**	**£164,284,047**	**£1,808,539,505**
Net Present Fiscal Benefits (Fiscal Benefits x Discounting Ratio)	£13,230,603	£30,033,320	£50,079,530	£47,437,274	£44,934,426	£42,563,632	£40,317,924	£38,190,702	£36,175,714	£34,267,040	£377,230,166
Net Present Public Benefits (Public Benefits x Discounting Ratio)	£50,142,436	£114,022,413	£190,013,218	£179,987,893	£170,491,515	£161,496,178	£152,975,446	£144,904,278	£137,258,954	£130,017,007	£1,431,309,338
Net Present Total Costs (Total Costs x Discounting Ratio)	**£11,563,036**	**£6,902,739**	**£7,303,975**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£25,769,750**
Net Present Fiscal Costs (Fiscal Costs x Discounting Ratio)	£11,563,036	£6,902,739	£7,303,975	£0	£0	£0	£0	£0	£0	£0	£25,769,750

Total Growth Service (Growth Coaching, Inward Investment & Skills Brokerage	Key Metrics
Net Present Value (Net Present Benefits - Net Present Total Costs)	£1,782,769,754
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)	-£351,460,416
Financial Return on Investment (Net Present Fiscal Benefits / Net Present Fiscal Costs)	14.64
Net Present Public Value (Net Present Public Benefits - Net Present Fiscal Costs)	£1,405,539,588

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	£11,563,036	£18,465,775	£25,769,750	£25,769,750	£25,769,750	£25,769,750	£25,769,750	£25,769,750	£25,769,750	£25,769,750
Cumulative Net Present Fiscal Costs	£11,563,036	£18,465,775	£25,769,750	£25,769,750	£25,769,750	£25,769,750	£25,769,750	£25,769,750	£25,769,750	£25,769,750
Cumulative Net Present Fiscal Benefits	£13,230,603	£43,263,924	£93,343,454	£140,780,728	£185,715,154	£228,278,786	£268,596,710	£306,787,412	£342,963,126	£377,230,166
Cumulative Total Benefit	**£63,373,039**	**£207,428,773**	**£447,521,521**	**£674,946,688**	**£890,372,630**	**£1,094,432,440**	**£1,287,725,810**	**£1,470,820,789**	**£1,644,255,458**	**£1,808,539,505**

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

£377,230,166 divided by £25,769,750 = 15

COMMERCIAL CASE

Current Arrangements: The Growth Hub

The 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. The current Growth Hub service was set up to deliver against targets based on the “volume” of customers serviced rather than the growth created in GVA. It 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. Additionally, it 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 the service, either from the CPCA Growth Hub or the Growth Hub 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 current Growth Hub service 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 international in its nature. 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 in Cambridgeshire & Peterborough.

Commercial Risk Assessment: Growth Coaching Service

Failure to Establish & Assure the Coaching Pool

The establishment of the brokerage pool of private sector growth coaches that will bring additional scale and specialism of support is a key component of the Business Growth Service. From a contracting perspective the intent is to allow businesses to contract with whichever coach they choose, from either the pool of accredited coaches we will offer, or from their own networks. These contracts will be based on standardised mutually agreed terms between the coaches and our customer businesses and exclude either the CPCA or the procured providers of the Business Growth Service, 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 CPCA 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:

1. Ensure that coaches in the pool have the capacity and skills to deliver the services we diagnose as our customers' need;

2. Ensure that coaches in the pool are aware of our overall proposition (based on our defined Service Lines) and can provide them in a consistent way;

3. Ensure there is cost and activity transparency so that the procured providers of the Business Growth Service, administering the 50% grant to the customer after payment of the coach's invoice, can audit the services provided;

4. Indicate customer satisfaction with coaching services they have received from the brokered pool of coaches to inform future customer comparisons of the potential value for money of each provider within the pool.

The detailed arrangements for this will be developed through the procurement process and market engagement with potential providers of the Business Growth Service. However, the general approach will be to establish and administer a framework arrangement of coaches accessible through the brokerage pool. This will ensure consistency with our service offer and allow us to affirm that standards or service delivery can be met. This will involve a 'TripAdvisor' style rating system that will allow businesses we refer to the pool of coaches to report their satisfaction with the services they receive.

Failure to Achieve Market Take-up

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 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.

The Department for International Trade more recently ran a smaller RCT pilot for co-investment grants for commercially available export advice involved 1,000 larger MSBs (50-500 employee firms) between 2017-18. This more recent DIT Global Growth RCT-Pilot was set up:

1. To test and evaluate the engage, diagnose and broker delivery model – like that proposed for the Growth Service;

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

4. To test 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.

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 on a scale likely to register a significant or even measurable increase in the total FDI performance of the CPCA economy – it is likely to 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 it will be important for the service to be flexible about target markets (non-EU), target sectors (sub-sectors) and types of investment deals businesses are seeking to complete based on Local and National stakeholder intelligence will be a strategy consideration.

Mergers and Acquisitions whilst not our main targeted effort of this programme is an area that will still need to be monitored and some of those resulting investments considered for local Growth support to 'cement' those newly merged or acquired companies to remain in the CPCA economy. In a report produced 15th April 2019 EY found that global interest in mergers and acquisitions is at a 10-year high as managers try to adapt to technological change, with 59% of companies planning a deal in the next year, up from 52% a year ago. This improvement appears at odds with a slowdown in the global economy. Also the International Monetary Fund cut its global growth forecast for this year (2019) to 3.3% from 3.5%, largely because of trade tensions, particularly between China and the U.S.

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', so either higher than average salaries, High numbers of jobs being created in one investment with associated high investment into training (or retraining) Knowledge intensive, high value manufacturing or contain a high proportion of added value through technological or innovation addition to the region by local R&D spend. To mitigate against the quality of projects being pursued a stringent monitoring, triaging and ranking of pipeline enquiries against the High value measures to ensure that maximum effort is deployed against those enquiries that are deemed to be likely to provide High Value outputs/outcome. The expectation is that at least 50% of the pipeline would be classed as 'Higher value' in nature.

Failure To Achieve Inward Investment Outcomes

The analysis of last 10 years shows that there has been 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) but 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 manage this risk we would run a close performance monitoring system reporting monthly with forecast analysis of the quality of the pipeline to enable targeting management and refocus/mobilise lead generation activities.

Current Arrangements: The Skills Brokerage Service

There are currently four Brokerage Services operating within the Combined Authority area. They all work on different delivery models, some with different priorities and some that overlap 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** are 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.

4. **Opportunity Area Levy Advisors**, funded by DWP under a memorandum of Understanding with the Combined authority, 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 and will start on 4th November 2019. The other post is still be advertised.

Conclusion on The Need to Improve Current Arrangements

All four Brokerage 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, 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. The evidence indicates this is due to a number of causes including:

1. **Availability of external funding to nudge firms'** particularly SMEs to take on an apprentice. Although DfE funding for non-levy apprenticeships has been available in the past, it is increasingly in short supply. Colleges in particular run out of DfE contract cover for non-levy funded apprenticeships for SMEs quickly in the academic year. However, the levy pooling marketplace is a potential partial solution to this evolving market failure.

2. **Availability of courses to fit employer need** is particularly prevalent amongst levy payers who are unable to utilise the full extent of the levy they have paid on apprenticeship funding eligible courses across their current and recruited workforce. However, the provision of new services from the STAR Hub to better connect employers with providers to design and gain accreditation for a broader range of apprenticeships is designed to overcome this market failure.

3. **Visibility of suitable talent** to meet employer need is a problem for almost all employers. However, the provision of new services from the STAR Hub to better connect employers with schools and young talent direct is designed to overcome this market failure.

4. **The visibility of benefit** to a company is not always apparent, as the return on investment is not seen immediately until the Apprentice reaches the end of their programme. However, the proposed service would use Business Ambassadors as well as case studies to overcome this lack of visibility.

5. **A new funding model** announced as an intention from the ESFA, where all apprenticeships will be funded through the apprenticeship service in the future, further details on the transition will be issued shortly. It could take time for providers and employers to engage with the model via the apprenticeship service.

6. **Strengthened Register of Apprenticeship Training Providers (RoATP)** via ESFA to give employers the assurance they need that their apprentices will receive high-quality training. Providers already on the register will be required to re-apply to remain on the register. They will invite providers to reapply in phases, over the next 12 months. This will ensure that by the end of 2019 all providers on the register will have gone through the new application process. **This may impact on providers and the availability of provision.**

7. **Funding bands for apprenticeship standards are being reviewed**, this has resulted in some funding bands increasing and others seeing a reduction. **This could influence some providers to reassess their apprenticeship offer.** Apprenticeship frameworks are being phased out as standards become available.

Commercial Strategy for the Mobilisation of Services

The Business Board has devised a strategy to build a Growth Service Delivery Fund of under £19.5m to deliver the Business Growth Service. However, it is 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 is the Business Board's intention and strategy 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 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 capital equity investment from the LGF into the Growth Service Management Company, in return for 99 of the 100 shares in the Growth Service Management Company, held on behalf of the LGF by the CPCA. 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 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) 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 Growth Service.

9. 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 Growth Service.

10. To task the procured delivery partners for the Business 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.

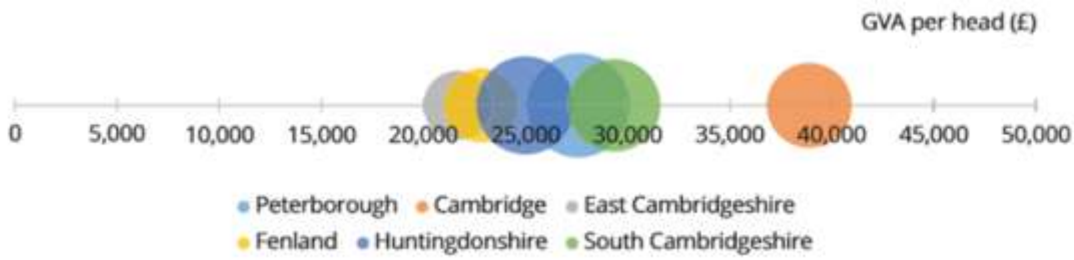
FINANCIAL CASE

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 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[3] 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 (or 3,762 over the life of this 3 year Growth Service), 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 Growth Service, in combination with the Small Business Capital Growth Investment Fund, will aim to stimulate business growth in firms to generate an additional 5,890 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 Growth Service will grow the proportion of higher productivity firms in the broader population, to achieve a productivity lift at much lower cost.

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

Costs Assumptions for Minimum viable Product

The cost calculations below, for the three services are based on similar services that have previously and/or are currently being delivered locally or nationally.

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**

Affordability & Investment Required

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. Current revenue funding available to the Business Board between those dates from the CPCA's Mid-Term Financial Plan (MTFP) is:

1. £1,648,506 forecast as Enterprise Zone business rate receipts to 2022/23

2. £2,638,000 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
    - 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 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 Growth Service. The Business Board's strategy consists of the following steps:

11. 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.

12. To accept an application from the CPCA, to the LGF <u>capital fund</u> administered by the Business Board, for a **£5,407,000 capital equity investment from the LGF** into the Growth Service Management Company, in return for 99 of the 100 shares in the Growth Service Management Company, held on behalf of the LGF by the CPCA. 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 Growth Service.

13. 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 **£7,248,556 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 Growth Service.

14. To request that the CPCA resolve, through a key decision informed by this OBC, to allocate **£2,335,000 of revenue** from Business Board allocations (on the previous page) from its 2020/21-22/23 MTFP, to the Growth Service Management Company to part fund the procurement of the delivery of the Business Growth Service.

15. To task the **procured delivery partners for the Business 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, as Working Capital	**£5,407,000**
ERDF Funding	£5,204,000
ESF Funding	£2,044,556
Total ESIF Revenue Funding, Applied for by CPCA on behalf of the Business Board	**£7,248,556**
CPCA budget for Growth Hub	£748,000
CPCA Skills Strategy Implementation budget	£150,000
Local Ind Strategy Implementation budget	£150,000
CPCA contract with Careers Enterprise Company	£360,000
CPCA Enterprise Zone businesses rates receipts	£927,000
Total CPCA Revenue Allocation from the CPCA 2020/21-22/23 MTFP Requested by the Business Board	**£2,335,000**
Total SME contributions acquired by the Procured Delivery Partners for the Business Growth Service	**£4,500,000**
Total Growth Service Delivery Fund for Procurement of the Business Growth Service	**£19,490,556**

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 £12m 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 met by a provision, of up to a maximum of 5% of the £12m 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[4] 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 tasking the Growth Service with the administration of the Small Business Capital Growth Investment Fund, 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 £12m 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 £12m 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 £12m 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.

Legal advice from Pincent Masons confirming the proposed financial strategy's compliance with State Aid law, and the use of a Growth Service Management Company into which to invest LGF funding in return for equity value, is provided as Appendix 1

[4] 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 for growth in tenants being over optimistic. However, we have mitigated this in two ways. Firstly, we have factored the forecasts provided to us for optimism bias and set our assumptions somewhat lower than those provided to us. The optimism factor used for each of the five Enterprise Zones varied depending on its maturity and track record in attracting new tenants over time.

   Second, we will conduct six-monthly reviews with each developer to revise and increase the accuracy the initial forecasts they have given us. These revised forecasts will then be fed into a six-monthly review of costs of the services. As we have planned a staged expansion of the services over the three years of this funding, we will be able to take the opportunity of choosing to revise down our plans for expansion on a six-monthly basis, keeping costs below income at all times. Should this be the case, we will inform the managing authorities of the funds leveraged by the Enterprise Zone receipts to advise them of the change this will make to our funding call-off and related outcome delivery.

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 that the independent evaluators and/or the Entrepreneurs Assessment Panel (the Business Board's Dragon's Den) reject the CPCA's application for £5,407,000 of LGF. However, we have mitigated this risk by ensuring that the application for LGF investment is of the highest quality. This was reflected in the initial proposal, in the form of an Expression of Interest being scored 103 out of a possible 108 marks. The Full Application has now been submitted and the result will be known, prior to the Business Board's consideration of this OBC at the November Board meeting.

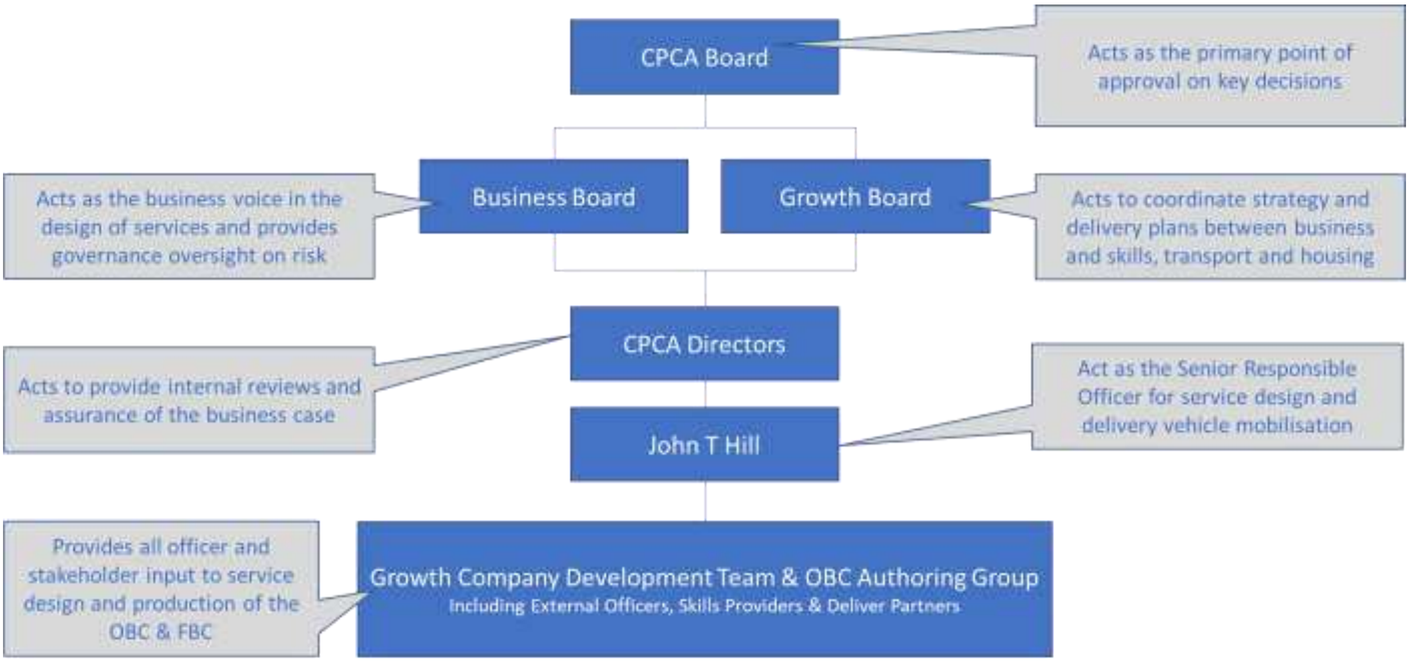
4. The possibility of the CPCA's application for European Regional Development and European Social Funding being rejected the managing authorities, MHCLG and DWP respectively. However, we have mitigated this risk by securing in principle agreement from both for the use of their funds for these purposes and have co-designed the call for proposals around the specification for the Growth Service, effectively matching the call for proposals to our specific applications, prior to them being submitted.

5. 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. This risk is analysed in greater detail in the previous section; *Commercial Strategy for the Growth Service* on page 33

MANAGEMENT CASE

Service Funding & Mobilisation Governance

To support design of the new services and the development and mobilisation of the delivery vehicle for them, a programme team has been being formed involving a wide range of CPCA Officers and service stakeholders. Governance arrangements are summarised below.

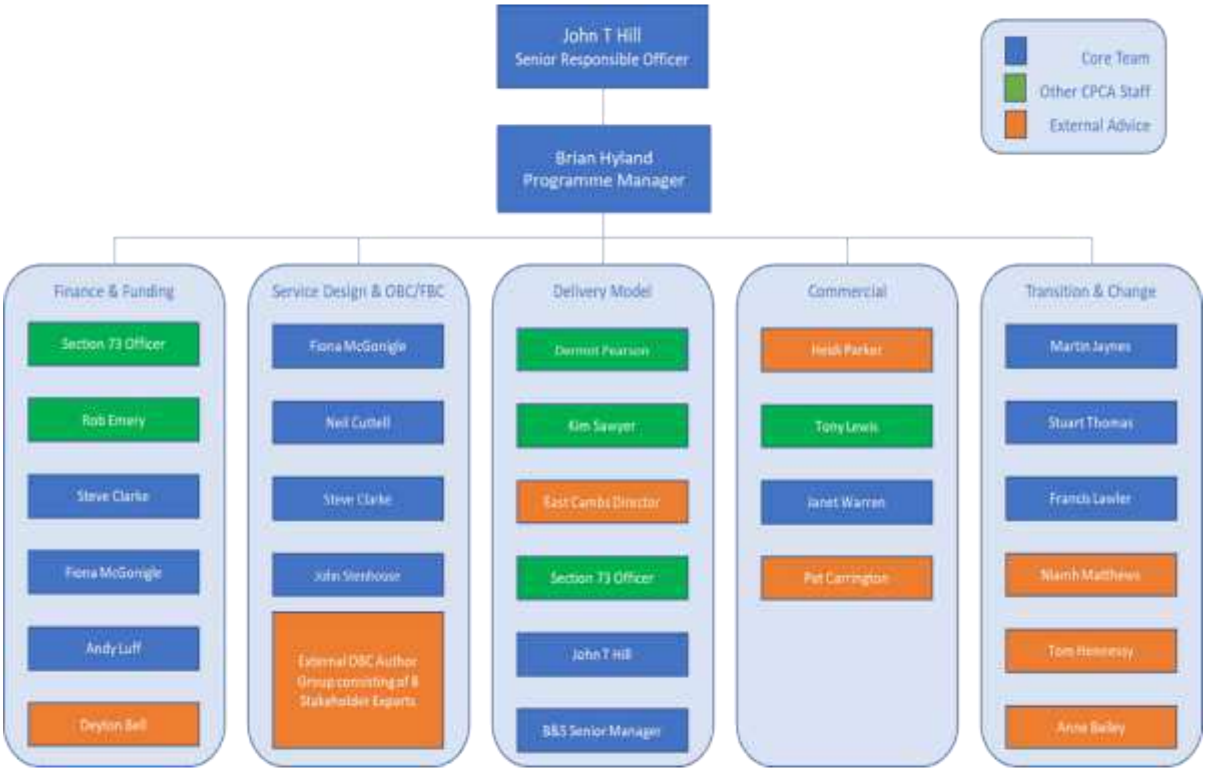


Programme Governance Arrangements

Team Structure & Resourcing

The current team and resourcing is shown in the diagram overleaf. The programme is structured around the key work-streams in our programme plan and comprises:

- Core team members from the Business & Skills Directorate
- Colleagues from within the CPCA with supporting and specialist roles
- Colleagues from our constituent local authorities with supporting and specialist roles
- Senior leaders within partner organisations with specialist expertise such as Pat Carrington, Niamh Matthews, Anne Bailey, Tom Hennessy, Mark Robertson and Mark Dawes
- Externally sourced contracted support, such as from Deyton Bell to provide proposal writing expertise for ERDF and ESF funding acquisition.



The Programme Plan is structured in four phases, including:

1. **Design Service** (June to November 2019) – A high-level operating model will be developed and informed by Market Engagement. The legal entity and procurement strategy will be developed ready for implementation. Approval to proceed will be requested by OBC at the November Board meetings.

2. **Establish Capability** (December to February 2020) – the contracts for external funding will be secured and any sub-contract arrangements procured, with contractual terms agreed. Key changes to CPCA staff, TUPE'd from the Growth Hub to the contracted Growth Service, will be specified and risk evaluated. Approval to proceed will be requested via an FBC at the March Board meetings.

3. **Mobilisation** (April 2020 to July 2020) – contracts awarded based on approval of the Full Business Case. Internal teams will be constituted to manage the new Growth service contract. Cutover from the Growth Hub to the new Growth Service will be managed. People impacted by the change will be TUPE transitioned to new roles.

4. **New Service** (July 2020 onwards) - The new services will be delivered. Performance will be monitored through continuous evaluation. Feedback will be collected from providers and customer businesses. The service offer will be refined and improved on an ongoing basis to ensure benefit delivery.

Appendix 1:

Legal Advice From Pincent Masons On The Proposed Financial Strategy

Appendix F – Skills Work Programme Post COVID-19

The purpose of this paper is to raise awareness of the key Skills issues (Post COVID-19) the CPCA could be facing over the next year. It is the view of the Skills Team within the CPCA that we will need to work hard with all providers, businesses, policymakers, other MCAs and key government departments to address, the issues we foresee; namely,

Workforce Skills

- The transition from "learning to training/upskilling to earning" will take longer and it may require learners to be in learning/training for longer until sustainable employment is available. This could potentially create an increase in young people who are NEET (Not in Education, Employment and Training).
- Decide on the priority groups to target in the short, medium and long term
  - Sector and occupations were growth and decline will reside.
  - Apprenticeships – if there is no allocated job at the end of the Apprenticeship or they are made redundant within programme – this will create further unemployment.
  - Young adults less under 25 with low barriers to entry are easier to furlough followed by redundancy.
  - Low skilled adults – need reskilling and upskilling.
- Understand the data in both growth sectors and declining sectors before we retrain people to ensure maximum impact of the National Retraining Scheme. Monthly COVID-19 impact data received from Cambridge Insight is being used to inform the Talent Portal and the Retraining Scheme. This data analyses unemployment and job vacancies in order to ascertain gaps in the employment market.
- The phasing out of the furlough scheme will ultimately create phased redundancies month on month as businesses return to business as usual.
- Working with DfE on an Apprenticeship Recovery package signed off by Ministers to agree salary incentives for employers to take on apprenticeships. We are expecting "golden hellos" for redundant apprentices to encourage an employer to take on a redundant apprentice, targeted at the young people and SMEs.
- Further development of the Talent Portal to add a redundant apprentices' register to redirect them into employment.
- The Talent Portal run by the CPCA offers a bespoke service who speak to applicants and employers to understand both needs to connect to other CPCA programmes such as AEB and apprenticeship levy.
- The STAR Hub will launch on the 1st October and we will use the first year as a response to COVID-19 and Skills recovery.
- Apprenticeship levy – requests for levy transfer to support sectors ie. health and social care.
- Working with employers and providers to utilise the £5M accumulative levy pot. The risk maybe that levy may reduce as a % investment from companies as numbers of employees also reduce. This will put considerable pressure on the non-levy apprenticeship budget.
- Contracts with CEC will support careers advice and guidance - IAG and National Careers Service are key to supporting this.

AEB reprofiling of delivery to meet post COVID-19 impact

- Quality of teaching and learning - Distance learning is the dominant mode of learning. It requires an enhanced level of learner support to motivate attendance and maximise retention. The quality of the pedagogy is under constant review.
- Finances - CPCA have provided financial surety to the AEB providers by agreeing to allocate the same funding in 2020/21 as in 2019/20. Their financial viability is a constant risk. AEB is not their only source of funding. Any fee income from businesses or residents will be harder to access. Central government and the CPCA are reviewing the sustainability of co funding and co-financing expectations from existing policy.
- Inclusivity - The establishment of an innovation fund will alleviate any concerns about any disadvantaged learners unable to access remote or distant learning.
- Function, Framework and Funding - Clarity of the AEB framework and function to access more AEB funding. This is what AEB is successful at and does and this is why it needs more funding. Need to work with other MCAs to achieve

Higher Education concerns

- Fall in HE student numbers with an estimated prediction of up to 20% of prospective students deferring their place for this academic year as a new starter or a returner. A national plan is needed from the Government, setting out what universities' approach will be in September to reassure new and returning students over finances, students' rights on accommodation, curriculum model for teaching and learning as well as setting out what additional support will be needed to address the needs of vulnerable and less advantaged students.
- A fall in student numbers will cause some Universities to merge and/or seek Government bailouts. The impact of this could affect the commercial viability of the new University of Peterborough, however as this is set to open in September 2022, there is time for the market to recover as long as the HE partner selected does not run into financial difficulties.
- Lack of international students will affect monies into Universities.
- The new University of Peterborough curriculum model via. blended learning and distance learning will support delivery of degrees, Degree Apprenticeships and Masters.
- University pension schemes will put pressure on them to decrease staffing budgets. This will have a knock-on effect for delivery too.
- The Stronger Universities with Research attached will survive, unfortunately smaller Universities in the market-place will run the risk of bankruptcy or merging.
- The Augar Review – reduction in fees will not help the market to recover.
- The business model of the new University of Peterborough which is being created to meet the needs of local businesses and employment will support recovery of skills if there is sufficient student demand to study.
- Incentives attached to degree apprenticeships for both employers and students will be key to reviving the economy.
- Marketing and promotion of student is tough in a competitive market and this will become more so in a recovering market. It will be key for students to investment their time and money into degree programme were jobs/employment are the key outcome.
- Bespoke degree programmes for large corporates and new degree apprenticeship standards will help to revitalise the local economy using the local labour market.

We are currently updating the current Employment and Skills Board Work Programme to reflect the issues raised above and will table the POST COVID-19 work programme at the next Employment and Skills Board in September. It will be necessary to align the Employment and Skills Board Work Programme with the work being undertaken by the Business Board, Skills Committee and CA Board to improve the interface and eliminate overlap between the Boards. We are mindful that this work needs to inform the Overview and Scrutiny work programme as well as aligning to the Skills Strategy/Local Industrial Strategy's deliverables/activities/interventions which are currently being refreshed over the next 3-6 months.

Paper co-written by The CPCA Skills Team - Kim Cooke – HE, Fiona McGonigle – Workforce Skills and Francis Lawlor – AEB.

26.5.20

SKILLS COMMITTEE	AGENDA ITEM No: 3.2
DATE: 14 SEPTEMBER 2020	PUBLIC REPORT

UNIVERSITY OF PETERBOROUGH PHASE 2 UPDATE

1.0 PURPOSE

1.1 This report focuses on the progress made to date with Phase 2 of the University of Peterborough campus buildings proposals.

1.2 The Phase 2 project is to complement the 2020-22 investment of £30.47m from the CPCA, PCC and private sector into a Phase 1 Academic Teaching Building for a new University of Peterborough, to produce 3,000 p.a. graduates. There was a Mayoral Decision on the 15 July 2020 following recommendation from an Extraordinary Business Board on the 9 July 2020. Those decisions were to progress the Phase 2 project proposal and appraisal. Phase 1 planning has been submitted for approval in October 2020 and Phase 2 planning, based on the agreed City Master Plan and related University Campus Master Plan, will be submitted in December 2020 for approval in March 2021. The timescales for Phase 2 planning permissions are expected to benefit from the already agreed Master Plans and the common building designs for both Phase 1 and Phase 2. The Manufacturing and Materials Research Centre will open its doors at the end of January 2022.

DECISION REQUIRED	
Chair of the Committee:	**Councillor John Holdich**
Lead Officer:	**John T Hill, Director of Business and Skills**
Forward Plan Ref: N/A	**Key Decision: No**
The Skills Committee is recommended to: (a) **Note the progress made to date on the University of Peterborough Phase 2 building.**	**Voting arrangements** **Simple majority of all members**

2.0 BACKGROUND

2.1 The University of Peterborough Phase 1 teaching facility is to be created to address the Higher Education Cold Spot by generating more level 5, 6, 7 & 8 skills, focused on key and higher value growth sectors such as high-value manufacturing and digital. In comparison to the average city in the UK, and within a workforce of 103,000, Peterborough needs to be able to mobilise 17,000 more workers at these higher skills levels, to become competitive as a place, and arrest four decades of decline in prosperity and health outcomes.

2.2 But filling the higher-level skills gap in Peterborough and The Fens, will have limited impact without effective measures to significantly grow the business and industrial demand for those skills. This will require, concurrent development of the innovation and business support eco-system to grow indigenous high-value firms and attract new ones to the city. Such an eco-system, using the new university as its hub, Phase 1 has been designed and substantially funded through the CPCA, to be mobilised over the next year. This includes:

- New business clusters and networks, especially manufacturing in the north
- £20m of growth coaching, mentoring and capital for innovation-based firms
- A new local Foreign Direct Investment agency to connect into Department for International Trade to attract high value firms globally
- A skills brokerage to connect learners, and those retraining, with growth firms
- A network of new Tech Accelerators and Incubators connecting the Cambridge knowledge base with the north of the area.

The Research Centre will act as the enabling core for an innovation eco-system to connect firms locally with global partners, knowledge and opportunities for growth.

3.0 CREATING AN INNOVATION ECOSYSTEM INCLUDING BUSINESS SUPPORT

3.1 Improving the higher-level skills and the knowledge capacity within the human capital of a place, is to no effect, without the parallel stimulation and supply of higher value jobs to provide opportunity for the increased number of higher-level skilled people. One component of such a stimulation and supply system is an innovation eco-system.

3.2 The evidence for best practice in developing and managing place-based innovation ecosystems, lays a blue-print for the CPCA to use in building one for Peterborough and the Fens. It must include actors and components able;

- **To build on a regional master plan**. In our case provided by the LIS, that identifies the threats and challenges facing a place economy and its key sector-clusters, along with the potential skills and innovation interventions to overcome those challenges. It must have clear targets for ecosystem-level innovation outcomes in terms of inputs, such as volume of R&D and knowledge generation, and outputs such as the value and volume of new products and services created and launched into market, plus delivering outcomes in terms of new, higher value, jobs created.

- **To connect research through formalised innovation partnerships** such as membership of broad R&D programmes, or individual projects, innovation alliances such as joint R&D centres jointly staffed by business and universities. Such innovation creation platforms must, however, extend into commercialisation partnerships and market-entry joint ventures and hubs, to ensure market-specific products and service launch and innovation-based growth. In our case through the development of a new Catapult Centre for Battery Technology to be the potential largest tenant.

- **To provide a clear central coordinating service,** facilitating cross-industry collaboration and providing professional services in both management advice and technology applications. This key player should be capable of managing the ecosystem-level service provision, e.g. the use of facilities and management of an extensive portfolio of R&D, as well as the provision of commercialisation, incubation and growth services

4.0 MANUFACTURING AND MATERIALS RESEARCH CENTRE

4.1 A Manufacturing & Materials Research Centre will act as the enabling core for an innovation eco-system to connect firms locally with global partners, knowledge and opportunities for growth. This will provide the fundamental platform for a Peterborough and Fenland, high value manufacturing innovation eco-system with a Technical University at its core, based on the German Fraunhofer-Gesellschaft Model, that has enabled university academic inventions to be translated into commercial innovations, far more effectively in Germany, than in the UK over the last fifty years.

4.2 In turn, place-based sector-cluster growth based on technological innovation will result that will transform the knowledge intensity of products, services and jobs, arresting four decades of decline in prosperity to reset the city’s potential rate of recovery. It will transform the local economy having suffered from extremely low levels of R&D activity and a complete absence of any research and innovation eco-system. This can turnaround an erosion in productivity and high value knowledge industry, leading to new aspirations, opportunities, wages growth, increased well-being and health outcomes.

4.3 The Research Centre will be a 2200 sqm build and consist of 3 floors with a mix of high-quality technical laboratory and office space for incubations and start-ups. The £14.6m of funding for the project has been allocated to the CPCA by MHCLG and the formal application process for our Innovation Delivery Partner, and their partners, to apply for and utilise the funding is currently underway. Planning is due to be approved in Spring with a spade in the ground March/April 21 and completion of the build by 31 January 22. The timeframe on this project is extremely tight with a build programme of 41 weeks following procurement of the main contractor.

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5.0 FINANCIAL IMPLICATIONS

5.1 The GBF fund in the sum of £14.6M will support this building programme along with private investment from the prime applicant as well as monies in support of the slip roads required by planning for this scheme. The funding break-down for this project is:

- £12.0m GBF grant contribution to the building costs
- £2.9m prime applicant contribution to the building costs to create an R&D Centre for additive manufacturing and battery technology.
- £1.9m supporting applicant (PCC) contribution to the slip roads needed to secure planning permission
- £2.4m GBF grant contribution to the slip roads needed to secure planning permission
- £19.2m total project cost

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6.0 LEGAL IMPLICATIONS

6.1 There are no legal implications at this point. This may change once the form of the Getting Building Fund financing into the Phase 2 Centre is known.

7.0 APPENDICES

7.1 None

Source Documents	**Location**
Cambridgeshire and Peterborough Independent Economic Review (CPIER)	http://www.cpier.org.uk/final-report/

SKILLS COMMITTEE	AGENDA ITEM No: 3.3
14 SEPTEMBER 2020	PUBLIC REPORT

ADULT EDUCATION BUDGET – INNOVATION FUND AND THE TOP SLICE

1.0 PURPOSE

1.1 The purpose of this report is to provide progress on the establishment and distribution of the AEB Innovation Fund and the £170,000 available from the reduction in the AEB administration budget from 4.9% to 3.4%.

DECISION REQUIRED		
Lead Member:	**Councillor John Holdich**	
Lead Officer:	**John T Hill - Director of Business and Skills**	
Forward Plan Ref: N/A	**Key Decision: No**	
The Skills Committee is recommended to: note the recommended approach of how the Innovation Fund will be managed		**Voting arrangements** Simple majority of all Members

2.0 BACKGROUND

AEB Innovation Fund

2.1 The AEB Innovation Fund supports Providers to deliver education and training that addresses the AEB Commissioning Strategy priorities that reduces skills and employment gaps of CPCA learners disproportionately underrepresented in the labour market. These groups include the unemployed, ESOL, health volunteers, special educational needs and disabilities (SEND) learners and ex-offenders.

2.2 It will be managed for funded delivery during the 2020/21 academic year. The Fund supports all CPCA grant funded provision and contract services providers to apply for additional funding to deliver innovative provision that meets the CPCA priorities for skills and training. It will give special priority to the COVID-

19 pandemic and the impact it is having on the delivery of learning for residents.

2.3 The CPCA will enable both grant-funded and procured AEB providers delivering to learners in Cambridgeshire & Peterborough to apply for additional funding during the 2020/21 academic year.

2.4 This process will allow for further data gathering and analysis from fully funded pilot provision to ensure an evidenced based approach to change.

2.5 Funding allocated will be additional to the amount already allocated to grant providers and contract service providers delivering to Cambridgeshire & Peterborough learners in 2020/21.

2.6 Flexibilities and any pilots trialled, are intended to help providers develop different methodologies that can be mainstreamed in the longer-term. These will be dependent upon successful outcomes being realised that go beyond the delivery of qualifications for residents, with a stronger emphasis on outcomes or progression to further learning, employment or progression at work.

2.7 In future academic years, the Combined Authority will test further areas of innovation and embed earlier piloted delivery and reporting mechanisms within the AEB funding and performance management rules if any pilots are successful.

2.8 The Fund will only support applications that demonstrate innovation in the delivery of adult education providers.

The Fund will support both

(a) The testing of new approaches through piloting
(b) The scaleup of previously small-scale projects which are not eligible to be funded through the current AEB funded rules

- Applicants will need to identify the learning, employment and/or social outcomes their proposed activity will deliver for residents, communities and employers within Cambridgeshire & Peterborough
- Providers will be expected to deliver at least one learner outcome and one employment and skills outcome.

Providers will be required to set out

(c) The priorities their proposed activity addresses (from the AEB Commissioning Strategy and the Skills Strategy)
(d) A convincing account of how the proposed activity will address the challenges identified under the relevant priorities
(e) The innovation they believe their proposed activity demonstrates
(f) The learning, employment and/or social outcomes their proposed activity will deliver

2.9 In November 2018 the CPCA Board approved a top slice of 4.9% of the Adult Education Budget provided to the CPCA by the Department for Education

(DfE) for the implementation, management, administration, systems and process for the authority to effectively deliver Adult Education locally.

2.10 In comparison the 4.9% represented one of the highest percentage slices of all the Mayoral Combined Authorities devolving and delivering AEB. However, the CPCA grant was the lowest allocation in the UK at £11.53m in 2019/20.

2.11 A reduction to the top slice was agreed at the April Skills Committee from CPCA in 2020/21 and onwards. That reduction was from 4.9% to 3.4%, allowing £170k to be utilised for the provision of AEB locally. The paper sets out what we intend to do with the additional funding.

3.0 PROGRESS AND CONTEXT

Grant providers

3.1 In the months following the Skills Committee approval of the AEB Innovation Fund in April 2020, the CPCA agreed to not reconcile any of the AEB grant provider allocations for 2019/20 in accordance with the Procurement Policy Note (PPN) 04/20 (attached) which means that the 11 grant providers will keep their funding allocation irrespective of performance nor will there be any extra funding for providers that potentially over perform. This was issued by the DfE in response to the COVID-19 situation.

3.2 In addition, in April 2020 we also agreed to give the same allocation in 2020/21 as the initial grant allocation in 2019/20 to provide financial surety and stability at a time of unprecedented uncertainty regardless of in year performance. It was a decision that was in line with other MCAs and welcomed by the sector. We responded and mobilised quickly. It meant that some providers expecting further funding from increased performance did not receive it either. The sector understood the unique circumstance and collaborated to conform with the allocations for 2020/21. Again, this was in response to the COVDI-19 pandemic.

3.3 For grant providers, we gave an initial total allocation of £8.9m for the academic year 2019/20 (August to July) and we have spent, up to period 11 of 12, £4.95m or 55% of the allocation. Up to the end of February 2020, and six months into the newly devolved AEB budget we were on profile to spend the annual grant allocation and as a direct result of COVID-19 the FE sector has experienced a substantial reduction in participation from mid-March 2020. This is not across the board however, as a few providers, particularly local authorities, will likely meet or spend their allocation.

3.4 In our first year of operation, it is unwise to predict with certainty the final spend for the academic year. The last period historically has further learner and learning support spend requests but the scale of the underspend is not in dispute.

Contract for services

3.5 For the 5 contract service providers who were successful in the procurement process, we gave an initial allocation of £2.053m in 2019/20 and we have spent up to period 11 of 12, £1.25m or 60% of the allocation. Contract service providers are paid on the actual performance of the previous month.

3.6 In accordance with PPN 04/20, the CPCA agreed to provide financial assistance to two providers who were significantly affected by COVID-19 and supported hard to reach, disaffected and disadvantaged learners. The other 3 providers were paid according to their actual performance. We predict an overall spend of £1.4m or 70% of the allocation. One of the providers who are highly experienced in delivering on-line and blended learning will meet their allocation.

AEB overall

3.7 In light of COVID-19, the cost per learner to all our providers has exponentially increased. COVID-19 restrictions including keeping learners 2m apart and the cost of extra equipment; transporting learners; the nature and increased levels of learner support to retain learners and ensure completion of a course; the procedures for staff to follow and the fear of initiating a further spread of the virus has meant that the normal funding analysis is hard to justify.

3.8 There is a vast increase in learning on-line and all the positives and disadvantages that that displays are prevalent; some provision is at the learning establishment and some is blended learning or a mixture of the two.

3.9 Funding is primarily paid on starts, learners on programme and then achieving the qualification against a set rate according to a perceived cost from experience agreed within a national framework. If that cost increases from an unforeseen shock such as COVID-19, then for the same amount of funding fewer participants are inevitable or there is a need for more funding to meet the expected level of participation.

3.10 Therefore although the normal funding model is used in our analysis to show "spend" or "underspend", most providers have had increased costs so the actual underspend for contract service and grant providers is less and it is difficult to scientifically agree how much less. Following discussions with all 15 providers in the last few months, many ascertain that costs have wiped out their allocation even though participation is significantly below the expected annual level of delivery at the start of 2019/20. This is in line with the PPN 04/20 guidance from the DfE.

4.0 CONCLUSION

4.1 Due to the time it has taken to perform a full analysis, and the impact of COVID-19, we have not yet allocated any monies from the Innovation Fund.

4.2 We consulted with the AEB providers and they understand the delays, even though they are keen to access the Innovation Fund. The process for starting the project invitations commenced on 1 September and the closing date will be 25 September.

4.3 Many potential bidders have mentioned that their understanding of the impact of COVID-19 is more insightful due to the delays, and consequently the potential projects will be more sophisticated and developed than they would have been in early May or June. We are encouraging more collaborative proposals and the sharing of best practice across all the providers.

4.4 In the meantime, to assist we have given providers funding flexibility to use the learning support fund in the main funding agreement to facilitate short term needs to access extra equipment and connectivity for disadvantaged learners.

4.5 In 2020/21, all the AEB funding from the DfE was not allocated. The CPCA received £11.77m and allocated £10.5m to the providers matching the 2019/20 allocation; an extra £350,000 will be put into the innovation fund and, if the administration budget of 3.4% (or £400,000) is included, it leaves a further £520,000 to allocate for 2020/21.

4.6 The intention is to consider redistributing £520,000 to the existing AEB suppliers once the first quarter review of 2020/21 is completed in December 2020 and the impact of COVID-19 is fully understood. It is a useful reserve if there is a second wave of the COVID-19 pandemic and we need to direct resources where it is most needed. The other alternative is to procure any available resources. We will come forward to the Skills Committee with a new set of proposals in late Autumn on how to allocate this money.

SIGNIFICANT IMPLICATIONS

5.0 FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications as all the proposed expenditure is already within existing CPCA budget lines.

6.0 LEGAL IMPLICATIONS

6.1 CPCA is empowered to endorse the recommendations in this report by way of Part 2 of Articles 3 and 4 of the Cambridgeshire & Peterborough Combined Authority (Adult Educations Function) Order 2018

6.2 This Skills Committee meeting shall be conducted in accordance with parts 2 and 3 of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings)(England and wales Regulations 2020 (SI 2020 No.392)

7.0 OTHER SIGNIFICANT IMPLICATIONS

7.1 There are no other significant implications

8.0 APPENDICES

- Appendix 1 Procurement Policy Note 04/20

https://www.gov.uk/government/publications/procurement-policy-note-0420-recovery-and-transition-from-covid-19

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY | JAMES PALMER CAMBRIDGESHIRE & PETERBOROUGH MAYOR

SKILLS COMMITTEE	AGENDA ITEM No: 3.4
14 SEPTEMBER 2020	PUBLIC REPORT

BUDGET AND PERFORMANCE REPORT

1.0 PURPOSE

1.1. This report provides budget and performance reporting to the Skills Committee.

DECISION REQUIRED	
Lead Member:	**Councillor John Holdich**
Lead Director: **Lead Officer:**	**John T. Hill, Director, Business & Skills** **Vanessa Ainsworth, Finance Manager**
Forward Plan Ref: n/a	**Key Decision: No**
The Skills Committee is recommended to: (a) Note the July budget and performance monitoring update (b) Note the current Medium Term Financial Plan and consider whether there are any recommendations they wish to make to the Combined Authority Board in November.	**Voting arrangements** Simple Majority of all Members

2.0 BACKGROUND

2.1. Budget and performance reporting should be seen in the round.

2.2. At the June 2020 Combined Authority Board Meeting, the Board approved a refreshed Medium Term Financial Plan (MTFP) and a further update in August 2020 in relation to the COVID-19 pandemic, including balanced revenue and capital budgets for 20/21. This report shows the actual expenditure to date and forecast outturn position against those budgets.

2.3. The outturn forecast reflects costs incurred to date, accrued expenditure and the impact on the current year assumptions made on staffing, overheads and workstream programme delivery costs as set out in the revised MTFP.

3.0 BUDGET

Revenue Budget

3.1 A breakdown of the Business & Skills Directorate 'Revenue' expenditure for the four-month period to 31st July, is set out in Table 1. below.

Table 1. Skills Revenue 2020/21							
Skills Revenue Programmes	**MTFP**	**Budget Adjustments**	**Revised 20/21 Budget**		**Actuals to 30th July 2020**	**Forecast Outturn (July)**	**Forecast Outturn Variance**
	£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
AEB Devolution - Grants	10,948.90	696.70	11,645.60		1,345.51	11,822.20	-176.60
AEB Innovation Fund	0.00	336.70	336.70		0.00	336.70	0.00
AEB Programme Costs	388.60	-15.90	372.70		26.60	372.70	0.00
Apprenticeship Levy Fund Pooling	0.00	76.20	76.20		5.00	76.20	0.00
Careers & Enterprise Company	80.50	79.50	160.00		-3.10	160.00	0.00
Health & Social Care Work Academy	3,235.60	0.00	3,235.60		0.00	1,053.10	2,182.50
National Retraining Scheme	0.00	65.10	65.10		0.00	65.10	0.00
Skills Advisory Panel	75.00	39.00	114.00		8.20	114.00	0.00
Skills Brokerage	75.00	32.00	107.00		0.00	107.00	0.00
Skills Strategy Programme Delivery	125.00	-4.50	120.50			120.50	0.00
University of Peterborough	0.00	4.20	4.20		6.60	4.20	0.00
University of Peterborough - Legal Costs	0.00	150.00	150.00		96.40	150.00	0.00
Work Readiness Programme (Hamptons)	0.00	52.80	52.80		18.30	52.80	0.00
Total Skills Revenue	**14,928.60**	**1,511.80**	**16,440.40**		**1,503.51**	**14,434.50**	**2,005.90**

3.2 The Forecast Outturn as set out in the table above shows a reduction in expected costs for the year of £2,005.9k compared to the budget. 'Actual' figures are based on payments made and accrued expenditure where known. The year to date costs may therefore be understated due to the delay between goods and services being provided by suppliers, and invoices being raised and paid.

3.3 Variances between the predicted revenue outturn position and the annual budget for the main budget headings are set out below:

(a) The £176.6k in the AEB Devolution Grants line is due to estimates being in place for the ITP's final claims for supported learner claims. This figure will reduce and will come in on budget by year end.

(b) Health & Social Care Work Academy is forecasting a large underspend for this financial year of £2,182.5k. This is partly due to COVID-19, and a revised agreement with DWP which extends the original project timescale into 2021-22. The grant funding for this is ringfenced to this project so cannot be reallocated elsewhere.

Capital Budget

3.4 A breakdown of the Business & Skills Directorate 'Capital' expenditure for the four-month period to 31st July, is set out in the Table 2 below.

Table 2. Skills Capital 2020/21							
Skills Capital Programmes	MTFP	Budget Adjustments	Revised 20/21 Budget		Actuals to 30th July 2020	Forecast Outturn (July)	Forecast Outturn Variance
	£'000	£'000	£'000		£'000	£'000	£'000
University of Peterborough - Business Case	11,150.00	1,150.00	12,300.00		442.50	1,000.00	11,300.00
Total Skills Capital	**11,150.00**	**1,150.00**	**12,300.00**		**442.50**	**1,000.00**	**11,300.00**

3.5 The original funding expectation for the University of Peterborough project was to transfer the £11.3m into the Development Company when it was created. On review of the financial risks it was decided to subscribe for the shares as planned, legally committing the CPCA to pay the funds into the development company, but not "pay-up" the shares until the funding is required to pay for delivery of the University build. This allows the majority of the funds to be invested within the Combined Authority's Treasury Management portfolio providing greater security than having £11.3m deposited with a single bank.

3.6 This does not reflect any change to the delivery or timescale of the project, solely a change in the timing of payments from the Combined Authority to the Development Company.

4.0 PERFORMANCE REPORTING

4.1 The Cambridgeshire and Peterborough Devolution Deal is about delivering better economic outcomes for the people of our area and commits us to specific results. The Combined Authority needs to monitor how well it is doing that.

4.2 Appendix 1 shows the Skills Performance Dashboard, with an update on delivery against the following growth outcomes at the heart of the Devolution Deal (of which outcomes are embodied in the business cases which the Board and Committee consider):

- Prosperity (measured by Gross Value Added (GVA)
- Housing
- Jobs

4.3 These metrics are updated to align with the Board Performance Reports

4.4 Appendix 1 also shows the current RAG status for Skills' projects, as at the end of July 2020. Currently there are 3 projects in Green and 5 projects in Amber. The 5 amber projects are currently in this category due to COVID-19 impacts on the programmes and have not changed in the last few months.

5.0 2021/22 BUDGETARY PROCESS

5.1 At its November meeting the Combined Authority Board will be presented with a draft budget for 2021-22 and a Medium-Term Financial Plan (MTFP) to the end of 2024-25 to approve for consultation with the public and key stakeholders. This draft budget is the result of work in the proceeding 8 weeks between Officers and Leaders to ensure that it is fit for purpose, affordable, and enables the Combined Authority to deliver on its strategic objectives.

5.2 The Constitution states that the Executive Committee may make recommendations to the Combined Authority Board on projects to be included in the Business Plan and MTFP.
As such, the Executive Committees are being asked to review the current MTFP and provide feedback and direction to shape the projects which will be considered in the work to develop the draft budget in the coming weeks. The Skills committee's sections of the MTFP are presented in Appendix 2.

5.3 Approved project costs have been committed by the Combined Authority Board for use on the current phase of a project. Subject to approval costs have been nominally allocated to ensure there are sufficient funds available to continue with a project's development, but use of these funds is dependent on the completion of the current phase and subsequent approval by the Combined Authority Board. Both approved and subject to approved costs are affordable within the Combined Authority's current resources.

5.4 The Committee are invited to review the current MTFP -.

5.5 The work related to the following budget lines will be undertaken by the Business Growth Service in future years and their budget is therefore included in the funds being invested into the company:

6.0 FINANCIAL IMPLICATIONS

6.1 There are no financial implications other than those included in the main body of the report.

7.0 LEGAL IMPLICATIONS

7.1 The Combined Authority is required to prepare a balanced budget in accordance with statutory requirements.

8.0 APPENDICES

8.1. Appendix 1 – Performance Dashboard.

8.2. Appendix 2 – 2020-2024 Skills Medium Term Financial Plan

Background Papers	**Location**
None	N/A

Appendix 2 - 2020-2024 Skills Medium Term Financial Plan

Revenue budget lines	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
AEB Devolution Programme	11,645.6	10,948.9	10,948.9	10,948.9
AEB Innovation Fund - Revenue	336.7	-	-	-
AEB Programme Costs	372.7	388.6	388.6	388.6
National Retraining Scheme	65.1	-	-	-
Careers and Enterprise Company (CEC)	86.2	-	-	-
HAT Work Readiness Programme	52.8	-	-	-
Health and Care Sector Work Academy	3,235.6	232.2	-	-
Integrated Insight & Evaluation Programme	189.0	-	-	-
Skills Advisory Panel (SAP) (DfE)	114.0	-	-	-
Skills Brokerage	107.0	-	-	-
Skills Strategy Implementation	120.5	150.0	150.0	150.0
University of Peterborough	4.2	-	-	-
Univserity of Peterborough - Legal Costs	150.0	-	-	-
Totals	**16,479.4**	**11,719.7**	**11,487.5**	**11,487.5**

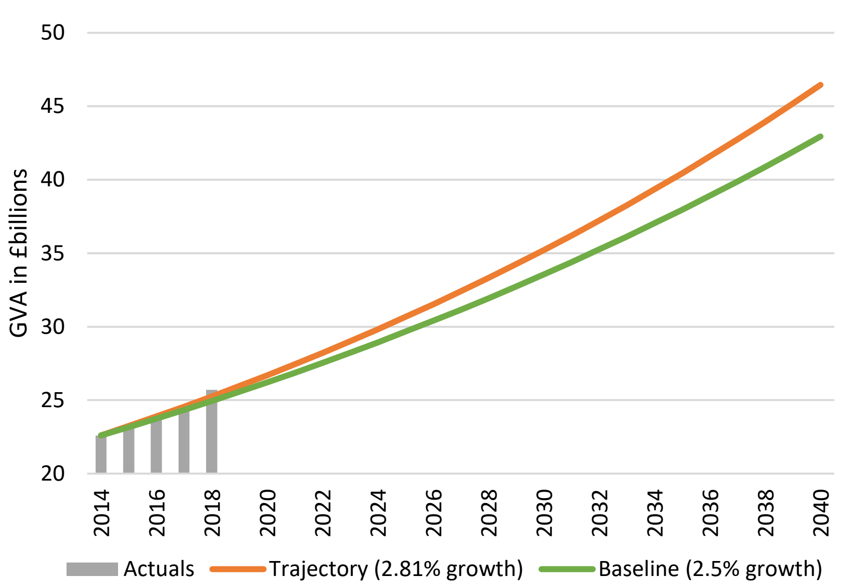
Capital budget lines	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
University of Peterborough - Business Case/Phase 1	12,300.0	0	0	0

Sources:
Baseline: Current trend without Devolution Deal interventions
Outturn data source: GVA and Jobs - Office of National Statistics (ONS);
Housing - Council Annual Monitoring Reports/CambridgeshireInsights.

SKILLS COMMITTEE

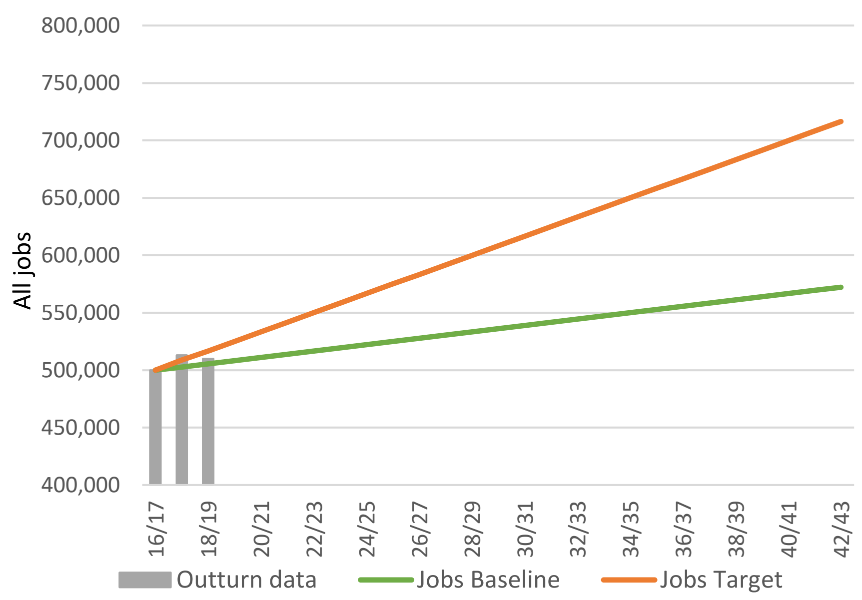
COMBINED AUTHORITY PERFORMANCE DASHBOARD
DEVOLUTION DEAL TRAJECTORY

GVA TRAJECTORY V BASELINE



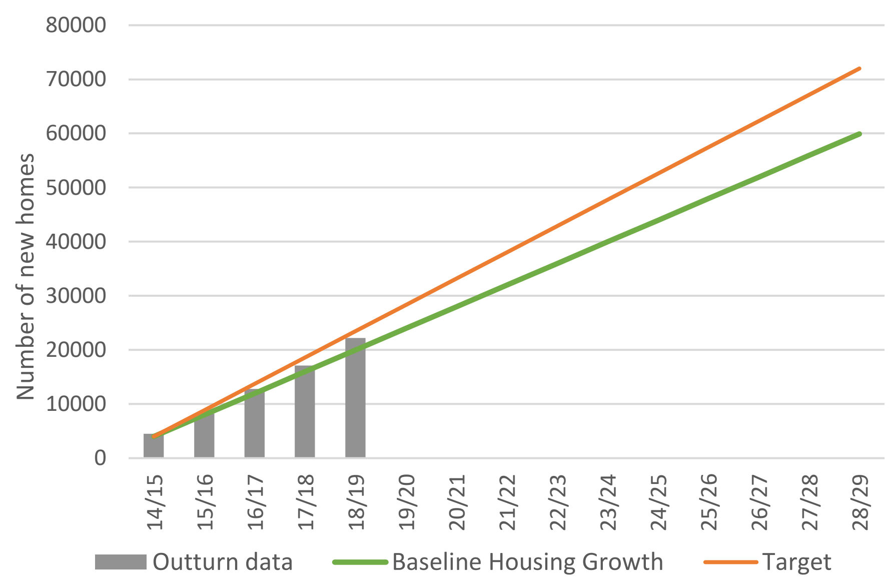
This has been updated in line with National Reporting standards. The CPCA Devolution Deal committed to doubling GVA over 25 years with 2014 as the baseline. To achieve this target the CPIER identified the region would require annual growth of 0.31% on top of the 2.5% baseline growth.

JOBS TRAJECTORY V BASELINE



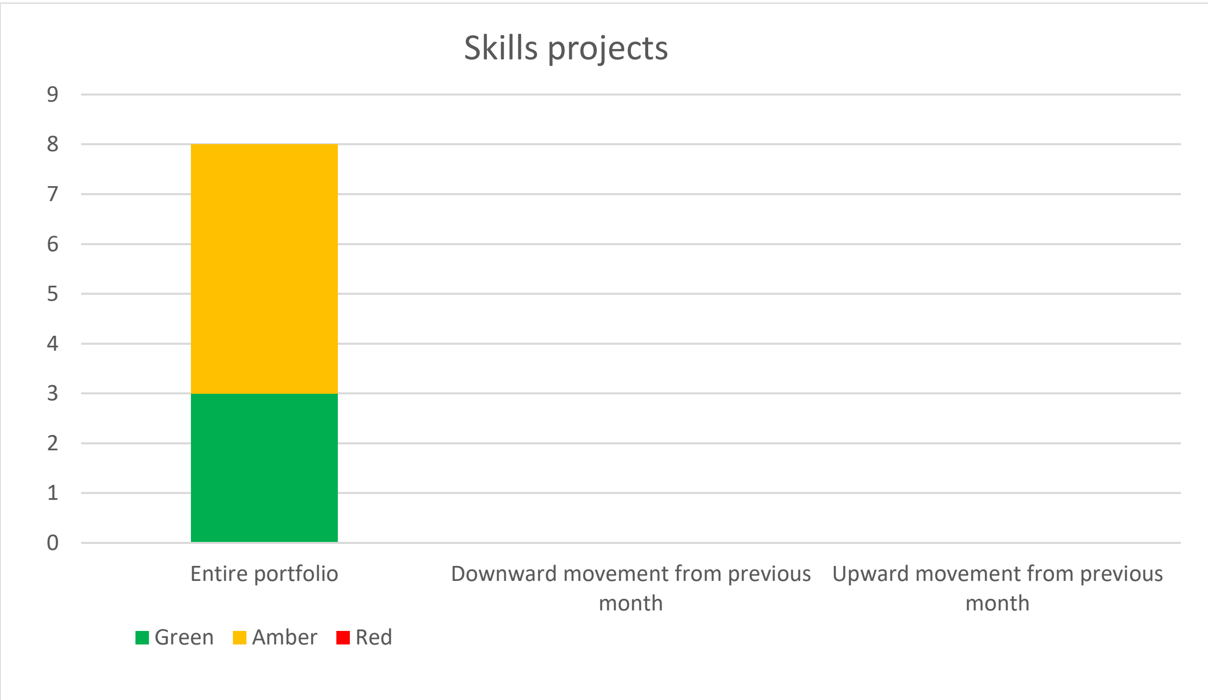
Target is derived through the CPIER by the GL Hearn report with a high growth scenario of 9,400 additional job growth per annum and a baseline of 4,338 jobs per annum.

HOUSING PERFORMANCE (*cumulative figures)



Devolution Deal target to deliver 72,000 new homes over a 15-year period. £170m affordable homes programme is expected to deliver over 2,500 additional homes.

Combined Authority Skills Project Profile:



Skills projects	
Project	**RAG status**
Adult Education Budget (AEB)	Green
National Retraining Scheme pilot	Green
University of Peterborough	Green
Apprenticeships	Amber
Careers and Enterprise Company (CEC)	Amber
HAT Work Readiness Programme	Amber
Health & Care Sector Work Academy (HCSWA)	Amber
Skills Brokerage	Amber

Data as at the end of August 2020