

<b>BUSINESS BOARD</b>	<b>AGENDA ITEM No: 2.5</b>
<b>DATE 27 JANUARY 2020</b>	<b>PUBLIC REPORT</b>

## **OXCAM-WIDE BUSINESS SUPPORT STRATEGIC OUTLINE BUSINESS CASE - REQUEST FOR FUNDING**

### **1 PURPOSE**

- 1.1 To provide an update on the development of plans to design, and request central government funding for, an Arc-Wide Business Support Programme that includes a range of support similar to that proposed within the Combined Authority Growth Service and presents the opportunity to scale our own service and its impact.
- 1.2 To provide an overview of the financial and commercial implications, and to recommend to the Business Board the actions needed to pursue the opportunity for central government funding to realise this Arc-Wide Business Support Programme.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Member:</b>	<b>Austen Adams, Interim Chair of the Business Board</b>
<b>Lead Officer:</b>	<b>John T Hill, Chief Officer, Business Board</b>
<b>Forward Plan Ref: N/A</b>	<b>Key Decision: No</b>
<p>The Business Board is recommended to:</p> <p>(a) Approve the allocation of £40,000 from the existing LEP Capacity Funding budget line, to contribute to the £120,000 of costs to produce a suite of Strategic Outline Business Cases, requesting funding from Government, as part of the Comprehensive Spending Review, to finance an Arc-Wide Business Support Programme. Subject to:</p> <ol style="list-style-type: none"> <li>i. The funding being used only for the production of the Strategic Outline Business Case for the Arc-wide Inward Investment Service, which is considered likely to be the most attractive to Government and produce the greatest additional impact, above and beyond, that generated by the planned services within the Combined Authority's own Growth Service.</li> </ol>	

- ii. The service providers being procured to produce the Strategic Outline Business Case being committed to produce a full form Strategic Outline Business Case document to Treasury Green Book standards by the end of March 2020.
  - iii. The ambition of the service being set at a level capable of growing the Arc to challenge other global innovation-growth centres such as San Francisco, Seoul, Singapore and Toronto. To achieve this the ambition of the value of the “ask” to Government should be in excess of at least four times the £4m the Business Board has already committed to its own Inward Investment Service.
- (b) To delegate the Chief Officer for the Business Board authority to negotiate these terms with the three LEPs co-funding the £120,000 of costs and making up the OxCam Arc, alongside the Combined Authority. Specifically, to focus investment on the production of a Strategic Outline Business Case for the service(s) with most economic impact for the Cambridgeshire & Peterborough economy, measured in GVA growth and productivity improvement.

## 1.0 BACKGROUND

- 1.1. The Oxford-Cambridge Arc Productivity Group, led by the 3 Local Enterprise Partnerships [LEPs] for Oxfordshire, Buckinghamshire and the South East Midlands together with the Combined Authority for Cambridge and Peterborough, has been working for over a year on developing ideas to improve productivity across the Arc.
- 1.2. Significant progress has been made over that period culminating in the coordinated development of four Local Industrial Strategies containing two chapters common to each and describing the joint aspirations for cooperation between the LEPs and Combined Authority, across the Arc to double its economy with productive growth.
- 1.3. This common chapter to all four Local Industrial Strategies, described the potential for Government to partner with the LEPs and Combined Authority to fund an Arc-Wide portfolio of business support services, similar, but scaled larger than those designed for the Combined Authority’s Growth Service. These include:
- 1.4. **A Skills Brokerage Service** similar to the Combined Authority’s but with more emphasis on increasing the effectiveness and take-up of Further and T-Level education, as well as funding for FE estate development and better teacher training. However, it is still unclear as to how increased take-up of higher-level

qualifications in key topics might be achieved and given the inability of the LEPs to operate the Apprenticeship Levy Marketplace (a power devolved only to Combined Authorities) it is difficult to see how Arc-wide apprenticeship growth might be achieved. Hence difficult to quantify potential impacts of this service, above and beyond those generated by the Combined Authority's Growth Service.

- 1.5. **An Inward Investment Service** similar to the Combined Authority's but scaled to reflect the Arc as the second largest inward investment opportunity in the UK. This is the simplest of the delivery model designs, based on proven methods and partnerships with the Dept for International Trade. Given the Government's interest in growing the Arc to challenge other global innovation-growth centres such as San Francisco, Seoul, Singapore and Toronto, this might also be the most attractive to Treasury. Hence, the added value of this Arc-wide scheme will rest on the value of the "ask" to Government. Should this be in excess of at least four times the £4m the Business Board has already committed to its local service, this Strategic Outline Business Case could merit Business Board investment.
- 1.6. **A High Growth Support Service** which may be designed on the basis of the Combined Authority's outsourced and brokered model or simply a scaled-up version of the current and less effective growth hub model. Currently, ambitions for this service are also very modest, with the target for firms to be scaled-up set at only 200, around a fifth of the Combined Authority's three-year target. This uncertainty and lack of ambition (and hence lack of additional impact) makes it difficult to quantify potential impacts of this service, above and beyond those generated by the Combined Authority's Growth Service.
- 1.7. **A Commercial Premises Investment Fund** to address the market failure in the provision of appropriate commercial premises for growing businesses. The concept of the fund and the resources to identify and support the development of potential investment sites, is very similar to the way in which the Combined Authority uses its Local Growth Fund to leverage private investors to create incubators that would not have otherwise been built. Whilst if successful this request for Government funding would provide a stop-gap for finance between the depletion of the old Local Growth Fund and the allocation of the new Shared Prosperity Fund, this would provide only a temporary impact for perhaps one or two years. Hence, there is likely to be a relatively low impact for this fund, above and beyond those generated from 2022/23 when the Shared Prosperity Fund goes live locally.
- 1.8. **A Scale-Up Fund** similar to provide patient & scale-up capital and grant funding to support business and skills investment across the Arc in to complement Private Equity and Business Angel activity. Again, this scheme is quite similar to the £12m Capital Growth Investment Fund already set-up by the Business Board which has the potential to grow further through Business Angel partnerships. Hence, the added value of this Arc-wide scheme will rest on the value of the "ask" to Government. Should this be in excess of at least four times the £12m-£16m the Business Board has already committed to its own

Growth Service, this SOBC could merit Business Board investment. However, this level of ambition has not yet been indicated.

## **2.0 FINANCIAL IMPLICATIONS**

- 2.1. The £40,000 share of the total £120,000 cost of producing SOBCs for all five services could be allocated from LEP Capacity Funding budget. This budget has sufficient unallocated capacity to support the cost.
- 2.2. However, given the value for money implications laid out in sections 1.4 to 1.8, it is recommended that this funding be focused on the production of a Strategic Outline Business Case for the service(s) with most economic impact for the Cambridgeshire & Peterborough economy, measured in GVA growth and productivity improvement.

## **3.0 LEGAL IMPLICATIONS**

- 3.1. There are no direct legal implications.

## **4.0 IMPLICATIONS FOR NATURE**

- 4.1. There are no implications for nature at this point. However, should the Inward Investment Service, High Growth Support Service, or the Scale-Up Fund come to fruition, a policy for which firms should be supported, in relation to achieving clean and green growth, should be formulated.

## **5.0 OTHER SIGNIFICANT IMPLICATIONS**

- 5.1. There are no other significant implications.

## **6.0 APPENDICES**

- 6.1. Appendix 1 – Request for Quotation for Support for the production of the Oxford-Cambridge Arc Productivity Business Case; RFQ Specification

<b><u>Background Papers</u></b>	<b><u>Location</u></b>
List background papers:  i. CPIER  ii. Local Industrial Strategy	List location of background papers.  i. <a href="http://www.cpier.org.uk">http://www.cpier.org.uk</a>  ii. <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818886/Cambridge_SINGL_E_PAGE.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818886/Cambridge_SINGL_E_PAGE.pdf</a>

iii. Skills strategy	iii. <a href="https://cambridgeshirepeterborough-ca.gov.uk/assets/Employment-and-Skills/Skills-Strategy-Final-Version-5.6.19.docx">https://cambridgeshirepeterborough-ca.gov.uk/assets/Employment-and-Skills/Skills-Strategy-Final-Version-5.6.19.docx</a>
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