



BUSINESS BOARD	AGENDA ITEM No: 4.1
25 NOVEMBER 2019	PUBLIC REPORT Appendix A contains EXEMPT information by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and therefore require the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information. The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

LOCAL INDUSTRIAL STRATEGY DELIVERY PLAN: THE BUSINESS GROWTH SERVICE

1 PURPOSE

- 1.1 To provide the Outline Business Case for the Business Growth Service, a package of key interventions identified Local Industrial Strategy for development and delivery by the Business Board.
- 1.2 To provide an overview of the financial and commercial strategies, and to recommend to the Combined Authority the actions needed to implement the Local Industrial Strategy Delivery Plan.

<u>DECISION REQUIRED</u>	
Lead Member:	Austen Adams, Interim Chair of the Business Board
Lead Officer:	John T Hill, Chief Officer, Business Board
Forward Plan Ref: N/a	Key Decision: No
The Business Board is recommended to: <ol style="list-style-type: none">(a) Note the Outline Business Case and recommend to the Combined Authority Board the establishment of a Growth Service Management Company to initially be a wholly owned subsidiary of Angle Holdings Limited as set out in Section 4 below.(b) Note the proposal for the Combined Authority to bid for Local Growth Fund monies as set out in paragraph 4.4 below..	

- (c) Support the proposal for the Combined Authority to bid for European Regional Development Fund (ERDF) and European Social Fund (ESF) monies as set out in paragraph 4.5 below.
- (d) To recommend that the Combined Authority Board agree, subject to the proposed bids referred to in Recommendations (b) and (c) above being successful, to allocate £2.335m funding from a combination of Enterprise Zone receipts and funding within the Medium Term Financial Plan, as set out in paragraph [4.6] of the report, to the Growth Service Management Company to part fund the procurement of the Business Growth Service.

2 STRATEGIC CONTEXT; THE SKILLS & LOCAL INDUSTRIAL STRATEGIES

The Combined Authority's Skills Strategy, approved by the Combined Authority Board on 29th May 2019, sets out three objectives, one of which is to:

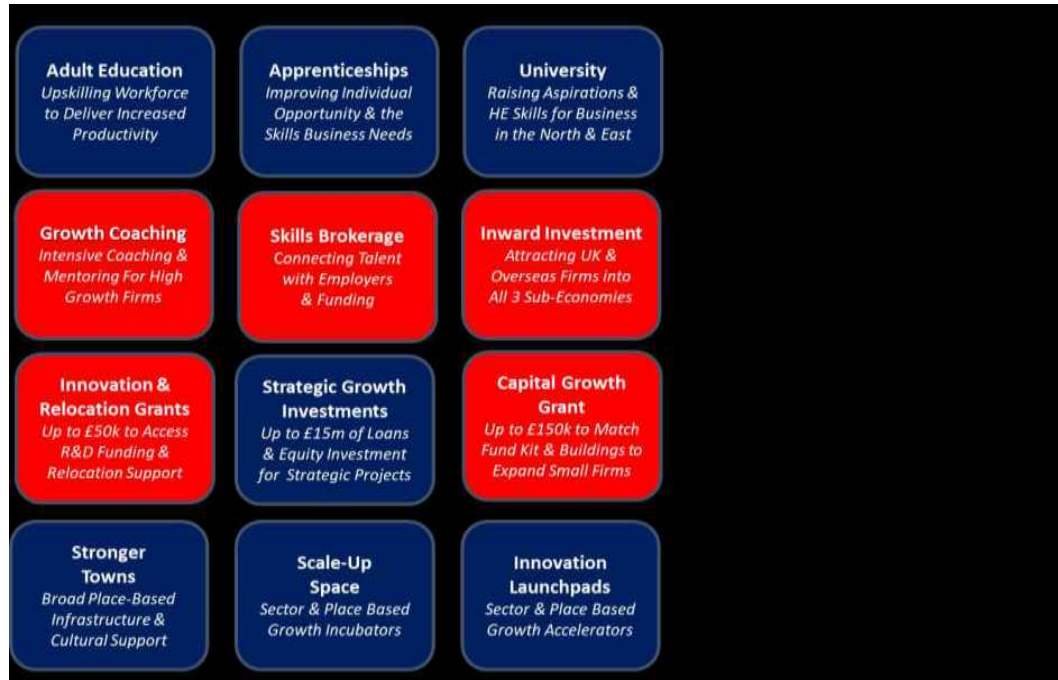
- 2.1 *“Develop a dynamic skills market that responds to the changing needs of local business...ensuring that People entering the workforce and those already in work are continually upskilled and trained to meet the jobs of the future.*
- 2.2 The Skills Strategy, then goes on to identify a Skills Talent & Apprenticeship Recruitment Hub (STAR Hub, a brand we have since simplified to Skills Brokerage) as one of the key interventions for the Combined Authority to develop and implement to satisfy this objective, describing it as follows:
- 2.3 *“The STAR 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 to facilitate a better match of potential talent to skills needs and job vacancies and in doing so 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: A 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 employer-based apprenticeships viable 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.*

The Combined Authority's Local Industrial Strategy, approved by the Combined Authority Board on 27th March 2019, sets out three objectives to:

- 2.4 ***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.***
- 2.5 ***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.***
- 2.6 ***Do this by expanding and building upon the existing 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 inclusive business growth***
- 2.7 The LIS goes on to identify the Growth Service as a suite of interventions for the Combined Authority to develop and implement to satisfy these objectives, describing it as follows:
- 2.8 ***A new approach to business support Cambridgeshire and Peterborough will create a new Growth Service, bringing together a range of interventions to provide support to help businesses set-up and grow. This will include access to mentors, coaches, exporting expertise and new funding such as grants and loans.***
- 2.9 ***Primarily, this enhanced business growth support will be available to at least 250 firms per annum and over 1,000 by 2024, with an emphasis on sectors and clusters in Greater Peterborough and The Fens. Secondly, to support productivity growth in the two sub-economies where it is currently lower, namely Greater Peterborough and The Fens, the enhanced support will be structured so that it delivers growth in the firms supported, that is more productive than the firms' previous baseline business.***
- 2.10 ***Establish a Global Investor Service focused on landing new firms into Peterborough and Greater Cambridge.***
- 2.11 ***Create a Growth Investment Fund targeted at growth firms to fill gaps in the equity and loan market to break into new markets and support innovation and productivity gains. Particularly in places where access to finance is more difficult.***
- 2.12 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 existing Growth Hub and Skills Brokering Pilots funded by the Combined Authority.

3 THE BUSINESS GROWTH SERVICE

- 3.1 The Outline Business Case in Appendix A, describes the Business Board's Delivery Plan for the LIS, relating to the five interventions shown in red below as components of a Business Growth Service that sit within a portfolio of twelve initiatives set out by the Skills Strategy and LIS:



The five interventions within the Business Growth Service are:

- 3.2 **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.
- 3.3 **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.
- 3.4 **A Skills Brokerage Service** to which the attention of the Skills Committee is particularly drawn to OBC pages 23-28, 40-41 and 44-46. This provides 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.

- 3.5 **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.
- 3.6 **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 and increased productivity; and Access fast-track planning, partners and investment for new build employment space
- 3.7 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.

4 FINANCIAL IMPLICATIONS

- 4.1 All LEPs share challenges in being able to fund business support interventions, such as those identified by the LIS as being essential for our economy. Whilst having significant capital funds to deploy for incubators, business space and capital growth grants to firms, LEPs generally, and the Business Board specifically, have only enough revenue funds to finance a small core team of policy makers and programme managers.
- 4.2 Hence, with insufficient revenue funding at its disposal to finance the procurement of the Business Growth Service, as proposed in the LIS, the Business Board has devised a funding strategy to free-up and leverage a small proportion of the Business & Skills Directorate'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. This strategy is summarised in the following steps.

- 4.3 To request that the Combined Authority, 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 of Angle Holdings Limited (the Combined Authority's Holding Company), with an initial allocation of 100 shares in favour of Angle Holdings Limited. The purpose of the Growth Service Management Company, being to manage the Growth Service Delivery Fund, and with it, procure the delivery of the Business Growth Service itself from the private sector.
- 4.4 To accept an application from the Combined Authority, to the Local Growth Fund (LGF) administered by the Business Board, for a capital equity investment of £5.407m from the LGF into the Growth Service Management Company, held on behalf of the LGF by the Combined Authority. 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. Based on the Business Growth Service's forecast to create 4,692 jobs for an LGF investment of £5,407m, this generates a cost per job created of £1,152 nearly 10 times better than the benchmark set (and current average performance) for the LGF of £10,000 per job.
- 4.5 To request that the CPCA, as the Business Board's Accountable Body and legal personality, apply for funding on behalf of the Business Board, to MHCLG for their remaining allocation of European Regional Development Fund (ERDF) and to DWP for their remaining allocation of European Social Fund (ESF). In the event of a successful application, 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. Both these European Commission funds have been made the subject of a HM Treasury Guarantee, providing both MHCLG and DWP with the confidence to provide grant contracts with applicants such as the Combined Authority.
- 4.6 To recommend that the Combined Authority Board and Skills Committee agree, subject to the other funding being secured, to allocate £2.335m of funding from a combination of Enterprise zone receipts and the Business & Skills Directorate's 2020/21-22/23 MTFP, to the Growth Service Management Company to part fund the procurement of the delivery of the Business Growth Service.

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

5 COMMERCIAL STRATEGY

- 5.1 Programme Management Board It is important to the CPCA 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 Growth Service Management Company.
- 5.2 The Business Board will seek the Combined Authority's approval in November, to launch this procurement in December 2019 to complete in February 2020. A Full Business Case will be put forward by the Business Board in March 2020, to seek the Combined Authority's approval to contract with the successful bidder(s) subject to the remaining funding being secured from ERDF, ESF and LGF sources.
- 5.3 Market engagement with 50 representatives from over 30 potential suppliers, has indicated that to successfully source the full range of technical and market experience to deliver the five service-lines, with sufficient local knowledge to customise each, to the needs of our three sub-economies, will require a consortium approach to the delivery of the wider Business Growth Service. Feedback from suppliers has also indicated that all would prefer a consortium

structure that consisted of a Prime Contractor with multiple Sub-Contractors below, as the simplest method to achieve this.

- 5.4 The governance of the Business Growth Service will be provided by a Programme Management Board, made up of CPCA Officers, Officers from Constituent Local Authorities (to ensure local customisation of deliver) representing each of the three sub-economies, and the directors appointed to the Growth Service Management Company by the Mayor. The procured contractors will meet with the Programme Management Board monthly to review the performance of the service. The Chair of the Programme Management Board will be held accountable to Members and business representatives, through the Skills Committee (for the Skills Brokerage element) and the Business Board (for the other four elements), via quarterly reviews of the Business Growth Service performance against the outcomes set for it, in the LIS, The Skills Committee and the Business Board.
- 5.5 The LIS, approved by the CA Board in March 2019, set out targets for the distribution of the 900 firms to be targeted by the Growth Coaching Service across the three sub-economies, in a manner that would be customised to the needs of each of those sub-economies. This was defined in the LIS as: 400 for Greater Cambridge, 350 for Greater Peterborough and 250 for The Fens. An Officer representative from each of these sub-economies, will hold the contracted suppliers of the Business Growth Service to account in meeting this inclusive distribution of benefit. Similar targets for inclusive distribution of firms and learners supported by four other service-lines within the wider Business Growth Service, will be set by the Skills Committee and Business Board.
- 5.6 At the end of the 3-year contract between the Growth Service Management Company and the consortium of providers of the Business Growth Service, an independent review will be undertaken to assess the impacts and value for money of this business growth intervention. Based on the results of this review, the Business Board will decide whether, or not, to invest funds from its Shared Prosperity Fund (2022-2027) in re-commissioning a second and potentially adapted (based on the review findings) version of the Business Growth Service.

6 LEGAL IMPLICATIONS

- 6.1 The proposals set out in the Financial Implications raise complex issues as to the lawfulness of the proposed arrangements, the application of State Aid rules and the tax implications. Expert advice has been sought from private sector solicitors on these issues. Initial advice has been received and will be kept under review to ensure that as decision making proceeds to implement
- 6.2 the proposals there are no conflicts with legal, State Aid or financial obligations.

7 APPENDICES

- 7.1 Appendix A: *Exempt from publication* –The Outline Business Case for the LIS Delivery Plan: Business Growth Service

<u>Background Papers</u>	<u>Location</u>
List background papers: i. CPIER (Cambridgeshire and Peterborough Independent Economic Review) ii. Cambridgeshire and Peterborough Local Industrial Strategy iii. Skills Strategy	List location of background papers. https://www.cpier.org.uk https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818886/Cambridge_SINGLE_PAGE.pdf https://www.cambridgeshirepeterborough-ca.gov.uk/assets/Employment-and-Skills/Skills-Strategy-Final-Version-5.6.19.docx