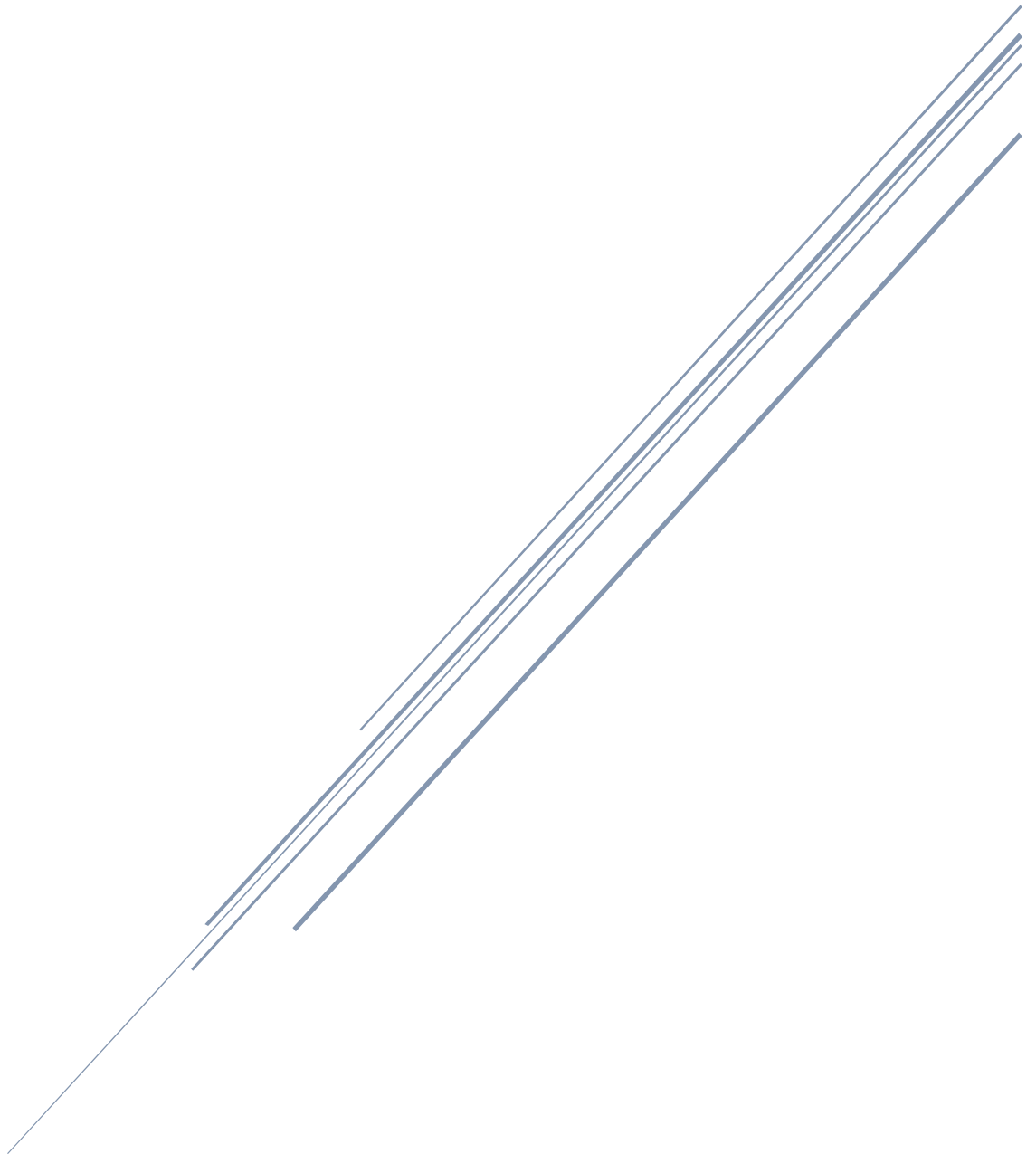


GROWTH COMPANY

Business Plan

Appendix 2



June 2020

1.0 EXECUTIVE SUMMARY

1.1 Purpose

The CPCA was established in 2017 under a devolution deal with the Government. In order to achieve its purpose of ensuring Cambridgeshire and Peterborough is a leading place in the world to live, learn and work, the CPCA produced its 'Growth Ambition Statement' with a focus on growth as part of its 'Local Industrial Strategy'.

To deliver on this strategy, a comprehensive Growth Service has been designed to fuel growth in Business & Skills across all three of our sub-economies. The vehicle to accommodate this service will be a dedicated Legal Entity.

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.

This business plan is designed to provide an overview and detail of the:

- Benefits and advantages of Growth Co
- Governance structure for the Growth Co
- Financial overview of the Growth Co
- Board and management structures
- Strengths, Weaknesses, Opportunities and Threats

1.2 Drivers for establishing the Growth Co

- To assist with delivering current and future objectives of the CPCA
- To manage the growth service delivery funds
- To procure the delivery of services from the private sector to support business growth and development in the area.
- To capture any surpluses or profit that maybe generated

1.3 Benefits of the Growth Co

Creating a Growth Co will a key part of providing a structure that will support and help to achieve the aims of the CPCA. Establishing a Growth Co will provide the CPCA with a vehicle to:

- Accelerate and provide a vehicle for the delivery of growth
- Procure goods and services locally
- Use any profit generated to meet the aims of the CPCA
- Hold and manage investments

2.0 INTRODUCTION

2.1 Background

On 27th November 2019, the Cambridgeshire and Peterborough Combined Authority (CPCA) Board adopted the 'Business Growth Service Outline Business Case'. The Business Case sought the Authority's support for local business growth and development and to do so through a new subsidiary of the CPCA called Growth Co. Growth Co will act as a fund management and contracting vehicle to procure the private sector 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. The Localism Act 2011 enables local authorities to undertake activities to make a profit but only if delivered within a company. The CPCA has established a trading company, Angle Holdings Ltd.

The Authority as its accountable body is to incorporate a new company limited by shares which will be called the Growth Service Management Company ("**Growth Co**"). Growth Co will be wholly owned by Angle Holdings Ltd. Growth Co will have an initial allocation of 100 shares of £1 each issued to Angle Holdings Ltd on incorporation. The directors of Growth Co will be appointed by the Combined Authority 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.

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.

2.2 STRATEGIC FIT

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.

3 VISION

Through Growth Co, the Business Growth Service is a key part of the CPCA Local Industrial Strategy, this inclusive growth strategy is designed to shift more of our future growth into a wider economy and diversify our economic base to mitigate the place-concentration risks to our economy.

4 MISSION STATEMENT

The CPCA Local Industrial Strategy will 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. All our towns and cities will form this network of well-connected economic and business clusters centered on key sectors, collaborating across geographical 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.

5 GOVERNANCE & MANAGEMENT

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. The Full Business Case will set out full details of the contractors and financial.

Directors will be appointed -please see section 10.

This Business Plan provides for sufficient support and leadership from Directors and an Independent Chairman. Additional Support will be provided by Finance, HR, Legal and IT.

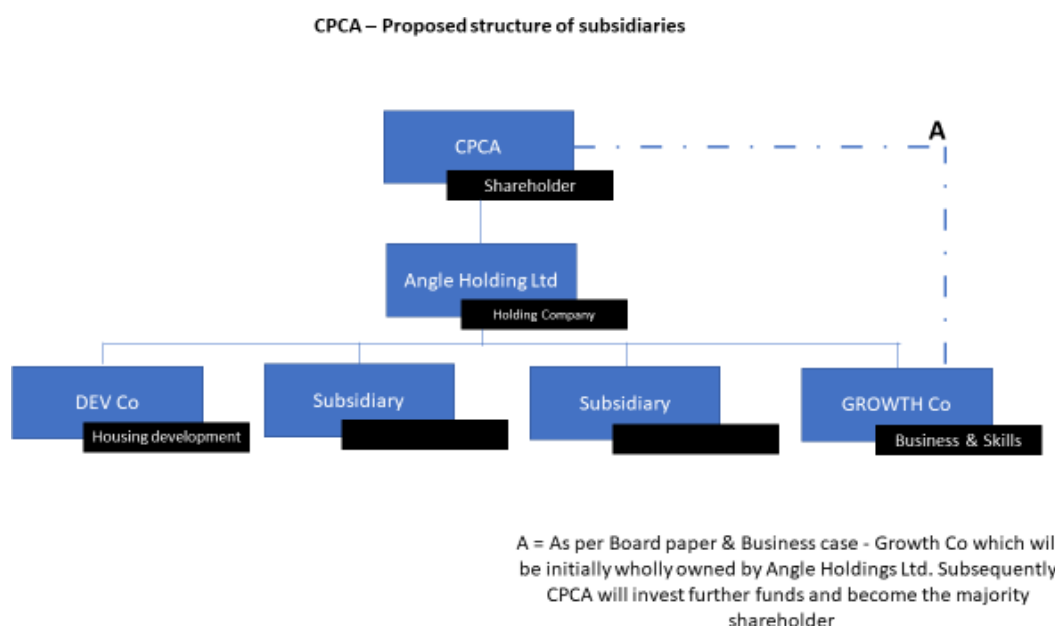


Figure 1 – CPCA and how the subsidiaries sit below it

Annex 1 has a diagram and a table which sets out the proposed contracts in the contracts structure, with details of what each agreement would do, and a high-level outline of terms to be included in each agreement

6. FINANCIAL

6.2 Financial Assumptions

The Business Growth Service is a three-year contract, spread over four financial years.

This table shows the projected funding and expenditure profile.

	Year 1	Year 2	Year 3	Year 4	Total
Funding	£7.3m	£7.35m	£8.84m	£3.41m	£26.92m
Expenditure	£2.99m	£10.19m	10.16m	3.33m	£26.69m

Table 1 – Projected income & expenditure

This table shows the cash flow

	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	£ 50,000	£ 100,000	£ 100,000	£ 50,000	£ 300,000
CA Enterprise Zone Receipts	£ -	£ 230,000	£ 279,000	£ 418,000	£ 927,000
ERDF Funding	£ -	£ 1,801,000	£ 2,500,000	£ 903,000	£ 5,204,000
ESF Funding	£ -	£ 800,000	£ 944,556	£ 300,000	£ 2,044,556
LGF Investment Fund	£ 1,620,000	£ 4,080,000	£ 4,680,000	£ 1,620,000	£ 12,000,000
Totals	£ 7,300,000	£ 7,357,000	£ 8,849,556	£ 3,414,000	£ 26,920,556
Expenditure	FY 20/21 Total	FY 21/22 Total	FY 22/23 Total	FY 23/24 Total	Grand Totals
Staffing (see tab for details)	£ 175,468	£ 357,817	£ 364,698	£ 185,790	£ 1,083,773
Administration (see tab for details)	£ 27,747	£ 56,013	£ 56,533	£ 28,526	£ 168,820
Capital Growth Fund Administration	£ 125,000	£ 250,000	£ 200,000	£ -	£ 575,000
Innovation & Relocation Grant Administration	£ 25,000	£ 25,000	£ -	£ -	£ 50,000
Capital Growth Grants	£ 1,000,000	£ 4,500,000	£ 4,500,000	£ 925,000	£ 10,925,000
Innovation & Relocation Grants	£ 25,000	£ 200,000	£ 200,000	£ 25,000	£ 450,000
Skills Brokerage Operational Budget	£ 643,000	£ 1,370,000	£ 1,420,000	£ 643,000	£ 4,076,000
Inward Investment Service Budget	£ 497,370	£ 1,325,635	£ 1,310,235	£ 497,370	£ 3,630,610
Growth Coaching Business Engagement Budget	£ 480,063	£ 911,910	£ 911,910	£ 431,847	£ 2,735,730
ERDF Nudge Grants	£ -	£ 1,200,000	£ 1,200,000	£ 600,000	£ 3,000,000
Totals	£ 2,998,648	£ 10,196,375	£ 10,163,376	£ 3,336,533	£ 26,694,933
Opening Balance	£ -	£ 4,301,352	£ 1,461,976	£ 148,156	£ -
Total Income	£ 7,300,000	£ 7,357,000	£ 8,849,556	£ 3,414,000	£ 26,920,556
Total Expenditure	£ 2,998,648	£ 10,196,375	£ 10,163,376	£ 3,336,533	£ 26,694,933
Closing Balance	£ 4,301,352	£ 1,461,976	£ 148,156	£ 225,623	£ 225,623

Figure 2 – Cash flow

This table below details the proposed operating costs of the Growth Co.

Column1	Column5	Column6	Column7	Column8	Column9	Column10	Column11	Column12	Column13
	20/21		21/22		22/23		23/24		Comments
	Inflation	102%		104%		106%		108%	
CPCA Seconded/Recharged Staff									
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	
Chair of Board	1	£5,738	1	£11,700	1	£11,925	1	£6,075	
Company Secretary	1	£3,188	1	£6,500	1	£6,625	1	£3,375	
Managing Director	1	£3,188	1	£6,500	1	£6,625	1	£3,375	
LGF Management	0.2	£10,209	0.2	£20,819	0.2	£21,219	0.2	£10,810	
Skills Management	0.2	£9,465	0.2	£19,302	0.2	£19,673	0.2	£10,022	
Finance Manager	0.2	£6,341	0.2	£12,930	0.2	£13,179	0.2	£6,714	
		£66,236		£135,067		£137,665		£70,132	
Growth Company Staff									
Role	FTE	£ Cost	FTE	£ Cost	FTE	£ Cost	FTE	£ Cost	
Programme Manager - ESF	1	£38,034	1	£77,560	1	£79,052	1	£40,272	
Programme Manager - ERDF	1	£38,034	1	£77,560	1	£79,052	1	£40,272	
Project Co-ordinator - ESF	1	£16,582	1	£33,815	1	£34,465	1	£17,558	
Project Co-ordinator - ERDF	1	£16,582	1	£33,815	1	£34,465	1	£17,558	
		£109,233		£222,749		£227,033		£115,658	
Combined Staffing Costs		£175,468		£357,817		£364,698		£185,790	
Operational Overheads for CPCA Staff only = 20% of		£13,247		£27,013		£27,533		£14,026	

Table 3 – Proposed operating costs of the Growth Co

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

Title	FY 20/21	FY 21/22	FY 22/23	FY 23/24	Totals	Column1
Insurance	£ 1,000	£ 2,000	£ 2,000	£ 1,000	£ 6,000	
Audit	£ 10,000	£ 20,000	£ 20,000	£ 10,000	£ 60,000	2 levels required for ESF funding so costs may be higher. Local & EU Audi
Banking	£ 1,000	£ 2,000	£ 2,000	£ 1,000	£ 6,000	
Legal	£ 2,500	£ 5,000	£ 5,000	£ 2,500	£ 15,000	
Central Overhead:	£ 13,247.10	£ 27,013.49	£ 27,532.98	£ 14,026.34	£ 81,820	20% overhead charge for CPCA staff
Totals	£ 27,747	£ 56,013	£ 56,533	£ 28,526	£ 168,820	

Table 4 – Proposed costs including overheads recharged by CPCA

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 Co as a cost.

6.3 How will Growth Co be funded?

Growth Co will be financed as follows:

- In early 2020, the Authority was successful in its application to the Business Board for £5,407,000 capital investment from the LGF to be made into the Growth Co.
- 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.
- 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 at £5,204,000 ("ERDF") and European Social Fund ("ESF") programmes at £2,044,556, which it shall provide as grant to the Growth Co.

- (d) The Authority shall itself allocate £2,265,000 of revenue funding from its own budget to be paid to the Growth Co. This comprises of £738,000 from Growth Hub, £150,000 from CA Skills Implementation, £150,000 CA LIS Implementation and £927,000 from CA Enterprise Zone Receipts.
- (e) £3,000,000 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 the contract duration. This will be match funded 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. The Growth Co will exercise all shareholder rights for these shares acquired in equity investments, although the value and any dividend received will be ringfenced for Business Board objectives as with the equity investment into the Growth Co itself.

7 STRATEGIC OBJECTIVES

- To deliver value for money
- To deliver against the CPCA's overall Vision and Values
- To contribute to CPCA's Corporate objectives
- To deliver sustainable and inclusive business growth

8 OPERATING MODEL

Growth Co will manage the Growth Service Delivery Fund and with it, procure the delivery of the Growth service itself from specialist supplier(s) in the private sector.

9 OBJECTIVES

- To deliver the agreed outputs of the Business Growth Service over the duration of the contract
- To manage Growth Co effectively and efficiently
- To performance manage through excellent contract management the external supplier(s) of the Business Growth service

10 STAFFING

10.1 The Board

The directors will consist of an Independent Chairperson, the Deputy Chief Officer of the Business Board and the Chief Finance Officer for the CPCA. 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.

Expectations of the directors, which are statutory duties owed by each director to the company:

1. A director must act within their powers under the company's constitution
2. A director is to promote the success of the company
3. A director must exercise independent judgement
4. A director must exercise reasonable skill, care and diligence in their role
5. A director must avoid or manage conflicts of interest which may affect their objectivity
6. A director must not to accept benefits from third parties
7. A director must declare interest in proposed transactions or arrangements

Director will be legally responsible for the running of the company including filing responsibilities to Companies House. A company secretary will also be appointed.

10.2 Other resources

10.2.1 Support services in the form of HR, Finance, Legal, HR and I.T as per table 3 and 4 in section 6

Employed personnel – four ERDF / ESF programme managers & co-ordinators to monitor and contract manage the delivery of the Business Growth service through the procured supplier(s). Refer to table 3 section 6.0.



Figure 2 – Proposed full time employed resource in Growth Co

11 SUPPLIES, SYSTEMS, AND INFRASTRUCTURE

CPCA will continue to provide support services to Growth Co through a managed Service Level Agreement (SLA). Growth Co will establish contractual SLAs with each support service. This will include measurable performance indicators, break clauses and remedies for non-performance.

Once Growth Co is operational there will be an annual review process whereby SLAs are refined to reflect the support Growth Co needs more accurately.

12 USE OF EXTERNAL SUPPLIERS

Growth Co will seek to use local external suppliers where the appropriate service can be competitively sourced.

13 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.

14 INFORMATION SHARING

An information sharing protocol will be developed during implementation.

15 DATA PROTECTION

Growth Co will comply with the relevant legislation and guidance concerning Data Protection including The General Data Protection Regulation (EU) 2016/679 (GDPR). Growth Co will adopt suitable policies and procedures to ensure data is adequately safeguarded.

16 FREEDOM OF INFORMATION

As a company wholly owned by CPCA, 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 to answer requests it has received.

17 MARKETING STRATEGY

In line with our Vision and Values, Growth Co will develop its Brand and Marketing Strategy with the new external procured supplier(s) of the Business Growth Service, with a view to clearly articulating its proposition to the marketplace.

18 SWOT AND RISK ANALYSIS

The Localism Act 2011 requires the CPCA to include a risk assessment as part of the business plan for the establishment of Growth Co.

In order to properly assess the risks associated with establishing a new company a high level PESTLE Analysis and SWOT Analysis have been prepared.

PESTLE Analysis

The PESTLE is a high-level analysis that examines the external environment and identifies the Political, Economic, Social, Technological, Legal and Environmental factors that could impact the Growth Co.

Political <ul style="list-style-type: none"> - Funding streams & values - Changes in political priorities 	Economic <ul style="list-style-type: none"> - Economic growth - Impact of COVID 19
Social <ul style="list-style-type: none"> - Mitigating jobs losses 	Technological <ul style="list-style-type: none"> - Innovative technology to administer grants
Legal <ul style="list-style-type: none"> - Statutory obligations 	Environmental <ul style="list-style-type: none"> - Sustaining green recovery

SWOT Analysis

Strengths <ul style="list-style-type: none"> - Local market knowledge - Assists CPCA with delivering its objectives - Connection with communities - Existing expertise available to provide early stage support - Compliant and rigid vehicle 	Weaknesses <ul style="list-style-type: none"> - Start up costs (Money and time)
Opportunities <ul style="list-style-type: none"> - Rapid response to COVID 19 recovery - Closer to marketplace for new interventions - Positive impact across Market Towns 	Threats <ul style="list-style-type: none"> - Funding

Risk Management

Commercial risks such as venture failure and financial loss ultimately resides with the Growth Co. Wherever possible the Growth Co shall put in place measures to mitigate risks.

Annex 1 - DRAFT CONTRACT STRUCTURE FOR THE PROPOSED ARRANGEMENTS

