



## THE BUSINESS BOARD

<b>BUSINESS BOARD</b>	<b>AGENDA ITEM NO: 3.2</b>
<b>27 JULY 2020</b>	<b>PUBLIC REPORT</b>

### CORPORATE GOVERNANCE FOR GROWTH COMPANY

#### 1.0 PURPOSE

- 1.1** On 27th November 2019, the Cambridgeshire and Peterborough Combined Authority (CPCA) Board endorsed the 'Business Growth Service Outline Business Case' and agreed to the establishment of the Growth Service Management Company, initially to be a wholly owned subsidiary of Angle Holdings Limited.
- 1.2** This paper seeks approval of the corporate governance arrangements for the Growth Company (Growth Co).

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Member:</b>	<b>Austen Adams, Chairman of the Business Board</b>
<b>Lead Officer:</b>	<b>John T Hill, Director of Business &amp; Skills</b>
<b>Forward Plan Ref:</b> <b>Not applicable</b>	<b>Key Decision: No</b>
<p>The Business Board is asked to endorse:</p> <ul style="list-style-type: none"><li>(i) The Corporate Governance Arrangements for Growth Co, as set out in section 3 of the report;</li><li>(ii) The Growth Co Business Case, as set out in Appendix 1; and</li><li>(iii) The Growth Co Business Plan, as set out in Appendix 2.</li></ul>	

## 2.0 BACKGROUND

- 2.1 On 27th November 2019, the Cambridgeshire and Peterborough Combined Authority (CPCA) Board endorsed the 'Business Growth Service Outline Business Case' and agreed to the establishment of the Growth Service Management Company initially to be a wholly owned subsidiary of Angle Holdings Limited.
- 2.2 The Business Case sought support from the Combined Authority 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.

## 3.0 STRUCTURE AND GOVERNANCE

- 3.1 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 ESF and ERDF funding mentioned in 3.3 being 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.
- 3.2 As Growth Co will initially be a subsidiary of Angle Holdings Ltd, it falls under the shareholder agreement approved by the Combined Authority Board in July 2019. That agreement contains a deed adherence and accession and when executed, Growth Co will become a subsidiary of Angle Holdings Ltd.
- 3.3 As identified above, the release of the LGF investment is dependent on the two EU funding bids (ESF and ERDF) being approved. The CPCA is awaiting formal notification of its ESF grant offer and it is imminent. The CPCA submitted an outline application for the ERDF and it was approved. MHCLG then requested a full application, which was duly submitted but due to COVID 19, MHCLG ceased all appraisals and these are only just being processed now. Therefore, a delay in attaining this funding, although there is a relatively high confidence level in the CPCA attaining this.
- 3.4 The business case for establishing the Growth Co is provided at **Appendix 1**. **Appendix 2** contains the business plan. The business provides a framework for the strategic operations of the proposed Growth Co, specifically:
- a) Benefits and advantages of Growth Co
  - b) Governance structure for the Growth Co
  - c) Financial overview of the Growth Co
  - d) Board and management structures

- 3.5** The shareholder agreement for Angle Holdings Ltd requires Combined Authority consent prior to adoption of the business plan.
- 3.6** The directors of Growth Co will consist of an Independent Chairperson, the Deputy Chief Officer of the Business Board and the Chief Finance Officer for the CPCA. It is proposed that the Independent Chairperson will have specialist knowledge in high growth & scale up businesses and an in depth understanding of interventions in the business and skills arena, while removing the risk of conflict of interest and will be recruited following an open and transparent recruitment process. No less than 3 directors will be sufficient for quoracy of Board decisions. The shareholder agreement requires Combined Authority consent to the appointment of Directors. A company secretary will also be appointed.
- 3.7** Members or officers of the CPCA who are appointed directors of a company have a fiduciary duty to the company, which could conflict with responsibilities to the CPCA. Where a conflict is identified the director's substitute Member, or deputy officer, will act on behalf of the CPCA. They have the powers and duties of company directors while they are appointed directors, and as directors, they are answerable to the membership of the company in accordance with the company's articles of association. 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. Growth Co 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 as applicable.
- 3.8** Growth Co will be subject to any audit and inspection requirements of the CPCA.
- 3.9** There are a number of key documents that need to be drafted for the Growth Co which will include:
- the articles of association
  - the share subscription agreement
  - the management agreement
  - investment agreement
  - services agreement

Delegated authority is sought for these documents and any other relevant legal documents pertain to Growth Co, to be developed and drafted. Those documents will be brought back to the Skills Committee for recommendation to the Combined Authority Board, for approval to adopt and/or approve entering into these agreements, as applicable.

CPCA – Proposed structure of subsidiaries

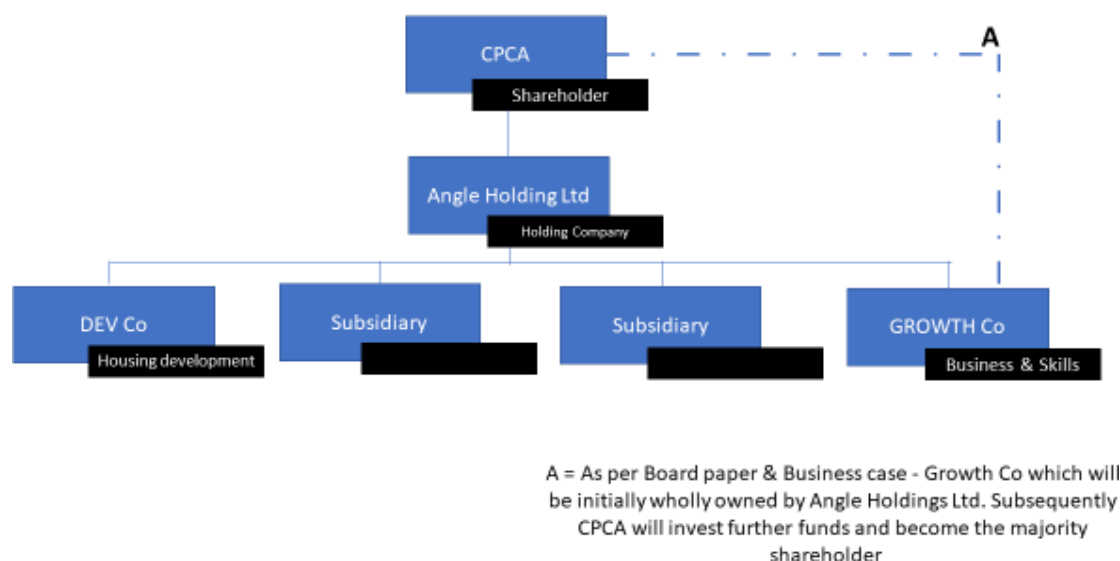


Figure 1 – CPCA and how the subsidiaries sit below it

## 4.0 FINANCIAL IMPLICATIONS

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

**4.2** 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

**4.3** There will be initial set up costs, which will be incurred between the Skills Committee, BB Board and CA Board meetings in July 2020 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 appx £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.

**4.4** The Business Plan in Appendix 2 details.

- Cash flow
- Proposed operating costs
- Proposed costs including overhead recharge from Growth Co to CPCA

## **5.0 LEGAL IMPLICATIONS**

- 5.1** By virtue of Section 1 Local Government Act 1999 a Combined Authority is a best value authority. Best value authorities are permitted to trade, through a company, to carry out their functions for a commercial purpose. The creation of the company structure permits the Combined Authority to make a profit.
- 5.2** Growth Co will initially be a subsidiary of Angle Holdings Ltd and will be bound by the shareholder agreement, therefore some decisions will require Combined Authority Consent or consent of Angle Holdings Ltd Board.

## **6.0 EQUALITIES AND HEALTH AND SAFETY**

- 6.1** Growth Co will adopt and adhere to all equalities and Health and Safety policies and procedures.

## **7.0 APPENDICES**

- 7.1 Appendix 1** – Business Case for Setting Up the Growth Company
- 7.2 Appendix 2** – Business Plan for Setting Up the Growth Company

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
CA Board report (31st July 2019) – Housing Development Company: Approval of Shareholder Agreement	<a href="https://cambridgeshirepeterboroughcagov.cmis.uk.com/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/846/Committee/63/Default.aspx">https://cambridgeshirepeterboroughcagov.cmis.uk.com/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/846/Committee/63/Default.aspx</a>
CA Board report (27th November 2019) – Local Industrial Strategy Delivery Plan – Business Growth Service Outline Business Case	<a href="https://cambridgeshirepeterboroughcagov.cmis.uk.com/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/849/Committee/63/Default.aspx">https://cambridgeshirepeterboroughcagov.cmis.uk.com/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/849/Committee/63/Default.aspx</a>