Local Industrial Strategy
Delivery Plan
The Business Growth Service

OUTLINE BUSINESS CASE

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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.

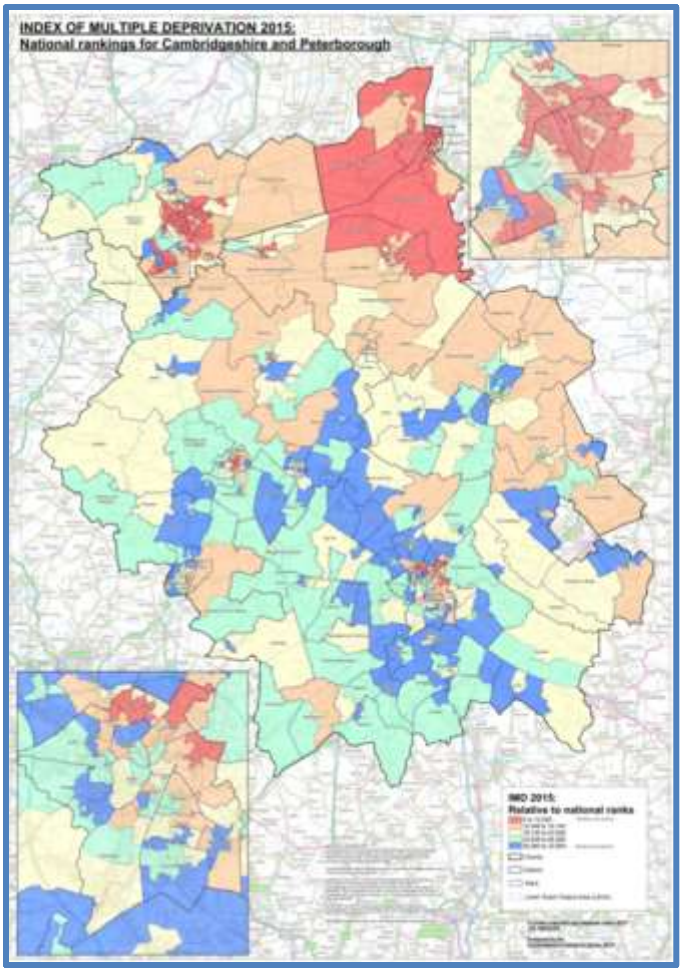
3. To request that the CPCA, as the Business Board's Accountable Body and legal personality, apply for funding on behalf of the Business Board, from the European Regional Development Fund (ERDF) and European Social Fund (ESF) and to allocate this external funding, through its 2020/21-22/23 MTFP, to the 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.

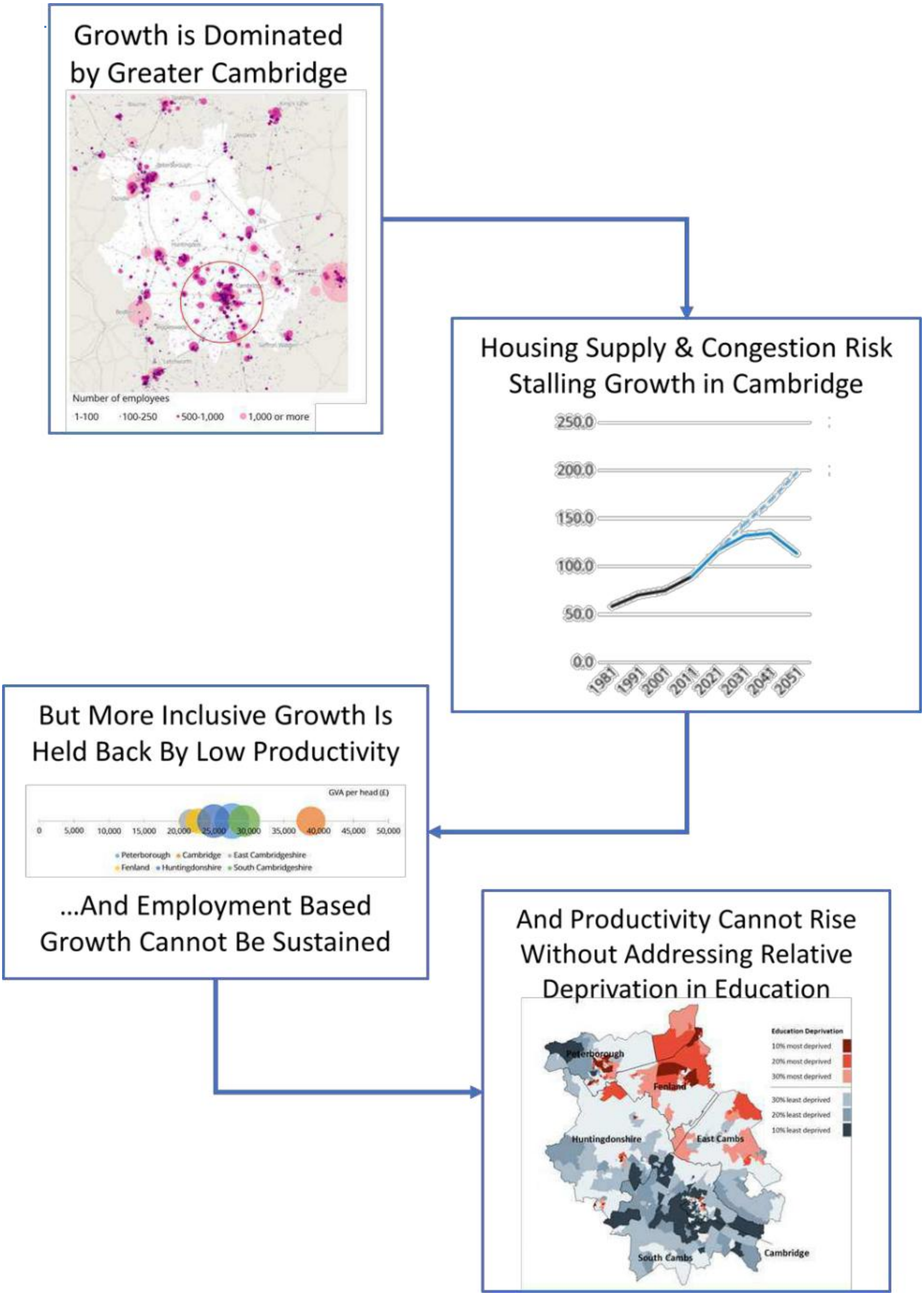
STRATEGIC CASE

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.

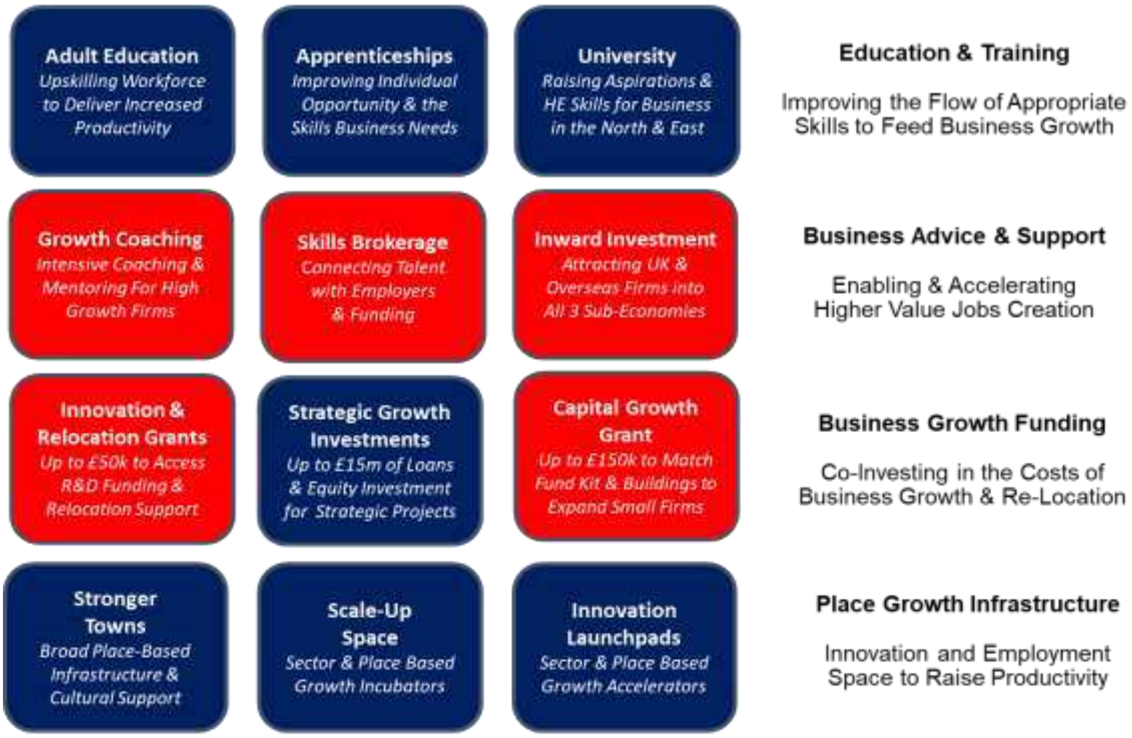
Working across the whole economy, the LIS proposes to develop and deliver a **Business Growth Service**, that networks to connect the growth, investment and skills support resources of Cambridge, and elsewhere, to firms across the economy, creating a marketplace for growth, investment and skills services, 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.

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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

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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.

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[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:

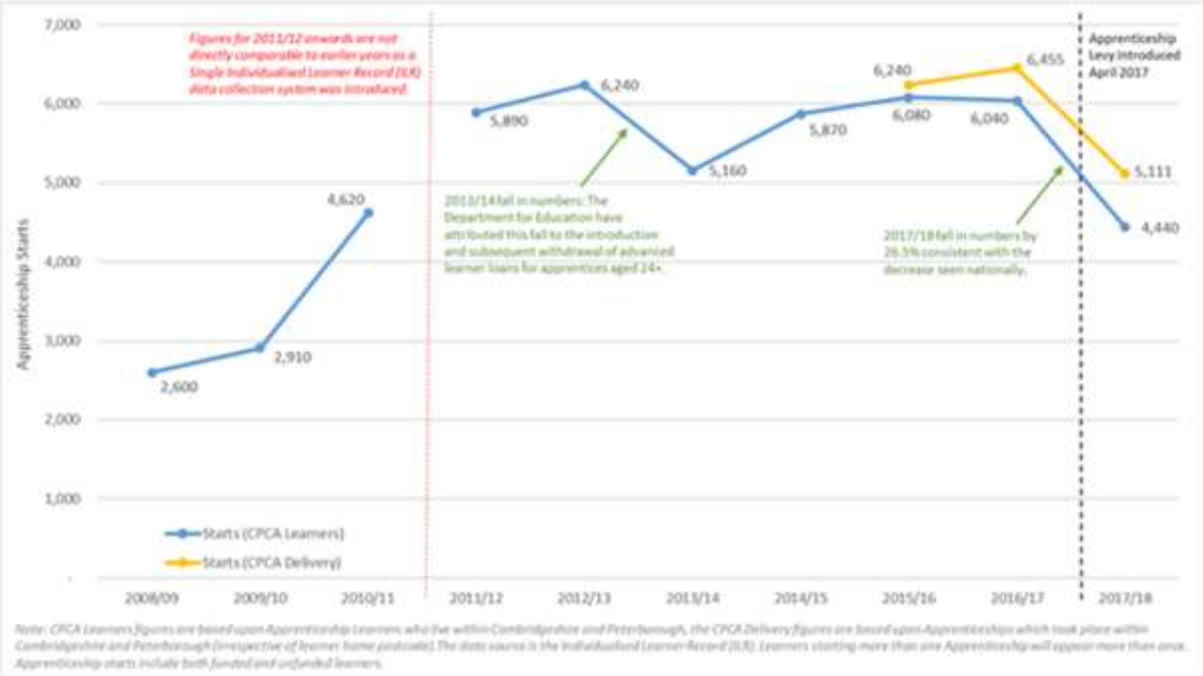
1. Wherever possible the CPCA should look to simplify access to skills support for employers and learners. At the same time our colleges and providers deserve a more stable basis for funding and relationships. This means contracting with fewer providers and developing deeper relationships. In this way, 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.

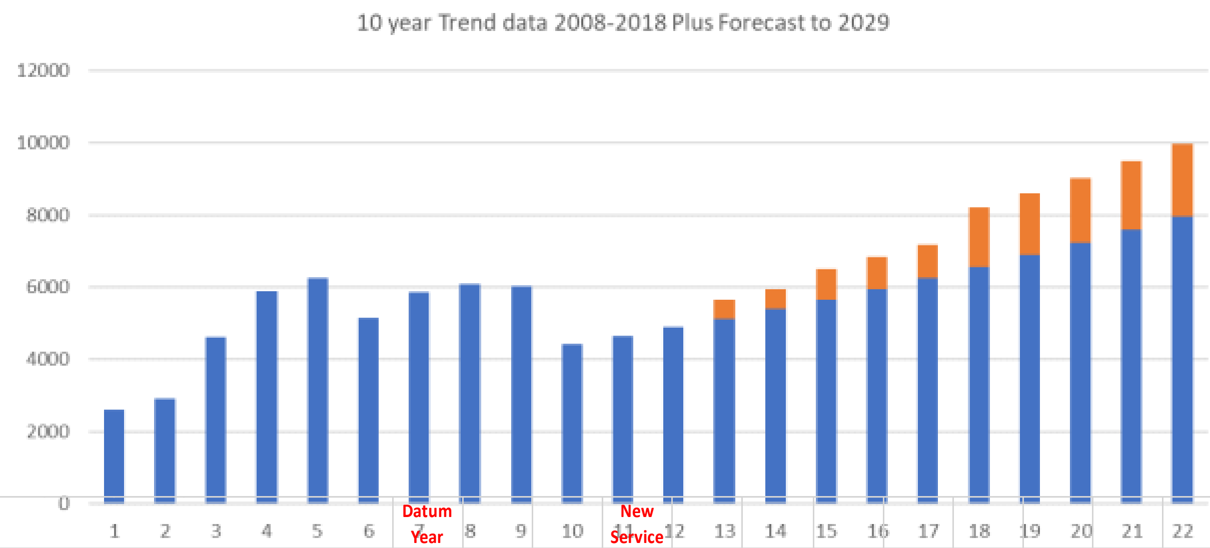
6. Employers considered that the introduction of the **Apprenticeship Levy has hindered**, rather than helped, in this ambition, due to the difficulty of finding providers and accredited programmes to benefit employees, and the lack of flexibility in its usage for wider training needs.

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	

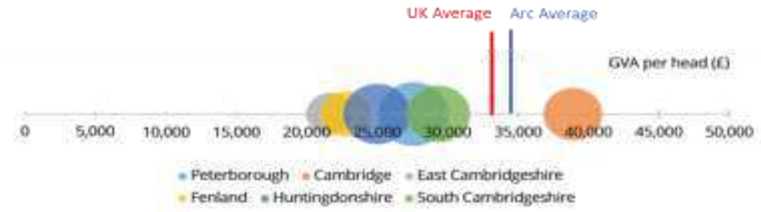
PROJECT OUTPUTS 2021/22		
Employment		
Number of permanent jobs to be created	Number of indirect jobs to be created	Number of apprenticeships
	1,595 (34% of 4692 over 3 full years) from Growth Service 408 (34% of 1200 over 3 years from Capital Growth Grant)	612 (34% of 1800 over 3 years) from growth 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.

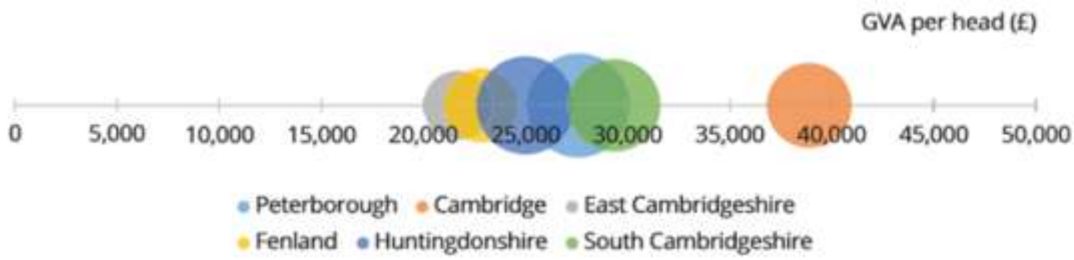
FINANCIAL CASE

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 capital fund 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.

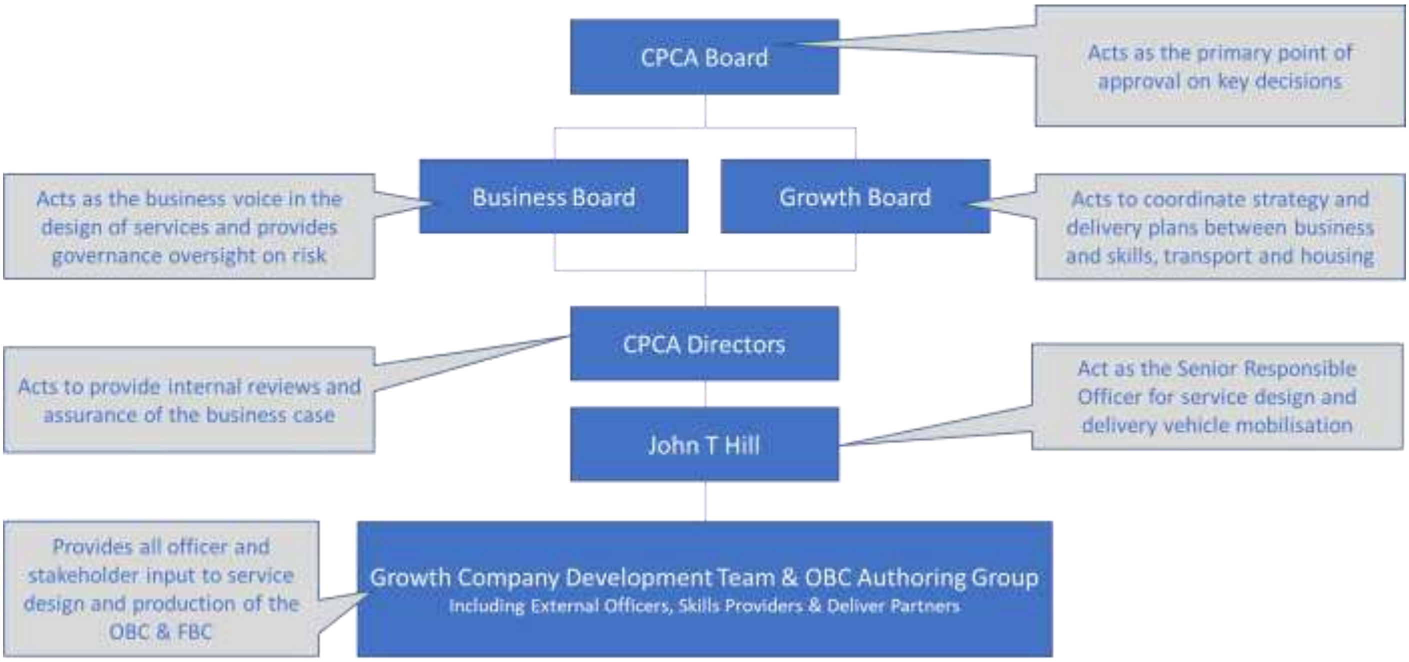
4. The possibility of the CPCA's application for European Regional Development and European Social Funding being rejected the managing authorities, MHCLG and DWP respectively. However, we have mitigated this risk by securing in principle agreement from both for the use of their funds for these purposes 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.

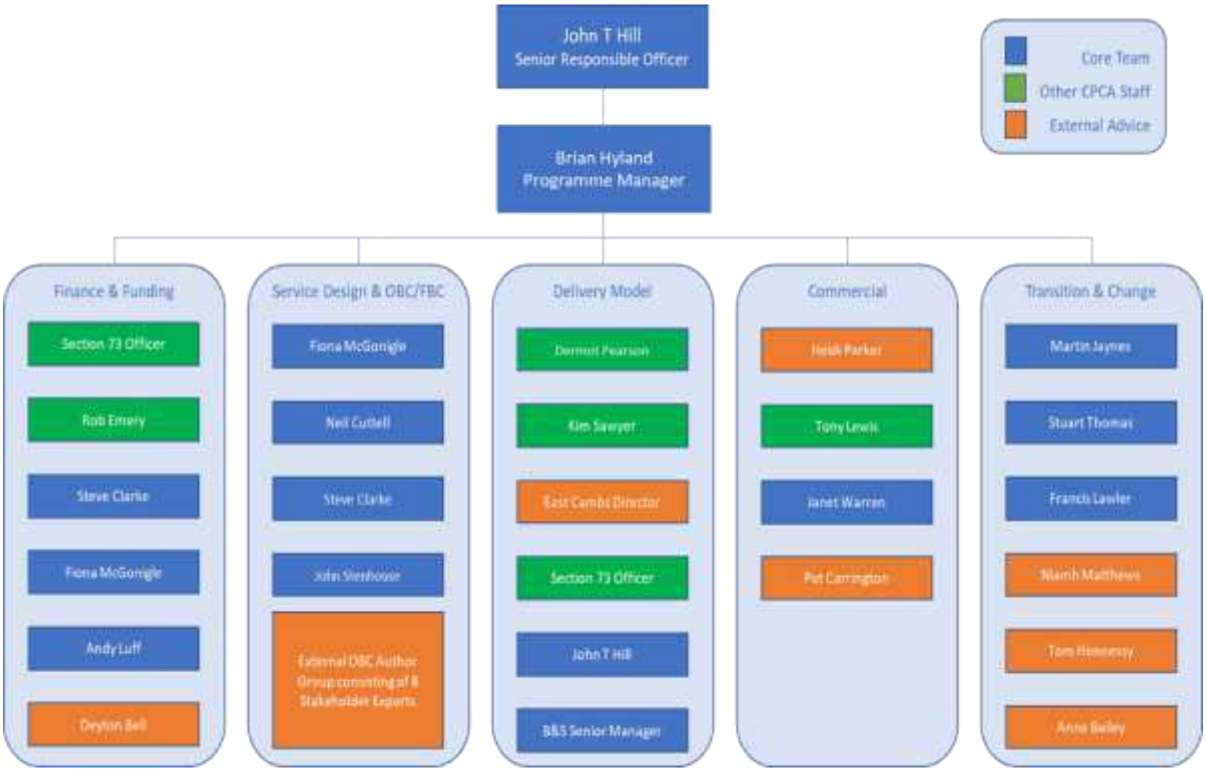


Programme Governance Arrangements

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