



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

Agenda Item No: 2.3

## Growth Works Management Review – May 2021

To:	Skills Committee
Meeting Date:	14 June 2021
Public report:	Yes
Lead Member:	Councillor Lucy Nethsingha, Chair of the Skills Committee
From:	Interim Programme Manager, Alan Downton Growth Company Chair, Nigel Parkinson
Key decision:	No
Recommendations:	The Skills Committee is invited to: <ul style="list-style-type: none"><li>(a) Nominate one Skills Committee member to be a member of the Programme Management Committee;</li><li>(b) Note that there will be representation from the Business Board on both the Growth Works Investment Panel and Programme Management Committee; and</li><li>(c) Note the financial and non-financial performance of Growth Works and request any required changes to reporting going forward.</li></ul>

Voting arrangements: A simple majority of all Members

# 1. Purpose

- 1.1 To nominate a Skills Committee member to be a member of the Programme Management Committee. To note the nomination of a Business Board member to be a voting member on the Growth Works Investment Evaluation Panel and the nomination of one member to be on the Programme Management Committee. To also note and comment upon the programme performance up to 15<sup>th</sup> April 2021.

# 2. Background

- 2.1 On 12<sup>th</sup> February 2021, the contract for the Business Growth Service was signed between Cambridgeshire and Peterborough Business Growth Company Limited (Growth Co) and Gateley Economic Growth Services (GEG) and its consortium.
- 2.2 Service commenced on 15<sup>th</sup> February 2021 and it is still the mobilisation phase, up until a more formal Growth Works public launch on 27<sup>th</sup> May 2021.

# 3. Growth Works Investment Evaluation Panel

- 3.1 The Business Growth Service Full Business Case of 30<sup>th</sup> September 2020 on page 147, 149 & 150, states:

‘The Growth Capital Investment Fund will help SMEs, grow through organic expansion, paying grants for equipment and expanded premises. It will provide growth capital or grants that are not generally available from the private sector between £20k-£250k (Capital grants (assets) between £20k and £150k). There is a requirement for approximately half the available funding under Growth Capital Investment Fund (Pot 1) to be invested as equity shares in SME’s, or larger corporates up to £250k in exchange for a percentage shareholding within those businesses. The Growth Capital Investment Fund will also offer businesses the opportunity to apply for equity investment between £150k and £250k to address the lack of equity investment generally available at these levels in the marketplace (private sector equity finance often focusses on high-tech, IP based start-ups and much higher growth rates, typically favouring much higher value equity investments of at least £250k up to £2m and higher).

Establish evaluation panel – create a panel of representatives who will appraise the applications and ensure there are sufficient funds available and that projects are prioritised according to the outcomes and need.

Assessment of Applications is vitally important to understand, analyse and measure the impact of grants and investments for each project.

Evaluation processes / scoring proposals will be a key assessment for all candidates applying for grants or investment and there will need to be provision of expertise to appraise applications based on criteria plus implementation of techniques to carry out appraisals in a fair and transparent manner’.

This evaluation panel is the responsibility of GEG, the Growth Works contractor.

- 3.2 Scope

The review and governance of investment and allocation of funds by the contractor in both Capital Grants and Equity Investment into Small and Medium-Sized Enterprises (SMEs) across the Combined Authority and Local Enterprise Partnership (LEP) areas.

The objective for the grants is to maximise economic development impact in the Combined Authority area, both in terms of jobs created, prosperity impact in geographical locations, industrial and commercial diversification, and alignment with the Combined Authority's strategic objectives. The estimated job creation is £7k of grant funding.

The objective for the equity investments is to invest in high growth businesses where debt funding is not available at an estimate of £25k per job in the region. The investments will also attract and leverage private equity funds to increase venture capital (VC) activity in the region. The investments will be into high growth SME businesses only, to maximise economic development impact in the Combined Authority area in both terms of jobs created, prosperity impact in geographical locations, industrial and commercial diversification, and alignment with the Combined Authority's strategic objectives. The portfolio will be assessed on both cash balance, returns generated, value of additional investment funds released, valuations on future rounds, job creation and estimated market valuations.

Out of scope - Nudge coaching grant decisions (reporting only) and Growth Hub / Department for Business, Enterprise and Industrial Strategy (BEIS) grants that may come online (less than £10K). The only sectors which would not feature as a target for this scheme would be Agri-Tech/Agri-Food (served by an existing scheme) and Retail.

### 3.3 Frequency

Regular monthly from June 2021 to June 2023 when all known funds will be allocated. The evaluation panel will be reviewed at June 2023 based on a potential extension of funding or wind down of activity.

### 3.4 Duration

Capped at two hours with papers and business cases submitted four working days in advance. With the allocation, review and assessment of grants and equity investments proposed and presented each month by the SMEs and their Business Growth / Inward Investment Advisers

### 3.5 Minutes

(first meeting – sole agenda: setting scope, materiality, decision requirements, decision process, confirm members and observers, delegated authorities)

### 3.6 Thereafter:

- Update on grant portfolio (overview of nudge coaching grants)
- Update on equity portfolio
- Update on VC / Growth and Mobile Capital in the UK and CPCA.
- Economic and sector market overview
- AOB
- Presentations from SMEs and their Business Growth Advisers (capped at 6 per meeting)
- Discussion by Committee on risks and proposition
- Decisions and actions by CPCA electors
- Next meeting dates.

### 3.7 Proposed members

1. Paul Webster (Chair) / Equity Vote
2. Bev Hurley (Vice-Chair) / Grant Vote
3. Nitin Patel member of the Business Board with vote (on both Grant and Equity)
4. Nigel Parkinson, Cambridgeshire and Peterborough Business Growth Company Limited with vote (on both Grant and Equity)
5. Martyn Montgomery (Corporate Finance Adviser)
6. IRC Secretariat: To be appointed.

### 3.8 The decision-making process, delegated authority and risk measurement & materiality to be agreed at the first meeting.

## 4. Programme Management Committee

4.1 The three directors of the Cambridgeshire and Peterborough Business Growth Company Limited (Growth Co) will sit on a Programme Management Committee designed to hold Gateley Economic Growth Services (GEG and the consortium (the Delivery Consortium) to account against the contract to deliver the Service. The Directors will be supported by subject matter experts and a Lead Member from each of the Business Board and Skills Committee. These include;

- A Member of the Skills Committee, with responsibility for Workforce Skills and Schools Careers Advice, to act as a Champion of the Service within the Skills Committee and be responsible for oversight to ensure the effectiveness and efficiency of the management processes for the Programme Management Committee, in particular contract management & European Regional Development Fund (ERDF) / European Social Fund (ESF). Frequency - required only at quarterly contract review meetings with Gateley's and its consortium and quarterly claims for ERDF & ESF.
- A member of the Business Board, with responsibility for Business Growth and Inward Investment, to act as a Champion of the Service within the Business Board and be responsible for oversight to ensure the effectiveness and efficiency of the management processes for the Programme Management Committee in particular contract management & ERDF / ESF. Frequency - required only at quarterly contract review meetings with Gateley's and its consortium and quarterly claims for ERDF & ESF.
- The Director of Business & Skills
- The Senior Responsible Officer LGF and Insight & Evaluation, an inward investment subject matter expert
- The Senior Responsible Officer Workforce Skills, a work force skills and careers advice subject matter expert
- The CPCA Finance Manager
- The Cambridgeshire and Peterborough Business Growth Company Limited (Growth Co) ERDF & ESF Programme Manager
- The Analysis and Evaluation Manager Programme Management Office CPCA
- Such other members as may be selected by the Growth Co Board from time to time.

4.2 From the contractor's side, there will be the Managing Director of GEG, the head of programme management office, finance and the three heads of service for Skills, Growth Coaching and Inward Investments.

4.2 The scope

Ensuring a sound system of internal control & risk management including:

- Approving the company's risk appetite standards

- Receiving reports on, and reviewing the effectiveness, of the company's risk and control processes to support its strategy and objectives
- Approving procedures for the detection of fraud and prevention of bribery
- Undertaking an annual assessment of these processes
- Be at the quarterly contract review meetings with the contractor – 2 hours per quarter

#### 4.3 Frequency

Quarterly

#### 4.4 Duration

Capped at three hours with papers submitted four working days in advance.

#### 4.5 Minutes

(first meeting – agenda: setting scope (TOR), decision requirements, decision process, confirm members and observers, delegated authorities)

#### 4.6 The final Terms of Reference of this committee will need approval from Angle Holdings Ltd.

## 5. Financial

#### 5.1 The projected income and expenditure are detailed below in Tables 1 and 2.

	Year 1	Year 2	Year 3	Year 4	Total
<b>Funding</b>	£4.54m	£10.67m	£7.01m	£2.24m	£24.45m
<b>Expenditure</b>	£2.17m	£11.45m	£7.92m	£2.89m	£24.43m
<b>Table 1 - Projected income &amp; expenditure</b>					

Growth Service Cashflow	Previous Business Plan Total	Variance ***	FY 20/21 Total	FY 21/22 Total	FY 22/23 Total	FY 23/24 Total	Grand Totals
<b>Income</b>							
LGF Equity Investment	£ 5,407,000	£ -	£ 2,000,000	£ 3,407,000	£ -	£ -	£ 5,407,000
CA Growth Hub	£ 738,000	£ -	£ 123,000	£ 246,000	£ 246,000	£ 123,000	£ 738,000
CA Skills Implementation	£ 150,000	£ -	£ 50,000	£ 50,000	£ 50,000	£ -	£ 150,000
CA LIS Implementation	£ 150,000	£ -	£ 50,000	£ 50,000	£ 50,000	£ -	£ 150,000
CA Contract with CEC	£ 300,000	-£ 60,000	£ 20,000	£ 80,000	£ 80,000	£ 60,000	£ 240,000
CA Enterprise Zone Receipts	£ 927,000	£ -	£ -	£ 230,000	£ 279,000	£ 418,000	£ 927,000
ERDF Funding	£ 5,204,000	-£ 2,204,000	£ -	£ 1,500,000	£ 1,500,000	£ -	£ 3,000,000
ESF Funding	£ 2,044,556	-£ 9,009	£ -	£ 600,000	£ 800,000	£ 635,547	£ 2,035,547
LGF Investment Fund (Capital)	£ 11,500,000	-£ 457,000	£ 2,043,000	£ 4,000,000	£ 4,000,000	£ 1,000,000	£ 11,043,000
LGF Investment Fund (Revenue)	£ 500,000	£ -	£ 250,000	£ 250,000	£ -	£ -	£ 500,000
Additional Business & Skills Funding	£ -	£ 258,647	£ -	£ 258,647	£ -	£ -	£ 258,647
<b>Totals</b>	<b>£ 26,920,556</b>	<b>-£ 2,471,362</b>	<b>£ 4,536,000</b>	<b>£ 10,671,647</b>	<b>£ 7,005,000</b>	<b>£ 2,236,547</b>	<b>£ 24,449,194</b>
<b>Expenditure</b>							
Staffing (see tab for details)	£ 1,083,773	-£ 291,837	£ 48,045	£ 285,605	£ 262,612	£ 195,674	£ 791,936
Administration (see tab for details)	£ 168,820	£ 152,286	£ 101,584	£ 83,505	£ 76,693	£ 59,323	£ 321,106
Grants & Equity Investment Administration	£ 625,000	£ 155,001	£ 190,152	£ 322,575	£ 203,281	£ 63,993	£ 780,001
Capital Growth Grants	£ 10,925,000	-£ 655,000	£ -	£ 5,520,425	£ 2,996,720	£ 1,752,855	£ 10,270,000
Innovation & Relocation Grants	£ 450,000	-£ 357,000	£ -	£ 93,000	£ -	£ -	£ 93,000
Skills Brokerage Operational Budget	£ 4,076,000	-£ 767,432	£ 850,000	£ 1,217,630	£ 1,015,450	£ 225,488	£ 3,308,568
Inward Investment Service Budget	£ 3,630,610	-£ 1,963,405	£ 485,000	£ 675,000	£ 470,000	£ 37,205	£ 1,667,205
Growth Coaching Business Engagement Budget	£ 2,735,730	£ 466,270	£ 500,000	£ 1,250,000	£ 1,100,000	£ 352,000	£ 3,202,000
BGS Nudge Grants	£ -	£ 1,000,000	£ -	£ 500,000	£ 500,000	£ -	£ 1,000,000
ERDF Nudge Grants	£ 3,000,000	£ -	£ -	£ 1,500,000	£ 1,300,000	£ 200,000	£ 3,000,000
<b>Totals</b>	<b>£ 26,694,933</b>	<b>-£ 2,261,117</b>	<b>£ 2,174,780</b>	<b>£ 11,447,740</b>	<b>£ 7,924,756</b>	<b>£ 2,886,539</b>	<b>£ 24,433,816</b>
Opening Balance	£ -	£ -	£ -	£ 2,361,220	£ 1,585,126	£ 665,370	£ -
Total Income	£ 26,920,556	-£ 2,471,362	£ 4,536,000	£ 10,671,647	£ 7,005,000	£ 2,236,547	£ 24,449,194
Total Expenditure	£ 26,694,933	-£ 2,261,117	£ 2,174,780	£ 11,447,740	£ 7,924,756	£ 2,886,539	£ 24,433,816
Closing Balance	£ 225,623	-£ 210,245	£ 2,361,220	£ 1,585,126	£ 665,370	£ 15,378	£ 15,378
*** Variance figure is the difference between the current and the previous plan							

Table 2 - Cash Flow

Table 2 above shows the annual cash flow for the company.

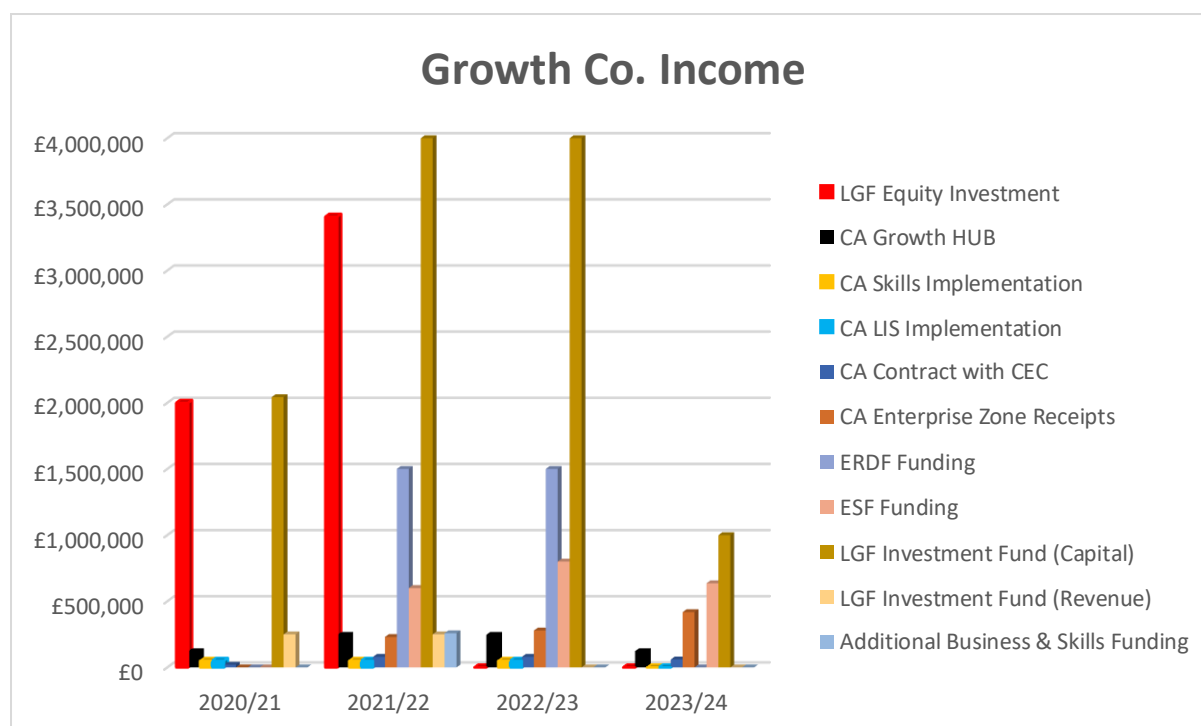


Table 3 – Income as a bar chart

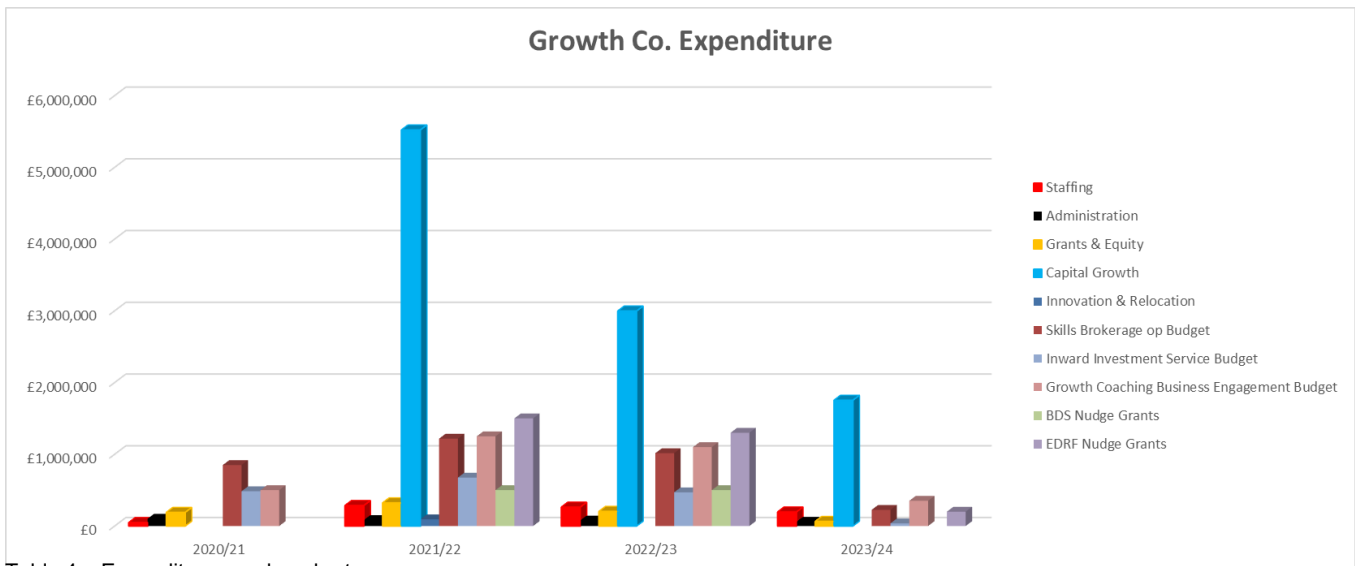


Table 4 – Expenditure as a bar chart

5.2 GEG are paid in advance on a quarterly profile. They invoice the Cambridgeshire and Peterborough Business Growth Company on a monthly basis and a reconciliation performed quarterly. There has been no invoiced expenditure yet for the contract in February or March 2021 and GEG

## 6. Performance

6.1 What is a high growth / scale up company?

OECD:

>10 employees with an annual average employment growth of 20%+ in a 3-year period.

<9 employees whose employment will grow by at least 8 employees in a 3-year period

Unhelpful for UK – 95% of 5.8m SME’s employ <9 staff\*

By most employment-based definitions – we are talking about 5% of all businesses

In CPCA region:

- Circa 37,000 businesses on patch
- GEG and its consortium will undertake 3,000 diagnostics to identify the 1,000+ SME Growth Champions for Growth Coaching
- <1% will be account managed by Skills (large and corporate businesses domestic on patch)
- ~1% will be account managed by Inward Investment (national or >10% international ownership)
- Anyone who doesn’t meet the high growth / scale up criteria will be serviced by the Growth Hub

6.2 Outcomes & Leading indicators

GEG and its consortium will deliver at least 5,278 new jobs, 1,400 new apprenticeships and generate significant inward investment in Cambridgeshire and Peterborough over the next



three years. Each of the four Service Lines will be measured against achieving specified outcomes (Appendix 1, Table 1).

## 6.2 Performance to date

GEG and its consortium are still in the mobilisation phase up until the public launch on 27<sup>th</sup> May 2021, when they will be into full delivery mode. There were no agreed performance metrics during mobilisation and the data in this report is taken up until 15<sup>th</sup> April (when this report was drafted). During the mobilisation there have been a few notable successful outcomes, and these are highlighted under the respective service lines below and in further detail in Appendix 1 (Tables 2 - 5). Contractual versus actual performance for all service lines will be shared with the Business Board on a monthly basis via email, up until the next Management Review report in September 2021.

## 6.3 Growth coaching

Due to mobilisation, an update on the Growth Coaching service line will be provided to the Business Board as described above.

## 6.4 Inward Investment

Secured 4 wins:

- Alphavet Tech: Australian Med Tech company developing veterinarian technology to improve and digitise patient healthcare. They have moved their GHQ to Cambridge. Over the next 3 years, 18 jobs will be created with an average salary of £79K and £6.1M capex
- Credenxia: International HQ for Australian owned work force ID and verification credentials. Expanding sales and service centre in Peterborough
- Touchpoint Group (International HQ): NZ based technology company that helps its clients understand and action Big Data. They established a presence in Peterborough in a move to downsize from London.
- Biyomod: is a Turkish Med tech company that develops hardware and web platform integrated solutions for Healthcare IoT. They have located in the Bradfield Centre and will create 3-8 jobs in the next few years. Avg. Salary £40K. Cap-ex: £159K

In addition, already holding a healthy Pipeline of 17 opportunities (6 of which were sourced by DIT) the rest were sourced external to the DIT network or directly through Growth Works.

GEG have supported OKR Financial to accelerate UK launch with a fund aligned to support Growth Works, which was originally £2m now increased to £20m. CPCA communications are working with GEG and OKR on a press release.

CPCA & the Cambridgeshire and Peterborough Business Growth Company are in the final process of finalising the data protection agreement with DIT.

GEG are working on launching its first supply chain competition focussed on the Med-Tech Sector and this will be run as an FDI workshop after 27<sup>th</sup> May 2021 public launch.

Currently working on brand and content feel for the Invest Cambridge / Peterborough / Fenland holding pages including information on regional opportunities and inward investment activity.

## 6.5 Skills

Growth Works with Skills is deploying a Digital Talent Platform. Based on the highly successful Talent Retention Solution it will act as the focal point for information on, and access to, the skills that businesses need.

The platform will support economic growth by creating access to information, and links to organisations that can support one another in developing the skills. This includes support for schools to provide excellent careers advice and support for employers to engage in education to enable access to the world of work.

Employers will be able to list job, apprenticeship, internship and work experience vacancies and search for candidates. This support also covers Kickstart, internships, and retraining. Phase 1 the skills portal is launched which provides redeployment functionality incorporating the ability for employers to register and list their vacancies for free, and individuals to register and create a profile, upload their CV and search for opportunities.

At the heart of the platform will be a Talent Development Maturity Index diagnostic, which will help companies to see how they rank on a scale in relation to their approach to accessing and developing talent. This diagnostic is supported by consultative conversations from the Growth Works team

Growth Works have met with all the main college principals and members of their leadership teams to introduce the service.

Performance of the Careers & Enterprise Company (CEC) contract is now on an upward trajectory and have started engaging with all special educational needs schools (SEND) for the first time to bring them into the Enterprise Adviser Network (EAN).

## 6.6 Grants & equity

In the main contract specified that LGF capital funding of £2.043m had to 'allocated' to businesses by 31<sup>st</sup> March 2021.

From 15<sup>th</sup> February 2021, GEG delivered the above, from what was a 'standing start'. In essence:

- The Expressions of Interest (EOIs) were sourced from Growth Hub, COVID-19 Capital Grant Applicants, Local Authorities and Commercial Partners.
- They attracted 54 EOIs seeking £2.769m.
- EOIs were filtered using the matrix of quality score and value for money. The filter is found in the "Competitive Rankings" tab
- Quality scores were assessed on points based on geographical location (Fens, Peterborough), sector diversification, strategic alignment, social inclusion and apprenticeship utilisation
- Value for money was assessed as the financial value per job

Each application had at least an hour discussion over the phone or on Teams / Zoom.

After filtering, 13 were declined with 41 businesses seeking £2.4m invited to full application round.

4 did not complete or send applications.

5 were declined owing to either a breach in Undertaking in Difficulty and no mitigating factors on their finances such as strong working capital and cash balances or the applications lacked quality.

Contentious and borderline decisions were raised with the Senior Responsible Officer (SRO) for Strategic Funds & Insight / Evaluation and interim SRO for Growth Works for independent view and assessment.

32 applications were completed successfully and returned by 11:59pm 31<sup>st</sup> March 21. These applications:

- Received £2.025m of the £2.043m, at an average of ~£63k per business ranging from £150k to £20k
- 321 jobs commitment at an average of just over 10 jobs per firm, averaging from 3 jobs to 30 jobs.
- £11.18m investment in capital expenditure.
- Cost per job is under £6.4k/job.
- Recipients were awarded from the far north of the patch, across the Fens, in and around Peterborough and in Southern and East Cambridgeshire. Sectors were diversified from retail to dentistry, deep science to engineering, manufacturing to logistics, warehousing and entertainment.

#### 6.7 Contractual meetings and reporting

Monthly and quarterly contract meetings are scheduled from May 2021 to April 2022

GEG are creating a robust reporting mechanism and scorecard, with input from CPCA and the Cambridgeshire and Peterborough Business Growth Company. This will include a client 'pipeline' funnel / hopper by service line. The medium-term plan is to have a scorecard which can be accessed at any time to understand the latest position and for it to be on the CPCA & Cambridgeshire and Peterborough Business Growth Company Limited (Growth Co) websites. This will also allow the Business Board, key stakeholders e.g Local authorities to monitor the performance in a 'real time' environment.

#### 6.8 GEG and its consortium have set out high level deliverables to 30<sup>th</sup> June 2021 at Appendix 2.

## Significant Implications

### 7. Financial Implications

7.1 There are no direct financial implications in the progress report.

### 8. Legal Implications

8.1 The Shareholder Agreement made between the Combined Authority, Angle Holdings Limited, Angle Developments (East) Limited and Cambridgeshire and Peterborough Business Growth Company Limited requires the Growth Company to establish and maintain a Programme Management Committee [PMC]. The purpose of the PMC is to advise the Board of Directors of the Growth Company and the Agreement sets out the membership of the PMC, which is to include a member of the Business Board. The PMC also has day to day responsibility for:

- ensuring a sound system of internal control and risk management including:
  - approving the company's risk appetite standards;
  - receiving reports on, and reviewing the effectiveness, of the company's risk and control processes to support its strategy and objectives;
  - approving procedures for the detection of fraud and prevention of bribery; and
  - undertaking an annual assessment of these processes;

8.2 Under the arrangements between the Cambridgeshire and Peterborough Business Growth Company (Growth Co) and its contractors the responsibility for the evaluation of applications for funding rests with the lead contractor and they are required to create a panel of representatives to appraise applications and ensure that there are sufficient funds available and that projects are prioritised according to the outcomes and need. The arrangements for the Growth Works Investment Evaluation Panel set out in section 3 are the arrangements made by the lead contractor.

### 9. Other Significant Implications

9.1 None

### 10. Appendices

10.1 Appendix 1 – Four Service Lines Outcomes and Indicators During Mobilisation Phase

10.2 Appendix 2 – Deliverables by 30<sup>th</sup> June 2021

### 11. Background Papers

11.1 ['Business Growth Service – Full Business Case' \(Agenda Item 5.2, Combined Authority Board meeting on 30<sup>th</sup> September 2020\)](#)

11.2 [Business Growth Service Full Business Case](#)