



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	AGENDA ITEM No: 4.3
27 NOVEMBER 2019	PUBLIC REPORT <i>This report contains an appendix which is exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, in that it would not be in the public interest for this information to be disclosed (information relating to the financial or business affairs of any particular person (including the authority holding that information))</i>

LOCAL INDUSTRIAL STRATEGY DELIVERY PLAN: THE BUSINESS GROWTH SERVICE OUTLINE BUSINESS CASE

1 PURPOSE

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

<u>DECISION REQUIRED</u>	
Lead Member:	Cllr John Holdich, Lead Member for Economic Growth
Lead Officer:	John T Hill, Chief Officer, Business Board
Forward Plan Ref: 2019/064	Key Decision: Yes
Business Board recommendations to the Combined Authority shown in bold type . The Combined Authority Board is recommended to: (a) Endorse the Outline Business Case and agree to establish a Growth Service Management Company initially to be a wholly	Voting arrangements Simple majority of all Members

owned subsidiary of Angle Holdings Limited as set out in Section 4 below.

(b) Approve the making of a bid for Local Growth Fund monies as set out in paragraph 4.3 below:

(c) Approve the making of a bid for European Regional Development Fund (ERDF) and European Social Fund (ESF) monies as set out in paragraph 4.4 below:

(d) On condition that recommendation (a) above is accepted and the bids referred to at recommendations (b) and (c) above are successful, agree to allocate £2.185m funding from a combination of Enterprise Zone receipts and funding within the Medium Term Financial Plan and from Enterprise Zone receipts, as set out in paragraph 4.5 of the report, to the Growth Service Management Company to part fund the procurement of the Business Growth Service.

(e) Note that the Skills Committee has resolved, subject to all the remaining public funding set out at paragraph 4.5 below being secured, to approve the allocation of £50,000 per annum for three years starting in 2020/21 from the £150,000 per annum Skills Strategy Implementation Budget set out in the Combined Authority's Medium Term Financial Plan, for the part funding of the Skills Brokerage element of the proposed new Business Growth Service

(f) Subject to all the remaining public funding set out at paragraph [4.5] being secured, to delegate to the Director for Business and Skills authority to manage the procurement process, to bring forward a Full Business Case in March 2020 and to contract with the successful bidder(s), subject to confirmation of award of the funding components from the Local Growth Fund, European Regional Development Fund and European Social Fund

(g) To delegate to the Director of Business and Skills authority to task the Business

<p>Growth Service with the administration of the Small Business Capital Growth Investment Fund, as set out at paragraph 5.4 below.</p>	
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2 STRATEGIC CONTEXT; THE SKILLS & LOCAL INDUSTRIAL STRATEGIES

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

- 2.1 *“Develop a dynamic skills market that responds to the changing needs of local business...ensuring that People entering the workforce and those already in work are continually upskilled and trained to meet the jobs of the future.*
- 2.2 The Skills Strategy goes on to identify a Skills Talent & Apprenticeship Recruitment Hub (STAR Hub, a brand we have since simplified to Skills Brokerage) as one of the key interventions for the Combined Authority to develop and implement to satisfy this objective, describing it as follows:
- 2.3 *“The STAR Hub developed by the CPCA will increase the number of people transitioning through the skills ecosystem into Apprenticeships, Higher Education and employment. The CPCA will support providers, schools, colleges, higher education, parents and residents to navigate effectively through the complex skills landscape by the creation of the Digital Talent Portal to facilitate a better match of potential talent to skills needs and job vacancies and in doing so create opportunities for a strong, productive and thriving economy. Learning from experience in the past, there should be the opportunity to bring together demand and supply through a dedicated skills brokerage. We therefore propose to create a Skills Brokerage Service: A specialist activity building relationships between businesses, providers and learners. One of the most challenging areas of matching need and opportunity is in relation to apprenticeships. On the supply side there is still an issue of perceived lack of parity of esteem between vocational and academic education and training. On the demand side, creating the critical mass for demand from employers to make employer-based apprenticeships viable can be a challenge too. This lower level of demand for apprentices is most prevalent amongst SMEs who struggle to balance the value and effectiveness of a trainee, the 20% off the job training per week and the costs involved. Hence, to overcome this continuing market failure, we propose to better unlock the apprentice levy funding within large firms and help it flow down more effectively to SMEs in supply chains and sector clusters.*

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

- 2.4 ***Improve the long-term capacity for growth in Greater Cambridge to support the expansion of this innovation powerhouse and, crucially, reduce***

the risk of any stalling in the long-term high growth rates that have been enjoyed for several decades.

- 2.5 ***Increase sustainability and broaden the base of local economic growth, by identifying opportunities for high growth companies to accelerate business growth where there is greater absorptive capacity, beyond the current bottlenecks to growth in Greater Cambridge.***
- 2.6 ***Do this by expanding and building upon the existing clusters and networks*** *that have enabled Cambridge to become a global leader in innovative growth, creating an economy-wide business support eco-system to promote inclusive business growth*
- 2.7 The Local Industrial Strategy (LIS) goes on to identify the Growth Service as a suite of interventions for the Combined Authority to develop and implement to satisfy these objectives, describing it as follows:
- 2.8 *A new approach to business support Cambridgeshire and Peterborough will create a new Growth Service, bringing together a range of interventions to provide support to help businesses set-up and grow. This will include access to mentors, coaches, exporting expertise and new funding such as grants and loans.*
- 2.9 *Primarily, this enhanced business growth support will be available to at least 250 firms per annum and over 1,000 by 2024, with an emphasis on sectors and clusters in Greater Peterborough and The Fens. Secondly, to support productivity growth in the two sub-economies where it is currently lower, namely Greater Peterborough and The Fens, the enhanced support will be structured so that it delivers growth in the firms supported, that is more productive than the firms' previous baseline business.*
- 2.10 *Establish a Global Investor Service focused on landing new firms into Peterborough and Greater Cambridge.*
- 2.11 *Create a Growth Investment Fund targeted at growth firms to fill gaps in the equity and loan market to break into new markets and support innovation and productivity gains. Particularly in places where access to finance is more difficult.*
- 2.12 The Business Growth Service will bring together a range of interventions into a new, targeted approach to business growth support. This will be an evolution of the existing Growth Hub and Skills Brokering Pilots funded by the Combined Authority.

3 THE BUSINESS GROWTH SERVICE

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



The five interventions within the Business Growth Service are:

- 3.2 **A Growth Coaching Service** to engage our highest potential growth firms to better support them to accelerate their growth, increase their capacity and capability for growth, sustain their period within growth, or all three.
- 3.3 **An Inward Investment Service** to extend our reach into key global markets, to engage and persuade overseas firms to locate into our economy or invest in our strategic projects to increase our employment space, develop our transport infrastructure or establish a new university.
- 3.4 **A Skills Brokerage Service**. Attention is particularly drawn to **exempt Appendix A** pages 23-28, 40-41 and 44-46. This provides an effective link between young talent and those retraining or progressing in a career, our employers and our skills providers, to improve the supply of skills to enable growth.

- 3.5 **A Small Business Capital Growth Investment Fund** to help SMEs, grow through organic expansion, paying for equipment and expanded premises. It will provide growth capital and grants between £20k-£250k for traditional SMEs, that are not generally available from the private sector, which focusses on high-tech, IP based start-ups and much higher growth rates, using equity investments of £250k to £2m. Banks are an alternative, but micro businesses and sole traders struggle to secure funding. This is a clear gap that government continually seeks to fill through funds such as the Midlands Engine and Northern Powerhouse Investment Funds. This Business Board fund aims to fill the same gap in the market.
- 3.6 **An Innovation & Re-Location Grant** to co-invest with small firms in the cost of contracting experts to help; Access R&D funding from UK and EU agencies for new product development and increased productivity; and Access fast-track planning, partners and investment for new build employment space
- 3.7 By integrating all these services into one Business Growth Service will better connect our places and business clusters and provide across them, a quality and connectivity of growth support that reflects and has the potential to develop towards, the support eco-system developed over decades within Greater Cambridge, that has contributed to its rapid growth. To do this, the Business Growth Service will expand and build on the growth support networks that are already present in and around Cambridge, and the development of a commercial marketplace for all three advisory services, as well as a mentoring culture amongst supported entrepreneurs.

4 FINANCIAL IMPLICATIONS

- 4.1 The Business Board does not have sufficient revenue funding at its disposal to finance the procurement of the Business Growth Service, in addition to its Core Local Enterprise Partnership (LEP) activities, between 2020/21 and 2022/23. Hence, the aim of the Business Board is to request that the Combined Authority Board and Skills Committee agree to *free-up and leverage* a proportion of the Business & Skills Directorate's MEDIUM Term Financial Plan (MTFP), to create a revenue fund to enable it to procure the Business Growth Service. To achieve this, the Business Board has devised a strategy to build a Growth Service Delivery Fund of £19.5m, to deliver the Business Growth Service. This strategy is summarised in the following steps:
- 4.2 To request that the Combined Authority, as the Business Board's Accountable Body and legal personality, establish a Growth Service Management Company, on behalf of the Business Board, as a subsidiary to Angle Holdings Limited (the Combined Authority's Holding Company), with an initial allocation of 100 shares in favour of Angle Holdings Limited. The purpose of the Growth

Service Management Company, being to manage the Growth Service Delivery Fund, and with it, procure the delivery of the Business Growth Service itself from the private sector.

- 4.3 To accept an application from the Combined Authority, to the Local Growth Fund (LGF) administered by the Business Board, for a capital equity investment from the LGF into the Growth Service Management Company held on behalf of the LGF by the Combined Authority. Through this investment, working capital within the Growth Service Management Company, will be generated as revenue which can then be used to part fund the procurement of the delivery of the Business Growth Service.
- 4.4 To request that the Combined Authority, 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.
- 4.5 To recommend that the Combined Authority Board and Skills Committee agree, subject to the other funding being secured, to allocate funding from the Business & Skills Directorate's 2020/21-22/23 MTFP, to the Growth Service Management Company to part fund the procurement of the delivery of the Business Growth Service. The portion of this requested funding, for which approval is being sought from the Skills Committee, is the £150,000 requested from the Skills Strategy Implementation Budget, which currently stands at £450,000 over the 2020/21-22/23 MTFP period.

Strategy for the Creation of The Growth Service Delivery Fund	
Total LGF Capital Equity Investment by the Business Board, as Working Capital	£5,407,000
ERDF Funding	£5,204,000
ESF Funding	£2,044,556
Total ESIF Revenue Funding, Applied for by CPCA on behalf of the Business Board	£7,248,556
CPCA budget for Growth Hub	£748,000
CPCA Skills Strategy Implementation budget	£150,000
Local Ind Strategy Implementation budget	£150,000
CPCA contract with Careers Enterprise Company	£360,000
CPCA Enterprise Zone businesses rates receipts	£927,000
Total CPCA Revenue Allocation from the CPCA 2020/21-22/23 MTFP Requested by the Business Board	£2,335,000
Total SME contributions acquired by the Procured Delivery Partners for the Business Growth Service	£4,500,000
Total Growth Service Delivery Fund for Procurement of the Business Growth Service	£19,490,556

5 COMMERCIAL STRATEGY

- 5.1 It is important to the CPCA that the Business Board's focus remains that of policy and strategy, acting as a catalyst and funding provider to facilitate and enable others to achieve economic growth outcomes. Hence, it is the Business Board's intention and strategy to procure delivery of the Business Growth Service from the private sector, under contract to the Business Board, via a subsidiary company, of its Accountable Body, the CPCA.
- 5.2 The Business Board is seeking the Combined Authority's approval to launch this procurement in December 2019 to complete in February 2020. A Full Business Case will be put forward by the Business Board in March 2020, to seek the Combined Authority's approval to contract with the successful bidder(s) subject to the remaining funding being secured from ERDF, ESF and LGF sources.
- 5.3 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.
- 5.4 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 has already been approved and ringfenced, within the LGF budget, in September 2019 by both the Business Board and CPCA Board, as a £3m pilot of a provisional £15m allocation. To agree the further approval of the main tranche of £12m to 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 providers of the business Growth Service.

6 LEGAL IMPLICATIONS

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

7 APPENDICES

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

<u>Background Papers</u>	<u>Location</u>
List background papers:	List location of background papers.
i. CPIER (Cambridgeshire and Peterborough Independent Economic Review)	https://www.cpier.org.uk
ii. Cambridgeshire and Peterborough Local Industrial Strategy	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818886/Cambridge_SINGLE_PAGE.pdf
iii. Skills Strategy	https://www.cambridgeshirepeterborough-ca.gov.uk/assets/Employment-and-Skills/Skills-Strategy-Final-Version-5.6.19.docx
iv. Combined Authority Board 27 March 2019	https://cambridgeshirepeterboroughcagov.cmis.uk.com/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/917/Committee/63/Default.aspx
v. Combined Authority Board 29 May 2019	https://cambridgeshirepeterboroughcagov.cmis.uk.com/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/855/Committee/63/Default.aspx