



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

# Strategic Investment & Innovation Growth Fund Concept Paper

## Key Project Information

Project/Programme Name	Strategic Investment & Innovation Growth Fund		
Submitting organisation	Combined Authority		
CPCA Directorate	Economy & Growth		
CPCA Service	Business		
Primary Strategic Objective	Achieving Good Growth: Good quality jobs in high performing sectors		
Accountable Owner	Steve Clarke		
Delivery Responsibility	CPCA		
Location of Project	CPCA Region wide		
Funding type	CPCA funded	Included in the MTFP?	Yes
MTFP Allocation Detail	Capital Growth Investment Fund		

## Brief Description Project/programme purpose: (single line only)

Grant programme to support high growth businesses to ignite innovation and growth by combining existing thematic fund budget lines in 24/25 MTFP into one new fund.

## Detailed Description of the project/programme purpose: (be as full and descriptive as you can)

### BACKGROUND

Over the last 10 years, the Local Enterprise Partnership (LEP) and then the Combined Authority, have distributed funds to unlock the innovative capacity of our business base, with a concentration on our industry sector strengths. This has been led through European Structural and Investment Funds (ESIF) and more recently Local Growth Funds (LGF). Evaluation of the programmes have been largely positive in terms of outcomes delivered, agglomeration effects and crucially an equitable distribution of benefits. This has translated into real gains for the region including higher productivity levels and the percentage of people in employment.

However, as acknowledged in our emerging Shared Ambition there remain issues to be addressed:

- Jobs growth has been lower than averages in the last 5 years
- There remain well-documented disparities in terms of earnings internal to the region
- Productivity per hour worked is not at the UK average

The scale of opportunity is evident with clear leadership in key priority sectors, and the region as an international brand for research innovation and discovery. It is also noted that some of the investment made in the last five years is only now beginning to yield results as they come on stream, in terms of higher value employment.

### AMBITION

There is a need, as acknowledged in the Shared Ambition prospectus, for more investment in innovation that

capitalises on this momentum to:

- **Be the place to invest** - incentivising purpose driven, innovative investors to choose our region (including both enterprises with a base here or inward investment) to make it the top innovation hub for our target sectors linked to indigenous entrepreneurial talent
- **Grow our high value sectors** - leveraging knowledge transfer and innovation networks for Agritech, Food Production, Life Sciences, Manufacturing and Materials and Digital/ ICT/ AI, and Energy & Cleantech
- **Maximise the Benefits of Investment** - optimise the flow of investment to benefit all

The new Local Growth Plan for the CPCA area that is currently being co-developed with key local partners and MHCLG identifies and focuses around the following sectors and themes for investment and innovation:

- Agritech, Food and Drink
- Advanced Materials and Manufacturing
- Digital and Technologies, AI and Gaming
- Life Sciences: Biopharma and Medtech
- Clean Energy & Green Tech

The Governments Devolution White Paper which is due to be published will be reflected in the OBC to ensure that emerging themes are picked up in the development of the fund.

This recognises the three economies in the Independent Economic Review, being:

- **Peterborough:** Green engineering and manufacturing including automotive and engineering supply chains
- **Fens:** Climate change adaptation, high tech agricultural and environmental management
- **Cambridge:** Driving force for global discovery in life sciences, AI and digital infrastructure

## THE FUND

Through the evaluations of our recent programmes, it is evident what works. This found success in expanding and building upon existing clusters, has resulted in high quality jobs that attract and retain talent, increasing innovation and research and broadening the base of local economic growth. Evaluation results will be further explored in the OBC.

The Strategic Investment and Innovation Growth Fund is made up of:

1. The CPCA (Rural) Levelling Up Fund (£5m), described in the MTFP as a fund to enable both local match funding for projects which will leverage significant external funding as well as the opportunity to expand the current market towns programme into other large non-market town settlements in the area, enabling the delivery of much-needed public realm improvements; and
2. The Strategic Growth Fund (c£20m) is described in the MTFP as a fund available for local government to determine local investment into skills and economic capital. This investment has reduced since the end of the Local Growth Fund, so this fund is intended to mitigate this shortfall and fund both direct construction as well as enabling infrastructure. It is proposed that £5m of the fund could be used to help contribute towards develop next phase critical infrastructure at the University of Peterborough, for

example industrial innovation space. The fund is phased to increase each year in anticipation of growth in the economy, of which is in the current MTFP, and the decision has been made to focus the funds on the high growth priorities outlined by the new government and the development of Local Growth Plans. In the MTFP, this was originally for rural business initiatives, and these original objectives will not be specific within the new fund. It has been agreed by the Business Board that underspend from the recently completed Business Growth Service will be included in this fund and currently this stands at £1m, but will reduce as invoices are paid.

3. Remaining unspent budget from the recently completed Growth Works Local Growth Fund project, currently standing at £600k with the final figure to be included once available.

It is proposed to amalgamate the funding streams and offer financial support to businesses who are identified as having high growth potential, inward investors in our priority sectors and organisations which are enterprises or have a focus on private sector innovation. The fund will be aimed at bringing new organisations into the region and growing SMEs who have demonstrated clear ability to grow, whilst also focusing on potential links with the regional universities. We will:

- **Capitalise on our investment pipeline of innovation-based projects** that the Combined Authority has gathered through other economic, development or investment activities engaging with businesses, developers and partners, this fund aiming catalyse any that can come to fruition early. The pipeline and approach will be further defined in the OBC.
- **Invest in new innovation projects to support new start-ups and scale-ups and growth in existing businesses**

Given the capital nature of the funds, the following activities are anticipated but not prescriptive, and these will be further explored in the OBC:

- **Grants to attract inward investors** in our **priority sectors** to leverage significant company investment – whilst it is acknowledged this will mean we are competing against other MCAs this is a usual practice nationally, and other areas have taken the same approach being proposed and used similar grant funds to incentivise and win more investment into strategically important sectors, themes and/or locations.
- New **innovation hubs**, which align to regional sector strengths
- Investment in **grow-on space** for existing enterprises, including foreign-owned companies
- **New facilities for research with a commercial application** including co-creation of products and business process applications
- **Workspace and specialist facilities such as laboratories** that aid inward investment
- **Grants to purchase equipment** that will accelerate innovation and productivity where lack of funding is a barrier to growth

The following **qualifying criteria** could apply (subject to approval):

- The main project sponsor must be private sector led
- The minimum grant allocated should be £500,000 of capital
- The applicant must commit match funding of at least 40% of eligible costs
- Applicants must show a clear statement to demonstrate delivery e.g. funding available, clear business purpose, ownership of land etc.
- Subsidy control checks will be required to ensure the request for funding does not compromise the CA when awarding funds.

The above will all be tested in the business case and the optimal option will be pursued. At this stage, based on evaluation evidence, the programme is anticipated to be grant led as opposed to loan or equity led, but loans will be further considered in the Outline Business Case.

It is anticipated to be grant led because there is evident demand for the product based on evaluation evidence, the CPCA already runs a loans and equity scheme managed by FSE and the proposed plan is more straightforward in terms of the efficient management of funds. Loans hold the risk of challenge around miss-selling that has happened with other financial loans.

The evaluation evidence and driver for grants will also be further explored in the OBC. Where grants are utilised, there will be clear conditions within the Grant Funding Agreements whereby claw-back and repayment terms will be included and data requirements including reporting of benefits.

It is proposed at this stage that external due diligence will evaluate the included projects set out in the Full Business Case and the process will be further explored in the OBC. At this point, Subsidy Control Act implications will be also explored.

It is anticipated that all eligible expenditure will be defrayed by March 2028 in line with the allocation to the CPCA, however, a proportion of the fund suggested to provide grants to attract inward investors in our priority sectors may be ring-fenced for a longer period than the current 3 years due to the typical lead time to land these types of company investments initially before any development or construction gets started and completed, this will all be developed as part of the OBC and FBC.

In conclusion, the new fund will build on the experiences of earlier funds, for example the Local Growth Fund which has been evaluated during the delivery of the programme and has outlined lessons learned and successes which will be built into this project and explored in the OBC. It has a clear strategic rationale, rooted in our main target sectors. Furthermore, it will benefit from refreshed delivery mechanisms including the Investment Panel and Investment Committee.

### SAF Governance

Following the Concept Paper, an OBC will be produced which will include whether there will be a call for projects or if organisations will be invited to apply utilising the pipeline, and then an FBC created once there is an agreed list of projects.

### Timelines

<i>Proposed Start Date</i>	<i>Expected Duration of Project</i>	<i>Details of factors driving start and duration (why proposed start and end date have been chosen)</i>
<u>Concept Paper</u> 12 December 2024 13 January 2025 22 January 2025		Concept Paper to Investment Panel Concept Paper to Investment Committee Concept Paper to Combined Authority Board
<u>Outline Business Case</u> 12 February 2025 TBC 17 March 2025  19 March 2025		<p><b>The OBC dates are subject to change and may move to post-election.</b></p> OBC to Investment Panel OBC to Investment Committee <i>Due to CA Board on 4 April being cancelled, Democratic Services are seeing whether this Committee date on 17 March can be brought forward to allow time before CA Board on 19 March.</i>  OBC to Combined Authority Board
<u>Full Business Case</u> TBC June 2025		<p><b>The FBC dates are subject to change but will be post-election.</b></p> FBC to Investment Panel

<p>TBC July 2025 TBC July 2025</p>	<p>3 years</p>	<p>FBC to Investment Committee FBC to Combined Authority Board</p> <ul style="list-style-type: none"> <li>• SAF process has to be concluded so that the Outline Business Case approves criteria for the grant programme. Following this, a full assessment of the proposed project can be completed before the Final Business Case (FBC) with the finalised portfolio of projects taken to the Investment Committee and CPCA Board for approval.</li> <li>• The new 10-year Local Growth Plan (LGP) will be completed, approved and adopted by spring 2025. Alignment to the objectives of this plan will be required by the proposed projects in the final business case portfolio.</li> <li>• Expenditure begins once FBC is agreed mid-25, linked to the LGP.</li> <li>• The 3-year spending period will be reviewed during business case development, as the timelines of the proposed projects included therein will all have differing start and end dates. The aim is to target spend and delivery but adjustment may be required at FBC approval.</li> <li>• Funds anticipated to be defrayed by March 2028 although a proportion of the fund to provide grants to attract inward investors may be ring-fenced for a longer period than the proposed 3 years.</li> </ul>
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**Impact of not proceeding**

Qualitative evidence from earlier programmes is clear that the projects “would not have occurred or would have been severely challenging without funding.”

It is anticipated that the programme will positively contribute to increasing productivity and job growth, helping to turn around the current deficit that has been evidenced in the region with the UK will continue and job growth would continue to lag. The effectiveness of the programme will be monitored by CPCA in the standard way, with the collation of outputs and outcomes at a programme level and reported through the performance team and into Business Board and CA Board.

It is also likely that the objectives within the Shared Vision under the Igniting Innovation Outcome would not be realised or would take longer to materialise, owing to the additional time and resource required to secure tangible investments.

**Financials (Estimates)**

Current Estimate for Total Cost of project/ programme	Funding structure and CPCA Contribution	Estimated cost for creation of business case
<p>£43.3m</p>	<p>£26m with match from other sources (proposed minimum 40% cash match but will be finalised in the OBC)</p>	<p>£45,000 for the OBC</p> <p>This is currently being funded out of another E&amp;G budget line and may be enough to cover the OBC and FBC costs, but this will need to be reviewed at each stage.</p>

Cap ex?	Yes	Rev Ex	No	Combination of Rev & Cap Ex?	No (Detail & Split)
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**Assumptions or risks that could increase or decrease the total cost**

It is assumed that the delivery of the programme will follow the tried and tested management route of funding predecessor programmes, for example LGF. This has proven to be successful in terms of programme and project delivery plus the draw down of funds from Government, the assumption is backed up by positive aspects and lessons learned from the evaluations completed of the LGF.

It is assumed there is a fixed amount of capital funds being offered for grants to selected projects in this programme – once the total capital budget is awarded no further projects will be included in the portfolio unless additional future funds are identified and approved to be added to the MTFP budget line for this programme by the Investment Committee and CPCA Board.

Management of the risk related to unexpected increases in costs in each project within the portfolio will be the responsibility of the grant recipient organisations as regulated by the legal grant funding agreement, which sets a fixed amount of grant in each case. Each project will clearly have to demonstrate in their application how they plan to manage cost contingencies.

**Benefits (Benefits must be measurable )**

Type	Description	Assumptions or risks that could increase or decrease the total benefits
Financial benefits	<p>£17.3m Match Funding levered in as a minimum from other sources.</p> <p>Financial benefits and measured will be further explored in the OBC.</p>	<p>The requirement forms part of the gateway due diligence checks as a condition of grant.</p> <p>Inflation impact on project costs: The effect of inflation on build costs or the cost of recruitment to high value positions may inhibit certain projects.</p>
Non-financial benefits	<p>Typically, these would include the below, and non-financial benefits and measures will be further explored in the OBC</p> <ul style="list-style-type: none"> <li>• M2 of new or improved workspace new equipment purchased</li> <li>• FTE jobs created</li> <li>• Apprenticeships created</li> <li>• Collaborations with the knowledge base</li> <li>• Enterprises receiving aid</li> </ul>	<p>At this stage ahead of the programme running it is not possible to quantify the benefits. The most recent evaluation of LGF (based on an allocation of £8.66m) yielded:</p> <ul style="list-style-type: none"> <li>• 708 FTE jobs</li> <li>• 35 Apprenticeships</li> <li>• 100,000 m2 of new or improved workspace</li> <li>• 21 enterprises receiving aid</li> </ul> <p>All figures respond to the time of evaluation rather than final totals.</p>

Known Risks	<p><b>Take up:</b></p> <p>There is a take up risk including the ability of businesses to raise the match. For the most part this risk is mitigated based on past performance and indeed the current investment pipeline. Evaluation evidence as well as the emerging local growth plan demonstrates that there is a strong entrepreneurial spirit in the region across a range of sectors and business sizes. Also, amongst local enterprises, there is a reasonable understanding of public funding interventions and what those funding schemes seek to achieve as deliverables.</p> <p><b>Failure to achieve the quantum of outcomes sought:</b></p> <p>This was an issue from the evaluations of past programmes, although it was acknowledged that the timing of the evaluations and delays in project execution may mean that they had not reached a mature stage for outcomes to flow. The emphasis should be on clear objectives and targets in calls, and better interrogation at the application stage which assesses the degree to which a project could meet proven demand and the required deliverables, based on evaluation and lessons learned.</p> <p><b>Failure to deliver against corporate objectives:</b></p> <p>Additionally, the evaluations stated that greater clarity was required throughout the application process as to why an intervention would achieve a programme objective, which might potentially lead to the selection of an alternative project. Given that this is a competitive process, applicants should be encouraged to develop their reasoning as to why this is the best course of action available, in their responses.</p> <p><b>Global and national economic conditions:</b></p> <p>Stress testing vulnerabilities in the programme short list is good practice in order to assess what might affect deliverability. For example, the effect of inflation on build costs or the cost of recruitment to high value positions may inhibit certain projects. The potential material effects should be quantified.</p>
Known Assumptions	<p>It is assumed that the delivery of the programme will follow the tried and tested management route of funding predecessor programmes, for example LGF. This has proven to be successful in terms of programme and project delivery plus the draw down of funds from Government, the assumption is backed up by positive aspects and lessons learned from the evaluations completed of the LGF. The Directorate has benefited from the experience of running LGF programmes and reflected on the areas of good practice and lessons learnt from subsequent evaluations which will benefit the delivery of this fund. The team have considerable experience of managing grant funding schemes and are aware of the current environment which will be explored in the OBC.</p> <p>It is also assumed there is a fixed amount of capital funds being offered for grants to selected projects in this programme – once the total capital budget is awarded no further projects will be included in the portfolio unless additional future funds are identified and approved to be added to the MTFP budget line for this programme by the Investment Committee and CPCA Board.</p> <p>It is further assumed that Administrative costs to deliver this programme will be</p>



	<p>saved on through the amalgamation of the funds. There is no administration included in the capital fund the OBC will detail how the fund will be managed internally, and it is anticipated that funds will be required to support the legal work developing agreements and comms work in terms of advertising the fund if the OBC decision is to do a call for projects rather than invite to bid. The legal and comms teams will be liaised with during OBC creation to enable consideration of internal resource and costs required for the work.</p>					
<p>Known Issues</p>	<p>The number of projects in the pipeline that this capital grant fund could fund is likely to be more than the actual allocation of funding to the programme, there is likelihood that a call for projects will result in a number of organisations being disappointed. Key will be project criteria and which are the strongest strategic fit and offer highest impact with deliverable outputs/outcomes plus value for money in achieving those deliverables. These will be explored in the OBC.</p> <p>Match funding at the approved level being available to project applicants is also a known issue for some projects which may prevent an application being considered.</p>					
<p>Known External Dependencies</p>	<p>Key dependencies include:</p> <p><b>Match funding from applicants</b> – which will be needed to be demonstrated prior to appraisal. This may be yielded from a variety of sources including reserves and borrowings.</p> <p><b>Special permissions</b> – regulatory permissions from third parties required to allow a project to proceed such as planning permissions, specific licenses etc. These are risks to individual projects and should be assessed at appraisal.</p>					
<p>Known internal Dependencies (tick which shared service is required)</p>	<p>Comms</p>	<p>Procurement</p>	<p>Legal</p>	<p>Finance</p>	<p>HR</p>	<p>Policy &amp; Insight</p>
	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>		<p>X</p>