

**GFirst Local Enterprise Partnership
Strictly Commercial in Confidence**

Board Paper 10th October 2017

**1. Agenda Item 9 - LEP Investment Panel 26 September 2017
Gloucestershire Infrastructure Investment Fund: Consideration for Re-investment of Revenue Funds**

2. What is this item for:

Following the last Investment Panel held on 26 September 2017, this paper is to update the Board regarding -

The request received from the LEP to consider the release of a proportion of the GIIF revenue funds, as a 'one off' request, to serve as a financial contribution towards raising the required match funding to enable the LEP and locality partners to support the development of an EU bid, specifically targeted at supporting the growth of the local economy through inward investment activity and the activities of the LEP Investment Panel.

3. Background:

The Gloucestershire Infrastructure Investment Fund (GIIF) was established in 2012 following the successful award of £8.4m of investment funding, supported by the Government's £500m Growing Places Fund announced in November 2011, to stimulate stalled development activity in areas. The fund is designed to tackle immediate infrastructure constraints, with a focus on economic growth, housing and transport.

One of the distinguishing features of the fund is that it offers 'revolving' loans, with the returns on initial investments being recycled and reallocated to support the development of further proposals/investment propositions.

A provision of 2% of the £8.4m was allocated for revenue funds, to support the establishment and ongoing delivery and programme management of the fund. This equated to capital of £7,855,018 and revenue award of £643,277 for Gloucestershire.

The Growing Places Fund Grant Determination Agreement 2011/12 specifies the purpose of the funding and the conditions of award to the Accountable Body, under Section 31 of the Local Government Act 2003. Capital grant paid to Gloucestershire County Council, as the approved Accountable Body, may be only used for the purposes that a capital receipt may be used for, in accordance with the regulations under the Act. By way of assurance, GCC is required to provide to DCLG with a 6 monthly progress/activity report on the Fund, which outlines the investment decisions and positive outcomes arising.

Since its set up, the capital has now been successfully 'recycled' and the Fund has supported 4 projects to date, with a further 2 projects being awarded funding and due to start to draw down funds shortly.

The revenue element of the fund fundamentally is in place to enable the Accountable Body to provide the appropriate resources and support for maintaining the organisation of the Fund, in particular the ongoing programme management and administration function. However, the Programme Management Team based at GCC have endeavoured to recoup some of these costs, in particular the external consultancy costs and ensure they are offset to a degree with the investment fund beneficiaries paying an arrangement fee when an award is offered. Therefore, the revenue funding pot has been utilised to meet some of these ongoing costs, plus costs associated with a couple of previously aborted schemes.

Agenda Item 9

As outlined above, the revenue fund awarded to Gloucestershire by DCLG was £643,277 in 2011/12, and the current balance is now around £500,000. In order to maintain the integrity of the ongoing management of the fund, it is critical that the Accountable Body retains a substantive allocation of the revenue funds, in order to continue to run the GIFF programme effectively in the future and at a minimal cost to the County Council, the Accountable Body on behalf of GFirst LEP.

4. Nature of Proposal for Consideration for Re-investment of GIFF Revenue Funds

The LEP made a request for consideration to be given to the release of a proportion of the GIFF revenue funding, as a 'one off' and a financial contribution towards raising the required match funding to enable the LEP and locality partners to develop a EU bid for funds, in collaboration principally with the Local Authorities.

DCLG has just released a call for two programmes of activity; one of which being around enhancing the competitiveness of SMEs in Gloucestershire, specifically targeted at supporting the growth of the local economy through inward investment activity. Ongoing discussions have taken place between the LEP and the County's Local Authorities and plans are in place to develop a collaborative bid, coordinated by the LEP, who will submit an initial EOI by the deadline of 10th November 2017.

Link to the call - <https://www.gov.uk/european-structural-investment-funds/sme-support-call-in-gloucestershire-oc11r17p-0603>

Interested parties will be able to make a submission to bid up to the value of £500,000 and a minimum value of £300,000 of funding. One of the key conditions of the call however, is that any potential bidders will need to satisfy a 50% match for any funding awards. The LEP have had a series of exploratory meetings at a Senior Level with the Local Authorities to seek support, understand their key aspirations in generating inward investment and growth, appetite for collaboration and potential resources and investment, which have all been very positive. Consequently, they are in the process of developing a bid, in partnership with local authority colleagues and a programme of activity around this call, which can be scaled appropriately to the level of potential match that can realistically be raised. They have been exploring a number of areas of 'match' with the Local Authorities, including 'in-kind' staff costs for existing related activities, financial contribution from other partners, namely the Local Authorities, but could potentially also be encouraged to look at other sources for financial contributions, such as the HE/FE and private sector, alongside a potential revenue contribution from the GIFF programme fund.

Inward Investment Gloucestershire will be a co-ordinated countywide project driven by GFirst LEP, working in partnership with Gloucestershire County Council and the six district councils. Historically, inward investment activity has been dealt with primarily on a reactive basis and with little direct resource/capacity. With this refreshed approach, it is proposed to set up a small team of advisers to assist businesses looking to relocate to Gloucestershire, as well as businesses who are already based in the county looking to expand or relocate. The aim would be for this team to work closely with the local authorities, alongside the Department of International Trade, whilst also developing a strong suite of marketing collateral and detailed propositions for each sector including specific employment land opportunities.

At this stage the LEP have not sought a specific amount of revenue funding from the GIFF Fund, as a contribution towards the match for the inward investment project. They are seeking an agreement from the LEP Investment Panel and the LEP Board, to the principle of allowing a proportion of funding to be released to another programme of related activity in support of the growth of the local economy. The LEP is also exploring a number of other areas of 'match' with local authorities, including in-kind staff costs for existing related activities and financial contributions from partners namely Local Authorities, HE/FE and private sector.

5. Programme Management and the Accountable Body Observations

The Programme Management Team and the Accountable Body have considered this request in relation to the principal for reinvesting a proportion of the revenue funds to support a bid to secure EU funds to deliver a programme of inward investment activity. .

In terms of rationale, there is a pressing need for Gloucestershire to become more proactive and make a step change in terms of raising the profile of the growth opportunities that will become available in the County in the next few years. The County has been successful in attracting over £100m of Local Growth Funding to support a range of exciting and innovative projects, that provide a number centres of sector excellence and opportunities that could accommodate potential inward investors. Therefore Gloucestershire is ideally suited to developing its 'offer' and now better positioned to stimulate innovation and support the ambition to grow knowledge intensive sectors.

The planned inward investment programme does align with the Gloucestershire Strategic Economic Plan and strategies for bringing new investment into the county.

The potential project also aligns with the principles of the GIFF Fund, which is designed to stimulate local economic growth by targeting investment to deliver the infrastructure needed to unlock constrained and stalled development sites, helping to realise potential development value, new jobs, housing and regeneration.

The Programme Management Team at GCC strongly advises of the need to consider and protect the integrity of the successful GIFF programme and importantly, the preservation of the key feature of the fund which facilitates recycling of the capital funds for further investment in other exciting development opportunities and projects. It is also an imperative that there is sufficient revenue funding 'ring fenced' to ensure the continued effective operation and programme management of the fund.

6. Risks

It must be recognised that if the revenue funding is to be utilised in this way, then a proportion of the Growing Places fund will be lost with a strong likelihood of not being replaced. Consequently, the LEP needs to be clear about its priorities and future resourcing challenges and to ensure they are not just being opportunistic.

If the remaining revenue funds for GIFF run down to an unmanageably low level, the LEP could be constrained in operating the investment programme. This could place additional risks on the County Council, as the Accountable Body, for maintaining and managing the Fund. The LEP Board has clearly stated that it wishes for the GIFF funds to remain a loan funding for future development projects. Consequently, it is important that this 'ask' is definitely seen as a 'one off' request and not a precedent for the future.

The ability for the LEP to secure sufficient funding contributions from key partners as match, in particular the Local Authorities, to support the planned inward investment programme within the planned timescales is a further risk. However, it is felt that funding from partners would clearly provide some collective ownership, effort and momentum to help make the planned inward investment programme successful and with maximum impact in generating economic growth for the County.

Agenda Item 9

7. Investment Panel Observations

The Investment Panel acknowledged that this is a fortuitous and timely opportunity for the County to bid for additional resources to be able to take a proactive stance to attracting new investment and growth. The County now has a good number of exciting flagship assets and sectoral offers, as a result of some of the investments made through the Local Growth Deal, so is now well placed to promote these opportunities to secure new investment and support indigenous economic growth.

Following discussion and having reviewed and considered the current financial position of the fund, the risks and the fundamental need to protect the integrity of the programme, the Investment Panel agreed to make the recommendation to the LEP Board to provide a £200,000 award, strictly as a one off contribution to act as match funding for a complementary inward investment programme. The Panel also agreed that that they would not want to contribute any more than this amount, otherwise it has a potential to put the longer term ability to run the GIIF fund at risk.

8. Recommendation

The Board is asked to:

a) Receive the report and recommendations from the Investment Panel of 26 September 2017, regarding the re-investment of GIIF revenue funding and to approve the release of £200,000 of revenue funds to the LEP to utilise as match funding for the planned inward investment programme.

b) The Investment Panel actively encouraged the LEP to seek additional financial contributions from partners including the Local Authorities, HE/FE, private sector and the LEP itself. This will bolster the recommended £200,000 GIIF funding contribution and enable the County to maximise the bid value to secure the additional funding.

8. Further information:

If anyone has any queries or requires any further information, please contact either Claire Edwards or Angela Presdee, details outlined below.

Claire Edwards - claire.edwards@gloucestershire.gov.uk 01452 328303

Angela Presdee - angela.presdee@gloucestershire.gov.uk 01452 328309

Angela Presdee
Economic Growth & Strategic Planning Team
Gloucestershire County Council
27 September 2017