Date: 15th December 2017

Subject: Local Growth Fund 3 – Greater Manchester Business Productivity and Inclusive Growth Programme

Report of: Councillor Kieran Quinn, GMCA Portfolio Lead for Investment Strategy & Finance and Eamonn Boylan, GMCA Chief Executive

PURPOSE OF REPORT
This report seeks approval for the Full Business Case which has been put forward by the Growth Company (GC) for Local Growth Fund (LGF) and local authority funding to deliver the GM Business Productivity and Inclusive Growth Programme.

RECOMMENDATIONS:
The Business Productivity and Inclusive Growth Programme business case meets the level required at Gateway 3 (Full Business Case) in GM’s Assurance Framework process agreed with Government for LGF funding and represents a good return on investment. Leaders are therefore asked to:

- approve the allocation of £11.1m of local authority funding to the Programme, which in 18/19 will be taken from retained business rates and thereafter subject to sufficient such business rates being generated, or otherwise as a call on other GMCA resources;
- approve the allocation of £15m of LGF monies to the Programme, subject to appropriate monitoring and evaluation arrangements being put in place; and
- note that there will be a requirement for a capital and revenue switch which will require approval from the GMCA’s auditors

CONTACT OFFICERS:
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- John Holden, Assistant Director of Strategy & Research, GMCA (John.holden@greatermanchester-ca.gov.uk)

Risk Management – An assessment of major budget risks faced by the authority are carried out quarterly as part of its reporting process
Legal Considerations – There are no specific legal implications contained in the report.

Financial Consequences – Revenue – See paragraph 2.5

Financial Consequences – Capital – There is a requirement for a capital and revenue switch, which will require approval from the GMCA’s auditors.

BACKGROUND PAPERS:
- Report to Greater Manchester Combined Authority: ‘Growth Deal Round 3’: 24th February 2017
- Report to Economy, Business Growth and Skills Overview and Scrutiny: ‘Local Growth Fund – update on progress to date’: 8th September 2017

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<td>Does this report relate to a major strategic decision, as set out in the GMCA Constitution (paragraph 14.2) or in the process (paragraph 13.1 AGMA Constitution) agreed by the AGMA Executive Board:</td>
<td>Yes</td>
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<td>Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?</td>
<td>N/A</td>
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1. BACKGROUND

1.1. In July 2016, Greater Manchester submitted its Local Growth Fund Growth Deal 3 proposal for a programme of investment to create a thriving and self-sustaining city-region, sitting at the heart of the Northern Powerhouse and driving growth across the North and the UK as a whole.

1.2. Prior to submission the GM proposal was discussed and agreed with the GMCA and GM LEP, which was critical in order to demonstrate to Government that GM had adopted a balanced approach to the priorities identified, and to ensure a high scoring bid.

1.3. The GM proposal was for an investment programme totalling £566.1m, with a reduced programme proposal of £410.1m, should the allocation fall short of the funding to deliver the programme in full. The proposal covered GM priorities across the themes of transport, skills capital, science, cyber security, Evergreen loan funding and an equity fund and a productivity programme. The GM bid was scored highly on assessment by Government as a result of GM’s focus on priorities and the balanced approach taken across these priorities.

1.4. In February 2017 the GMCA and the GM LEP agreed the priorities for a reduced amount of Growth Deal funding. The Productivity Programme element of the original Growth Deal 3 bid contained two parts - £12m ‘equivalence monies’ for the lack of devolved business support funding and a £20m programme to improve productivity in the GM business base. Since there is no other source of funding for these activities, a £15m allocation was agreed as this was felt to be the minimum needed to continue growth services to businesses across the conurbation, as well as driving an element of productivity and export support which will be vital in the light of the vote to leave the EU.

1.5. It was noted at the GMCA meeting in February that further work was underway in defining the details around the specific projects and that each project would be presented to the LEP and GMCA over the coming months for approval. The Growth Company (GC) have now submitted a Full Business Case for approval by the LEP and GMCA, following the process set out in the Single Pot Assurance Framework agreed between GM and Government. The Full Business Case for LGF funding was approved by the GM LEP at its meeting on 13th November 2017, on the condition that the local authority match element is agreed.

2. GM BUSINESS PRODUCTIVITY AND INCLUSIVE GROWTH PROGRAMME PROPOSAL

2.1. The aim of this Programme is to create a single, coherent business support system for Greater Manchester to deliver sustainable and inclusive growth for the GM economy using a partner-based approach alongside the Growth Company’s (programme sponsor) staff team. All programme activities, including those delivered by partners, will be managed by the Business Growth Hub, part of the GC.
2.2. The proposal addresses GM’s need to close its productivity gap with the rest of the UK and ensure that all parts of the city region can contribute to, and benefit from, economic growth.

2.3. The programme will involve multiple strands of activity under four modules:

- Start-up support: Individual elements covering livelihood businesses, high growth start ups, and scale up support.
- Business Growth Programme: This is the largest module and covers: (1) Universal support across Greater Manchester on a light touch basis; and (2) Intensive programmes covering innovation, leadership, business strategy, skills and talent, access to finance, and specialist sector support.
- Technology Co-Investment Fund: a seed and early stage co-investment fund that will invest in a range of technologies and innovations.
- Greater Manchester Targeted Programme: An integrated support programme for larger businesses with the greatest potential to grow and improve productivity.

2.4. The total programme cost is £26.1m, which is predicted to deliver 1,860 business assists, resulting in around 970 net additional FTE jobs and supporting £96M in net GVA over the course of the project. If the benefits are of the level forecast it would represent a 4.4:1 return on the public investment, which is a ratio in line with previous national and local business support evaluation findings. The net cost per job of £23,600 is low compared to the ‘normal thresholds’ of £40,000 per job for regeneration activity, but it is relatively high compared to CLG’s analysis of previous business support programmes (which found a typical range of between £6,000 and £20,000 cost per net job). The higher than average net cost per job can be explained by the programme focusing on creating higher productivity, higher wage employment rather than on the volume of jobs, which most business support programmes focus on.

2.5. Of the total programme cost of £26.1m, £15m is requested from the Local Growth Fund element of the Single Pot. Other funding required would be from Local Authorities (£11.1m). With regard to the £11.1m local authority contribution, £1.5m of this relates to GMCA’s existing commitment to underwrite required match funding for existing 2015-18 ERDF business support projects, although the funding for this is currently unidentified. The cost falling on the GMCA in 18/19 will be met from the retained business rates from 16/17, with an expectation that future sums will be met from future retained benefits from the 100% pilot. If these future benefits do not materialise to the level expected then the shortfall would need to be met from other sources within the overall GMCA budget.

2.6. The business case sets out that GC will produce an Activity Plan for each local authority district. This will be written in partnership with each district and will set out the local Business Growth Hub offer, including bespoke activity that will address specific wants or aspirations. These plans will draw on the suite of integrated GM level services to reflect targeted need and opportunities. Because these plans have yet to be developed, it is not at this stage possible to predict how jobs will be spread across GM, so it is recommended that monitoring arrangements be put in place to allow the CA
and districts to keep the jobs and GVA impacts under review. It is also suggested that a robust evaluation framework needs to be put in place from the outset of the programme so that the net impact of the programme can be fully assessed. This will both meet the needs of funders and stakeholders, but also strengthen the case for future investment in business support activities.

2.7. Following a review of the GM Business Productivity and Inclusive Growth Programme Full Business Case, an officer group of the GMCA and GM Chief Executives Investment Group have reached the conclusion that, if the local authority match element is agreed, the business case will meet the criteria for an Assurance Framework Gateway 3 (Full Business Case) approval. Following the LGF element of the programme being agreed at the GM LEP meeting on 13th November 2011, it recommended that the GMCA approve the local authority funding and LGF elements of the programme to enable a grant offer to be issued to the GC and for the programme activity to commence.

3. RECOMMENDATIONS

3.1. Recommendations appear at the front of this report.