

LEP - Joint Scrutiny Committee

Wednesday, 8th March, 2023 in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston, at 2.00 pm and via Microsoft Teams as a Hybrid Meeting

Agenda

Part I (Items Publicly Available)

- 1. Welcome and Apologies**
- 2. Declaration of Interests**
- 3. Minutes of the meeting held on 18th November 2022 (Pages 1 - 6)**
- 4. Matters Arising**
- 5. LEP Chief Executive's Update - March 2023 (Pages 7 - 10)**
- 6. Food & Agriculture Summary (Pages 11 - 14)**
- 7. Growing Places Fund Investment Strategy (Pages 15 - 44)**
- 8. Growing Places Fund Private Sector Leverage (Pages 45 - 48)**
- 9. LEP Joint Scrutiny Committee Work Programme 2023/24 (Pages 49 - 50)**
- 10. Any Other Business**
- 11. Date of Next Meeting**

The next LEP Joint Scrutiny Committee meeting will be held on 13th September 2023 at 2pm in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston and via Microsoft Teams.



LEP - Joint Scrutiny Committee

Minutes of the Meeting held on Friday, 18th November, 2022 at 10.30 am in Committee Room 'B' - The Diamond Jubilee Room, County Hall Preston / via Microsoft Teams

Present

Mike Leckie (Chair)

Councillor Christopher Dixon
Councillor James Flannery

Councillor Terry Howarth
County Councillor Cosima Towneley

In Attendance

Debbie Francis OBE, Chair, Lancashire Enterprise Partnership
Hannah Lysons, Democratic Services Officer, Lancashire County Council
Andy Milroy, Democratic Services Manager (Companies), Lancashire County Council
Sue Roberts, Commercial and Business Support Manager, Lancashire Enterprise Partnership
Andy Walker, Interim Chief Executive, Lancashire Enterprise Partnership

1. Welcome and Apologies

Mike Leckie, Chair of the LEP Joint Scrutiny Committee, welcomed all to the meeting. Apologies were received from Councillor Dave Brookes, Councillor Phil Crowe and Councillor Louise Edge.

2. Declaration of Interests

None.

3. Minutes of the meeting held on 8th March 2022

Resolved: The minutes from the last meeting of the LEP Joint Scrutiny Committee held on 8th March 2022 were approved as an accurate record and signed by the Chair.

4. Matters Arising

Under Matters Arising, Andy Walker, Chief Executive Officer, LEP, raised a query that had been made regarding the Enterprise Zone at Wharton and stated that there are ongoing discussions with BAE Systems which are subject to a Non-Disclosure Agreement and cannot be discussed in a public forum. It was noted by

the committee that these conversations are ongoing.

In addition, a query was raised regarding committee member attendance at the joint scrutiny committee with members encouraged to attend regularly.

5. LEP Update and future operation of the Joint Scrutiny Function

Andy Walker presented a report (circulated) which provided an update on the LEP currently, and the operation of the Joint Scrutiny Function going forward. The key points were as follows:

- The policy around LEPs at a national level is uncertain, and LEPs have seen downgrading of funds over recent years. Due to this, there has been a re-focus to better align the LEP with nascent aspirations.
- Annual revenue:
 - Work with Sectors £60k
 - Work to support the establishment of National Cyber Force £65k
 - Marketing (events, reports) £72.5k
 - General project funding, consultancy and prof. services £45k
 - Total £202.5k
- The LEP has existing or planned in year costs in respect of Eden Levelling Up Fund case-making (£60k) and the National Cyber Force (NCF) – Samesbury Innovation Hub feasibility (£60k).

It was stated that it is important to have an active scrutiny committee that understands the areas which the LEP are involved in, in order to identify the blocks of activity to scrutinise going forward.

Mike Leckie further noted that it was important that the scrutiny committee functions in a way that it can proactively determine what it wants to see from the LEP, and therefore it is important for members to express what they would like to see brought to the committee in the future.

Questions and comments were as follows:

With regards to the Social Value that is being generated from LEP Capital Programmes, it was noted that this is a positive thing and that it would be beneficial to see in further detail how this is being reported, captured, and presented.

Action Point: Andy Walker to present a report to the next meeting of the Joint Scrutiny committee in March regarding Social Value and how it is being delivered and measured across the LEP area.

Councillor James Flannery raised a query regarding transparency with regards to auditing of the LEP's ventures, with a request that this be brought to the scrutiny

committee as a future item.

Debbie Francis OBE, Chair of the LEP, confirmed that scrutiny and audit of the LEP's programmes are continually happening and that therefore it would be possible to bring a report on audits to the Joint Scrutiny Committee.

Action Point: A report which outlines a summary of audits completed within the LEP's programmes to be presented at the next meeting of the Joint Scrutiny committee in March.

In addition, it was queried how the LEP is distributing the sums of money which it is in receipt of with reference to overseas ventures by officers of the LEP as part of its internationalisation efforts.

Andy Walker clarified that the position of the LEP is to support those overseas businesses which are already conducting business within Lancashire to ensure they have as much support as possible, and that conducting overseas ventures via international agents is less common. He further confirmed that the Department for International Trade provides the information and insight to these ventures for the LEP to triage as necessary.

Sue Roberts also clarified that the partnership with the Department for International Trade is a collaborative one, aimed at creating propositions in Lancashire. She also further clarified that the Internationalisation strategy will involve establishing which markets to go into and approaching known participants in that area including taking advantage of the Department for International Trade's overseas posts.

In addition, it was clarified there was an ongoing effort to proactively promote Lancashire in a direct way wherever possible.

The importance of understanding the Rural economy's impact on the operations of the LEP was raised by Councillor Towneley and was noted by the committee. Andy Walker confirmed that activity in the relevant sectors is currently taking place.

Debbie Francis also confirmed that vacancies for LEP Board members which target these sectors are currently being recruited, and that this will have a positive impact on the work of the LEP in these economies going forward.

It was suggested that, following the completion of the sector studies, a task and finish working group could be created to review these economic areas. Mike Leckie confirmed that a further discussion will be held with the LEP Chief Executive regarding the Committee's use of task and finish working groups.

Action Point: A report which details the Rural Economy Sector Studies to be presented at the next meeting of the Joint Scrutiny Committee in March.

Resolved: The LEP Joint Scrutiny Committee noted and commented on the report as presented, including consideration of areas of LEP activity to further explore under the committee's remit.

6. Growing Places Fund Process

Sue Roberts presented a report which outlined the Growing Places Fund and the process which is undertaken in order to assess the suitability of applicants, approval of loans, and the drawdown and repayment of those loans. The key points were as follows:

- In 2012 the LEP was allocated £19,378,944 million in two tranches.
- The purpose of Growing Places Fund is to grow the economy of Lancashire by bringing forward development on marginal schemes which would not have come forward if left to market forces
- The funding is for development sites which include housing, infrastructure, commercial or industrial buildings.
- The fund is managed by the LEP in consultation with its Accountable Body, via a stage process
 - a) stage one assesses initial expressions of interest and market interest;
 - b) stage two focuses on the management of successful funding applications and agreement of funding agreement;
 - c) stage three concerned with on-going monitoring and performance of the investment.
- The Growing Places Fund has successfully brought forward development continuously since 2012 and has been fully recycled.
- As of 15 November 2022, the Growing Places Fund has delivered the following outputs:
 - Number of completed schemes 10
 - Number of schemes on site 1
 - Value of loans £39,328,361
 - Value of loans repaid £37,745,982
 - Private sector investment £107,301,465
 - Interest received on loans £2,177,036
 - Square Foot/Square Metres developed 2,125,128 Sq Ft (201,563 sqm) buildings plus 215,278 sq ft (20,000 sqm) public realm
 - Jobs created 2,135
 - Housing units delivered 776

Questions and comments were as follows:

It was noted that the way in which the Growing Places Fund is structured will

allow many businesses to thrive, particularly in an uncertain economic climate, and that this presents a great deal of Social Value which will benefit enterprises across Lancashire.

It was further noted by the committee the success that the Growing Places Fund has had in recycling the funds which were allocated to the LEP through the structure of the way that the funds are distributed.

Councillor Howarth clarified the amount of private sector leverage gained by each scheme and if Growing Places funding was instrumental to generating that additional private sector funding.

Action Point: A further report regarding Growing Places private sector leverage to be presented the LEP Scrutiny Committee meeting in March.

Resolved: The LEP Joint Scrutiny Committee noted the report as presented.

7. Any Other Business and Date of Next Meeting

Resolved: It was noted that the next LEP Joint Scrutiny Committee meeting is scheduled to be held as a Hybrid meeting at 2pm on 8th March 2023 in County Hall, Preston / via Microsoft Teams.

In addition, the Committee discussed future topics to be brought to the LEP Joint Scrutiny Committee and agreed that the following items be added to the Committee's work programme and brought to the March 2023 meeting:

- Dashboard of Audit Activity (which will become a standing item for future Committee meetings)
- Growing Places Fund – Further update on private sector leverage
- Social Value – How it is being delivered and measured across the Lancashire LEP area.
- Rural Economy Sector Studies – Activity in the LEP area and how to LEP is supporting this sector.



LEP – Sub Committee

LEP - Joint Scrutiny Committee

Private and Confidential: No

Date: Wednesday, 8 March 2023

LEP Chief Executive's Update – March 2023

**Report Author: Andy Walker, Tel: 01772 535629,
andy.walker@lancashire.gov.uk**

Executive Summary

The Lancashire Enterprise Partnership (LEP) has now concluded its Annual Performance Review 22/23 with colleagues from the Department for Levelling Up, Housing and Communities (DLUHC) and has been given a much-improved clearance of its activities with no real outstanding issues or areas for concern.

Recommendation

That the LEP Joint Scrutiny Committee:-

- (i) Note the new central government financial settlement for LEPs in 2023/24.
- (ii) Endorse the preparatory work which is being done with the LEP Board to identify priority activities which will figure in the LEP Business Plan 23/24.
- (iii) Consider the role the LEP can play in supporting the collaborative work of the local authorities around the Lancashire 2050 framework; and
- (iv) Start to consider the trajectory for LEP integration into any future devolution arrangements within Lancashire

Background and Advice

The LEP have begun using informal and formal board meetings to consider priorities for the LEP's Business Plan in 2023/24 and matching these against the available resource.

The Annual Performance Review which endorsed the progress which the LEP had made in 22/23 coincided with a notification on government core grant funding for the LEP in 2023.



The amount offered for 2023/24 is £250,000. This is a further reduction from the £375,000 provided in 22/23 and the £500,000 in 2021/22.

The reduction in funding mirrors the switch of major place-based funding programmes from LEPs (Growth Deals, Getting Building Fund, European Strategic Investment Funds) to local authorities (Town Deals, Levelling Up Funds, UK Shared Prosperity Funds).

Nevertheless, government continues to see a key role of LEPs in providing a strong business voice within local policy making and in improving the delivery and impact of employment, skills and business support activities within sub-regions.

Typically LEP members have provided local match at 50% of the core grant value. The LEP would request that this continues in 23/24.

Business Planning 2023/24

2022/23 was a period of transition for the LEP, with a significant reduction in government core grant, a turnover of established board members and a change of Chief Executive in mid-year. Despite this, the year saw prior LEP investment in the case-making for Eden Morecambe come to fruition, continued work to realise the full benefits of National Cyber Force choosing Samlesbury for its new HQ, continued investments made through the Growing Places Fund and the completion of studies/strategies dealing with Internationalisation, Business Finance, Innovation and Lancashire's six priority sectors.

Priorities for the coming year

Whilst the LEPs stewardship of Growth Fund and Getting Building Fund projects is now coming to an end there is a broad range of activity which continue to absorb the attention of the Board and the resource available to the LEP.

On-going Projects

1. Growing Places Loan Fund
2. Growth Deal and Getting Building Fund Programme
3. All GBF and GD fully defrayed, so focus on match fund reporting, and final financial position.
4. Lancashire Cyber Partnership, including co-ordination of National Cyber Force workstreams LEP now co-lead on Industry Engagement and Skills via the Skills Hub.

Potential discrete cyber projects include :-

- a. Innovation Hub Concept – further business case development, potentially through to planning.
- b. Cyber Corridor Vision – Workshop document which LEP funded, Alan Heckman delivered, is currently with Sarah Kemp to update and circulate. This work needs to progress via the Cyber Corridor workstream.



5. Eden – LEP role moving forward TBC
6. North West Net Zero Consortium with Lancashire Event planned for Autumn 2023 (funded)
7. Enterprise Zones - On-going LEP role to be defined.
8. Town Fund projects LEP representation
9. Sector studies – further action
10. LEP Marketing – objectives probably need to be defined.

Additional Demand 2023/24

Whilst not yet formally within devolution negotiations, there has been recent, strong encouragement from the Secretary of State that Lancashire and the remaining northern sub-regions without deals should move into negotiations, sooner rather than later.

Lancashire local authority leaders have coalesced around the **Lancashire 2050** framework, launched as part of the Lancashire Day celebrations at the Speakers Rooms in the Palace of Westminster. This document has eight themes :-

Figure 1 – Lancashire 2050 Themes



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The Chair and CEO are utilising upcoming meetings with the LEP Company Members (Lancashire's three upper tier local authorities) to define the contribution the LEP can make in terms of the actions which flow from Lancashire 2050 and any subsequent **devolution deal**. This area of work will be new in 23/24 but could provide an avenue to pursue some of the actions and ideas which have been developed within the LEPs sector and thematic strategy work.

Coupled with L2050 and devolution, the LEP needs to start to think in earnest about greater **integration** with a future County Combine Authority. The LEP network is already providing a platform of peer groups of LEPs at similar stages in their devolution



journey. Looking in depth at the case studies arising from this work will give a spectrum of models and solutions as to how a strong private sector voice within new structures.

Staffing

The LEP continues to carry significant vacancies from the last published staffing structure chart. Filling this structure is no longer affordable given the reduced core budget of the organisation so this needs to be revised to balance activity with resource.

One immediate issue will be to fill the vacancy left by Anne-Marie Parkinson, Head of Service – LEP Coordination, when she leaves at the end of March 2023.

The CEO will bring forward a revised Job Description and plan to recruit and cover the functions presently within this role.

List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



LEP – Sub Committee

LEP - Joint Scrutiny Committee

Private and Confidential: No

Date: Wednesday, 8 March 2023

Food & Agriculture Summary

**Report Author: Martine Winder, Tel: 01772 538791,
martine.winder@lancashire.gov.uk**

Executive Summary

Lancashire's Food & Agriculture Sector has been identified as one of the six pillars of growth in the LEP's Strategic Economic Framework.

The sector group established by the LEP has identified policy agendas and external forces driving change in the sector, which has resulted in the development of a vision and four strategic objectives to effect change and increase the efficiency and productivity of the sector to achieve growth.

This report of is an overview of the work to date.

Recommendation

The LEP Joint Scrutiny Committee is asked to note and provide feedback on the contents of the report.

Background and Advice

In December 2020, the board approved the LEP's Strategic Economic Framework which prescribes a system leadership approach which brings together both the public and private sectors to address the underlying economic challenges of the county, as well as responding to existing and emerging opportunities.

Within the Framework system, a series of inputs will start to determine evidence-based strategies and priorities for action, which will deliver strategic impact for Lancashire with respect to the following:

- New and sustainable jobs for everyone
- Improved productivity across Lancashire's business base
- A vibrant ecosystem which supports new business start-ups and growth



- Investment and growth in new industries for Lancashire
- Significant contribution to net zero carbon targets across all sectors
- Enhanced sustainable, internationally competitive businesses

At the heart of the framework are six pillars of growth, which identifies key industry sectors for employment and productivity growth and a set of enablers, essential to the success of those industry sectors where barriers to growth may need to be addressed and enabling factors fuelled for greater impact. A sector development approach is being taken for the pillars of growth, which has resulted in sector groups being established and which are led by business-leaders in their respective sectors.

Each sector group has been tasked with developing a long-term sector-specific strategy which will achieve and sustain a competitive position on both the national and international stage. Competitive advantage will be achieved by:

- Increasing the productivity of indigenous businesses
- Driving the direction and pace of innovation within businesses
- Stimulating the formation of new businesses and growth of existing businesses
- Identifying the county's differentiators and unique capabilities within each of the industrial sectors and the identification of new growth pathways

The sector plans will also determine which enablers (such as skills, infrastructure and inward investment) are the most important for the successful development of the sector.

The Lancashire Food & Agriculture Sector Plan – Emerging Themes

Context

Lancashire's food and agriculture sector has significant untapped growth potential, which when combined with the technical expertise of other prominent sectors within the county, creates a compelling narrative in an era when policy and disruptive trends are requiring a step-change in traditional practices.

Covid, Brexit, Net Zero, changes to consumer behaviour and expectations and the impact of the war in Ukraine on global supply chains and energy are just some of the agendas which are driving change in the sector. Whilst the county's businesses have the capabilities to respond, there are a number of restraining forces which need to be addressed if the sector is to become more efficient, increase productivity and create jobs in a sustainable manner.

Overview

Under the chairmanship of David Hall, Regional Director for the NFU, the Food & Agriculture Sector Group is comprised of business leaders and educationalists



operating in the sector to identify what was needed to maximise the opportunities and mitigate the accompanying risks arising from the above agendas.

The group first began meeting during the pandemic, and whilst as a sector the impact of Covid was mixed, it quickly became apparent that both Covid and Brexit provided significant growth opportunities for the sector. The group also discussed how changes to the policy environment within which they were operating, mostly notably the Agricultural and Environmental Acts, would act as drivers for change. More recently, the impact of the war in Ukraine on global supply chains and energy are also providing the impetus for change.

Vision

The vision for the sector is for (by 2030) *'Lancashire's food & agriculture sector to be a world-leading network of researchers, educationalists, farmers, growers, manufacturers, retailers, technologists and entrepreneurs. This network will drive improvements in agri-food productivity, animal health, food security and profitability whilst working towards net zero targets.'*

To achieve this, a whole system approach will be established through an ambitious programme of investment in skills and knowledge to increase innovation and the take-up of new technologies to drive productivity and growth.'

Opportunities and Strategic Objectives

To achieve the vision for the sector, the group has identified county's capabilities and how they may be effectively deployed to capitalise on opportunities which include:

- Increased awareness of food provenance
- Export opportunities arising from Brexit
- Capitalising on Lancashire's technological strengths and capabilities to improve efficiencies and increase productivity

To enable the realisation of the vision, capitalise on the identified opportunities and mitigate risk to the sector, four strategic objectives have been identified:

- **Strategic Objective 1:** To improve the productivity and innovation of the sector through the adoption of technology
- **Strategic Objective 2:** Skills and workforce development; the retention and attraction of talent
- **Strategic Objective 3:** Market growth and supply chain development
- **Strategic Objective 4:** Realising the sector's contribution to net zero

The Food & Agriculture Labour Market Information Study

Whilst the importance of the sector has been identified in the LEP's Strategic Economic Framework, during the course of the sector group's work it become



apparent that a better understanding of the sector was required. Consequently, in 2022 AMION Consulting was commissioned by the Lancashire Skills and Employment Hub, using Department for Education (DfE) Skills Advisory funds, to produce a Labour Market Information (LMI) report to undertake a 'deep dive' of the sector to establish the skills implications of key drivers and local growth trends affecting the sector.

The findings of the study have been used to support a range of careers activities (aligning with Strategic Objective 3) following an award of funds from the Lancashire County Council Rural Recovery Funds to the Lancashire Skills and Employment Hub. The programme aims to inspire young people about opportunities in the sector. The programme has included:

- Development of sector pages on the 'Start in Lancashire' digital careers platform used by secondary schools and colleges, including case studies and videos with local Lancashire businesses: <https://lancashire.startprofile.com/page/food-agriculture-overview>;
- Local labour market intelligence sessions with careers professionals providing careers advice and guidance and employability support to young people and adults;
- Teacher placements in Food and Agriculture businesses in West Lancashire and the subsequent development of curriculum materials;
- Production of VR films showcasing Food and Agriculture businesses, to be used as part of Myerscough College's outreach activities with schools; and
- Two 'Bitesize Events' in West Lancashire, which enabled young people from secondary schools to visit multiple employer sites and experience a chef demonstration at West Lancashire College.

Next Steps

- The Food & Agriculture Sector Plan is currently being finalised, and it is anticipated this will be presented to the LEP Board for approval in March.
- The essential next steps thereafter will be to translate the plan into a detailed action and implementation plan aligned to the four strategic objectives.

List of Background Papers

Paper	Date	Contact/Tel
None		
Reason for inclusion in Part II, if appropriate		
N/A		



LEP – Sub Committee

LEP - Joint Scrutiny Committee

Private and Confidential: NO

Date: Wednesday, 8 March 2023

Growing Places Fund Investment Strategy

(Appendix 'A' refers)

**Report Author: Sue Roberts, Tel: 01772 536605,
sue.roberts@lancashire.gov.uk**

Executive Summary

Growing Places Fund has been available to unlock stalled sites in Lancashire for over 10 years.

The fund has been recycled and has new flexibilities which enable it to be used for a wider range of purposes. The Investment Strategy sets out a framework to assist the LEP board in decision making with regards to this Fund and the inherent risks that accompany it.

In response to the feedback from the board at the 13 September meeting and subsequent comments from Company Members version 3 of the strategy includes additional sections covering an investment decision matrix, pricing, social value, net zero, investment matrix, pricing applied to previous schemes and the Growing Places flowchart.

Recommendation

The LEP Joint Scrutiny Committee is asked to consider and review the Growing Places Investment Strategy providing any feedback in advance of it being submitted to the LEP Board for approval.

Background and Advice

1. The Lancashire Enterprise Partnership Ltd received its allocation of Growing Places 10 years ago and it has been used as revolving loan fund to unlock stalled sites ever since.
2. The Fund has been completely recycled and now has new flexibilities regarding the range of projects where the fund can be deployed.



3. At present, the Growing Places Fund is the most significant resource that the LEP has available to unlock and support projects.
4. The Investment Strategy at Appendix 'A' sets out a framework to enable the LEP Board consider applications for use of this Fund and the inherent risks that accompany it.
5. LCC legal services team provides support to the LEP in appointing and liaising with external legal advisors to ensure that adequate legal agreements are put in place to protect the LEP's interests. The cost of the external legal advice is covered by the borrower.

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A



Lancashire Enterprise Partnership

Growing Places Investment Strategy v.3

February 2023

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1. Background

- 1.1 The Growing Places Fund (GPF) was launched in 2011 as a joint initiative of Department for Communities and Local Government (DCLG) and Department of Transport (DfT) who sought assurance that local partnerships were committed to using GPF for the provision of infrastructure and would target projects which represent good value for money.
- 1.2 When the GPF was launched, it was strongly encouraged by Government, to be used as a revolving Fund to unlock stalled investment; this has been the approach to-date in Lancashire with 100% of allocations being made in this way.
- 1.3 In 2012 the Lancashire Enterprise Partnership (LEP) was allocated £19,378,944 million.
- 1.4 GPF has three overriding objectives,
 - To generate economic activity in the short term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing,
 - To allow LEP's to prioritise the infrastructure they need, empowering them to deliver their economic strategies,
 - To establish sustainable revolving funds so that funding can be reinvested to unlock further development and leverage private sector investment.
- 1.5 GPF was designed and used to unlock or help progress stalled or blocked commercial development and to provide access to loan finance in places that had been overlooked. This is still a key issue for parts of Lancashire.
- 1.6 In 2015 DCLG commissioned an Appraisal Report in England which evaluated the performance of GPF.
- 1.7 It reflected that 84% of the GPF had been awarded on a loan only basis. A minority of LEPs deployed the funds as grant only or a mixture of loan and grant. It set the precedent that LEPs can use the Fund as grant in order to meet economic needs.
- 1.8 The Lancashire LEP uses the interest generated from the GPF to pay for salaries of officers and strategic initiatives to supplement the grant funding received from government and company members in the operational budget.
- 1.9 The original funding allocation was un-ringfenced and came with the single condition that it had to be used for capital projects. In July 2020 DCLG confirmed that there were no specific conditions regarding whether repaid loans could be treated as capital or revenue when it was returned to the LEP.

- 1.10 The LEP now has the flexibility to use the funds for capital, revenue or grant. For any approval of funds such as grants, the LEP needs to be aware that if grant is deployed then there will be a consequential loss of income regarding the LEP's core operating budget as well as the opportunity to recycle the funds to further projects in the future i.e. reducing the overall pot available for investment
- 1.11 For every £100k of GPF loan, the LEP could expect to receive an average return of 4% plus the Bank of England base rate.

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2. Current Position

- 2.1 The purpose of GPF is to grow the economy of Lancashire by bringing forward development on marginal schemes which would not have come forward if left to market forces.
- 2.2 Evidence for the Internationalisation Strategy revealed that for every 4 jobs there are 5 people of working age and approximately 80,000 people leave the county to find employment. This costs our economy £4.3bn per annum and 130,000 people can't find jobs to match their skills. By using GFP strategically to support public sector initiatives it has the potential to make a bigger impact, retain talent in Lancashire and thereby grow the economy.
- 2.3 The current criteria for GPF is a stalled scheme based in Lancashire. The funding is for development sites which include housing, infrastructure, commercial or industrial buildings. Security is always taken for the loan, usually in the form of a first charge over the land or building and the borrower pays for the legal, valuation and monitoring surveyors fees of the LEP.
- 2.4 The benefit of this approach has been to create an Evergreen Fund which contributes to the economic success of Lancashire. The outputs and impacts of the scheme are outlined in Section 3 below.
- 2.5 The nature of GPF in the alternative finance market is that schemes can take a long time to come forward. Many borrowers have not previously gone through a rigorous due diligence and monitoring process which has subsequently resulted in developers being much more robust in their approach going forward after completing a Growing Places scheme.
- 2.6 GPF has successfully brought forward development continuously since 2012 and now is the only funding available to the LEP to deploy.
- 2.7 At present, GPF is the most significant resource that the LEP has available to unlock and support projects so GPF needs to be fully deployed and used to its maximum potential to positively impact the Lancashire economy, utilising the flexibility of the Fund.
- 2.8 Growth Deal and Getting Building Fund have been fully committed and the Levelling Up Fund and the UK Shared Prosperity Fund is only open to Local Authorities, not LEP's. This has limited the ability of the LEP to apply for funding to support the growth of the Lancashire Economy.
- 2.9 Added to this is the poor economic outlook for the next 18 months and the government's desire for those areas that want a devolution deal to put their plans to them. As part of a devolution deal LEP's will be combined with a Combined Authority to provide the voice of business. Therefore, the Lancashire Enterprise Partnership as we know it will transition into a County Combined Authority in future. The launch of the Lancashire 2050 strategic

framework in November 2022 (on Lancashire Day) signalled the start of the process for Lancashire.

- 2.10 Currently schemes come forward and are assessed on a case-by-case basis. This ensures that there is a rolling programme of drawdowns and repayments.
- 2.11 There are three schemes going through due diligence and due to a freeze on marketing for over 2 years the pipeline needs rebuilding. It is important to utilise this funding to the maximum and make the funding work hard to create an environment where companies thrive and talent is retained.
- 2.12 Given that circa 80,000 workers per annum travel outside of Lancashire for highly paid jobs to match their skill set. There is a need to grow the quantum of jobs and retain talent in the county
- 2.13 In order to align the Fund with the Strategic Framework of the LEP, GPF will be used for bringing forward development sites to support other public sector investment, inward investment, EZ development and the co-creation of an Innovation Fund with all activities aligned to the sectoral priorities and sector action plans. Going forward, it is proposed to nominally split the Fund to cover,
- Development Sites – business as usual
 - Inward Investment opportunities
 - Enterprise Zone development
 - Innovation/ Manufacturing/Low Carbon Fund - to be externally managed
 - A closer alignment with LEP sectoral priorities and sector action plans.
- 2.14 As of 31 January 2023. the Growing Places loan has delivered the following outputs.

Measure	Output
Number of completed schemes	10
Number of schemes on site	1
Value of loans	£39,893,370
Value of loans repaid	£ 38,159,751
Private sector investment	£ 107,457,445
Interest received on loans	£2,177,036
Square Foot/Square Metres developed	2,129,196 sq. ft. (197,808 sqm) buildings plus 215,278 sq. ft. (20,000 sqm) public realm
Jobs created	2,135
Housing units delivered	776

- 2.15 Types of schemes developed.

Type of scheme	Number
Commercial	2
Mixed Use	2

Housing	2
Land remediation	1
Infrastructure	1
Retail	1
Leisure	1
Total	10

- 2.16 The impact of GPF has been to support private sector development on the back of public sector investment in places such as Burnley, Wyre and Pendle. GPF schemes have come forward as a result of public sector investment via the Growth Deal or Getting Building Fund programmes and has widened the impact of those schemes.
- 2.17 It has supported Local Authority strategic aims in West Lancashire and Preston with GPF schemes kick starting regeneration in those boroughs as developers had the confidence to realise their ambitions. In these instances, the banks were not prepared to lend to the borrowers. Again, further private sector development has followed.
- 2.18 It has enabled new developers in Lancashire to start their development journey, thereby growing capacity in the market.
- 2.19 GPF could use the opportunity to close the economic performance gaps by supporting Levelling Up Funded schemes, UK Shared Prosperity programmes and the Lancashire Urban Development schemes . Using GPF can significantly enhance schemes that have attracted public sector intervention and build on the traction created.
- 2.20 GPF impact is not only felt directly on the schemes that receive funding but indirectly through the interest generated which pays for officer salaries and other strategic initiatives. The more interest that is generated from GPF provides funds other initiatives that can contribute towards closing the economic performance gap in Lancashire.

3. SWOT

3.1 The SWOT analysis presented below is based on the performance of GPF over 10 years and sets out the strengths, weaknesses, threats and opportunities for the Fund going forward.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Successful deployment of funds creating private sector leverage, jobs, housing units, infrastructure and development space • Evergreen Fund created • Operated on a commercial basis • Capital recycled • Creates income for the LEP • Only significant resource available to the LEP to deploy 	<ul style="list-style-type: none"> • Not widely deployed • Fund size cannot be increased • Currently only used for stalled sites • Slow process through due diligence can deter borrowers
Opportunities	Threats
<ul style="list-style-type: none"> • Other uses could be investigated due to new flexibilities • Support inward investment on a capital or revenue basis • Support development on Sarncliffe Enterprise Zone on a capital basis • Support expansion development projects on a capital basis • Provide revenue funding into an Innovation Fund for Lancashire • Provide loan or grant funding to encourage Inward Investment in Lancashire • Potential to improve talent retention in the county • Used as grant funding in exceptional circumstances for the benefit of the Lancashire economy 	<ul style="list-style-type: none"> • LEP budgets squeezed due to LEP Review and may be needed for operational activity • Grant use would deplete the Fund • No money currently available to increase the size of the pot • Uncertainty of use of funds after merger of LEP into County Combined Authority • Other competing public sector funds such as the Lancashire Urban Development Fund, the Northern Powerhouse Investment Fund and Rosebud • UK Government Recovery Loan Scheme

3.2 GPF has successfully deployed loan funds that have delivered significant outputs and generated over £2m of interest as income for the LEP.

- 3.3 It is run on a commercial basis and each loan is judged on its own merit. Historically interest rates have been set by reference to the EU Reference Rate, an EU State Aid measure to ensure market parity so that no State Aid is involved. Now that the UK has transitioned out of the EU and a new UK Subsidy Control regime applies, interest rates will be set by reference to the principles set out in the Subsidy Control (Gross Cash Amount and Gross Cash Equivalent) Regulations 2022 which come into force on 4 January 2023. This will ensure the provision of the loans will not involve any element of unlawful subsidy and therefore lending is on a 'no aid' basis. Further information on pricing of loans is detailed in Section 6.
- 3.4 GPF is not oversubscribed and needs to be marketed to fully utilise the funds. Resource needs to be devoted to working with developers and finding schemes that bring employment into the county. It takes time and resource to bring forward deals that are complex, risky and hard in order to provide the board with viable proposals that will ultimately help close the economic performance gap.
- 3.5 Funds left on deposit with LCC attract a rate of interest of 0.1% the funds deployed attract a much higher rate of interest to reflect the risk taken in investment. The deposit rate is subject to LCC Treasury Management Policy. Funds on deposit are not being utilised to support the Lancashire economy.
- 3.6 As GPF is the only significant resource available to the LEP to support economic development there are a number of calls on it.
- 3.7 With the new flexibilities available to GPF, the uses of the Fund on a loan basis will be expanded in order to have greater economic impact. Grant should only be used in exceptional circumstances as it will deplete the impact of the fund in future.
- 3.8 GPF has been used as capital funding and the recently launched Lancashire Urban Development Fund also provides capital funding for office, commercial and industrial buildings. GPF will work in conjunction with this Fund to bring development forward but to date no joint schemes have come forward. Please note that the Urban Development Fund cannot support housing development.
- 3.9 The Northern Powerhouse Investment Fund and Rosebud provide revenue funding for Lancashire businesses. The recent Availability of Finance in Lancashire report (July 2022) highlighted that apart from early seed funding there wasn't a lack of funding for businesses in Lancashire. However, there were recommendations to promote the financial offer and improve the financial eco-system which is the subject of a separate workstream.
- 3.10 GPF will be used to support inward investment in a capital or revenue capacity. For example, there is an opportunity to attract a nuclear imaging company into Lancashire and loan funding from Growing Places could be used for revenue and capital to attract the company to land here. Grant funding could be used but it would limit the size of the Fund

going forward and only used if there is no other support available. Buy supporting inward investment activity GPF brings investment and jobs into the county. Lancashire underperforms in terms of FDI activity in relation to Greater Manchester and Cheshire & Warrington LEP's

- 3.11 GPF can be used alone but if used in conjunction with another lender such as LCC, the Lancashire Urban Development Fund or Blackpool Council's Loan Fund it will have a bigger impact and provide an attractive loan package for attracting inward investment into the county. It can be based on capital or revenue or a mixture of both and will support closing the economic performance gap.
- 3.12 GPF can be used in a revenue capacity to collaboratively create a new Innovation Fund such as a Low Carbon Innovation Fund with partners such as the University of Central Lancashire.
- 3.13 There is the opportunity to use GPF strategically to create the environment to increase high quality jobs and improve talent retention in the county.
- 3.14 Whereas there is a tried and tested process for development loan schemes, shown in Appendix A, a streamlined process will need to be developed for other uses of GPF. In order to speed up the process more use of the Urgent Business Procedure is likely in order to work to the proposed project timescales rather than the board meeting timetable.

4. Investment Strategy

- 4.1 The Investment Strategy sets out the framework to manage the inherent risks in lending.
- 4.2 Continue to use the fund as a loan funding mindful of the uncertain nature of the transition to a County Combined Authority. However, in exceptional circumstances it could be used as grant.
- 4.3 The investment decision matrix at Section 5 will assist the board in assessing each proposal to ensure that the impact will contribute to the Lancashire economy. Whereas it is important for schemes to create jobs it is also important to create desirable housing for people to live. Given that a large number of people work from home the value of housing should not be underestimated.
- 4.4 Schemes that build on public sector funds such as Levelling Up, UK Shared Prosperity, Towns Fund will be more impactful if private sector developers see the public sector intervention as de-risking their propositions and bring forward their development.
- 4.5 GPF is an alternative financial instrument to high street lenders and as such the viability of the scheme or creditworthiness of the borrowers may not satisfy bank lending. It is therefore an inherently riskier proposition.
- 4.6 Balanced against the riskier proposition is the economic benefits that schemes bring to Lancashire. Those benefits include sq. ft. developed, buildings brought back into use, new infrastructure created, highly skilled new jobs created, private sector funds leveraged, commercialisation of R&D, new housing, social value and net zero activity/technology implementation.
- 4.7 GPF will adopt a generally cautious approach but be prepared to accept a higher level of risk where a lending opportunity has a strategic fit with the LEP's Sector Groups or Strategic Framework and has a significant economic impact.
- 4.8 Key to providing an accessible fund to support economic growth in the county is the need for the process to be known, understood and timely.
- 4.9 Going forward GPF will be nominally split into 5 areas to cover
 - Development Sites – business as usual
 - Inward Investment opportunities
 - Enterprise Zone development
 - Innovation/ Manufacturing/Low Carbon Fund - to be externally managed
 - A closer alignment with LEP sectoral priorities, sector action plans, Levelling Up and UK Shared Prosperity Funds
- 4.10 All schemes will align to the work of LEP's Strategic Framework and Sector Groups, which are business led and provide the LEP with sector intelligence. They have developed or are in

the process of developing action plans to support the businesses in their sectors. In addition to the six sector groups detailed below there are four emerging sectors.

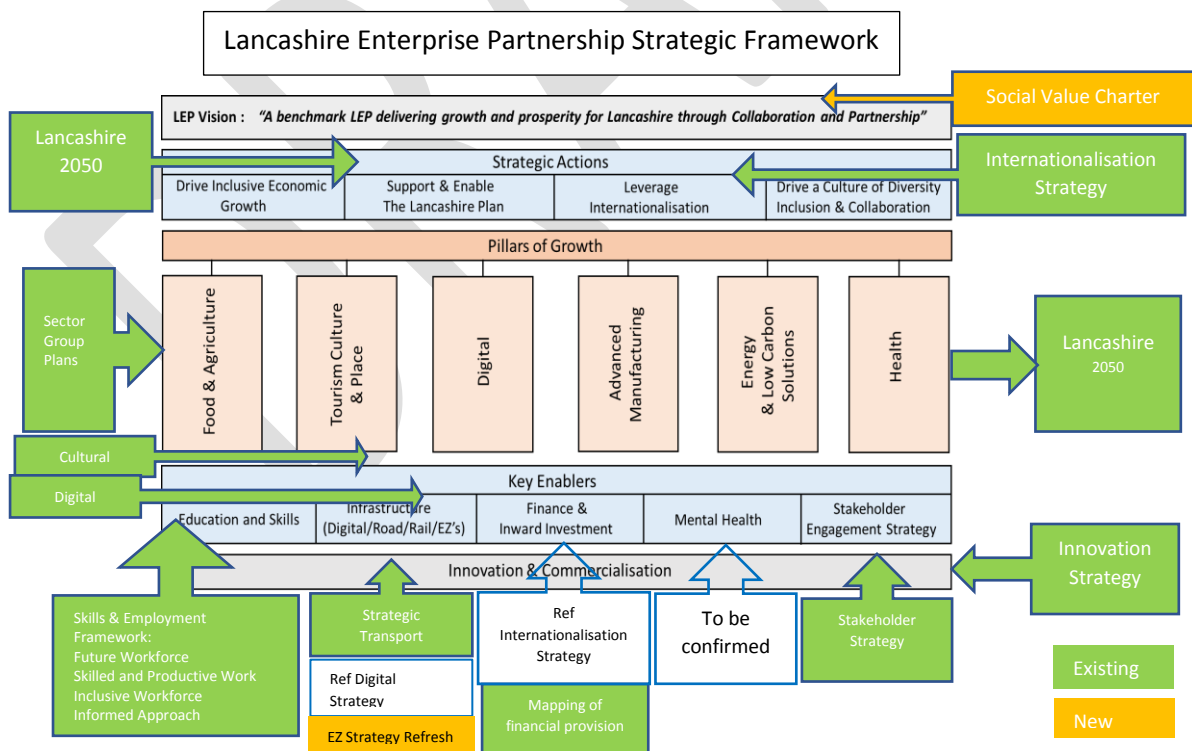
4.11 Existing Sector Groups,

- Energy & Low Carbon
- Advanced Manufacturing
- Digital
- Food & Agriculture
- Health
- Tourism, Culture and Place

4.12 Emerging Sectors, as identified in the refresh of the Lancashire Innovation Plan include,

- Cyber, Digital and Secure Systems, including Electech
- Clean and Sustainable Growth, including Clean Energy
- Advanced Mobility and Manufacturing, including Space & Satellites
- Health including Medtech

4.13 Schemes coming forward for GPF will align to one element of the LEP's Strategic Framework. The Strategic Framework is illustrated below and has been updated to reflect today's position.



4.14 Each scheme is assessed on its own merits and will deliver economic impact in terms of highly skilled new jobs, private sector leverage, sq. ft. developed, R&D, social value and

include net zero activities or technology implementation in line with the LEP's Strategic Framework. The impact will address at least one of the above elements or build on public sector investment such as the Levelling Up Fund, UK Shared Prosperity, Local Authority plans, Towns Funds or the Lancashire Urban Development Fund. More detail on the investment decision matrix is detailed in Section 5

- 4.15 In order to improve the utilisation of GPF, the range of projects for which the fund can be deployed will be promoted via a targeted marketing campaign.

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5. Investment Decision Matrix

- 5.1 Schemes coming forward for consideration by the board may have very different characteristics which may make it difficult to assess how it will contribute to the growth of the Lancashire economy. The following matrix is designed to assist the board in balancing disparate schemes in order to assess how it will improve the economic performance of the county.
- 5.2 It's importance to recognise that schemes that don't create jobs or any high value jobs may still have a big impact on the local area so Local Authority priorities should be taken into consideration.
- 5.3 The Investment decision matrix is a methodology to assess whether a GPF proposal is worthwhile in achieving the LEP's growth ambitions.

Activity	GPF requested	New Jobs	Highly Skills Jobs	Private sector leverage/ match funds	Sqm developed	Net Zero impact	Social Value impact	Proposal should cover one of these two elements	
								Sector Impact	LUF/UKSP/LUDF/LA Priorities including Towns Fund and Graduate Retention
Development Sites	Up to £1,000,000	5	0	Min £100,000	500 sqm	EPC rating B BREEAM Very Good	Work experience placement Regeneration of site	Align with 1 sector	Contribute to or build on public sector funding
	£1,000,000 to £3,000,000	7	1	Min £300,000	750 sqm	EPC rating B BREEAM Very Good Low carbon heating/cooling	Work experience placement Local spend Regeneration of site	Align with 1 sector	Contribute to or build on public sector funding
	Over £3,000,000	10	2	Min £900,000	1,000 sqm	EPC rating B BREEAM Very Good Low carbon heating/cooling EV charging Low carbon transport to site	Work experience placement Local spend Local job opportunities Improvement to local area	Align with 1 sector	Contribute to or build on public sector funding
Inward investment opportunities	Up to £5,000,000	20	10	Min £5,000,000	1,000 sqm	Low carbon technology use R&D for net zero Carbon offsetting	Local spend Local job opportunities	Aligns with 1 sector or	Support the growth of the economy by aligning to a public sector initiative

Activity	GPF requested	New Jobs	Highly Skills Jobs	Private sector leverage/ match funds	Sqm developed	Net Zero impact	Social Value impact	Proposal should cover one of these two elements	
								Sector Impact	LUF/UKSP/LUDF/LA Priorities including Towns Fund and Graduate Retention
							Apprentice opportunities		
EZ Development	Up to £5,000,000	20	10	Min £5,000,000	1,000 sqm	Low carbon technology use EV charging EPC rating B BREEAM very good	Local spend Local job opportunities Apprentice opportunities	Aligns with 1 sector or	Contribute to or build on public sector funding
Innovation equity fund	Up to £5,000,000	100	40	£10,000,000	0	R&D low carbon technology/digital /innovation Commercialisation of technology	Local job opportunities Apprentice opportunities School/college engagement	Aligns with 2 sectors	Support the growth of economy by aligning to a public sector initiative
Grant	Up to £2,000,000 total	20	10	Up to £2,000,000	Up to 500 sqm	R&D low carbon technology/digital /innovation Commercialisation of technology Utilisation of technology	Local spend Local job opportunities Apprentice opportunities School/college engagement	Aligns with 2 sectors	Contribute to or build on public sector funding

5.4 Each scheme will not tick every box in the relevant row but it will enable the board to measure the scheme against desired outcomes.

5.5 None of the columns are weighted so are all equal in terms of value to economy. Each box will be allocated a score of between 0 and 10 on a sliding scale as follows,

0 = doesn't meet requirement

5 = meets the requirement

10 = exceeds the requirement by some margin

- 5.6 Each row has a maximum score of 70, combining the score of the last two columns. If a scheme reaches a minimum threshold of 25/70, then the scheme will be brought to the board for consideration.

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6. Pricing

- 6.1 Historically GPF loans have to date been based on the EU Reference Rate which is a benchmark used by other public funds such as the Northern Powerhouse Investment Loan and is accepted as being on a no aid basis and therefore commercial.
- 6.2 Going forward, pricing will reference the principles set out in the Subsidy Control (Gross Cash Amount and Gross Cash Equivalent) Regulations 2022 which come into force on 4 January 2023. The value of the security available and the credit worthiness of the company and/or parent company will be assessed against the table below to decide the minimum interest rate.
- 6.3 Prior to June 2018 pricing was a fixed rate, but this methodology leaves the LEP exposed to the potential UK Subsidy Control regime issues. The pricing of interest rates, from June 2018 was over LIBOR. However, LIBOR is being phased out so now the Bank of England base rate is being used to protect integrity of the loan and ensure that it remains commercial, i.e. it doesn't fall foul of UK Subsidy Control regime.
- 6.4 The table below indicates the minimum interest rates that the board may want to apply to each scheme. It is within the gift of the LEP to apply higher rates than the minimum stated below. All interest rates will be in addition to the Bank of England base rate, currently at 3%.
- 6.5 As and when the Bank of England base rate changes the table below will need to be reviewed against the subsidy Control Regulations to ensure that it remains a commercial loan on a 'no aid' basis.

Security Available	High	Normal	Low
Very Good - First charge over property/land where the valuation confirms initial value covers the value of the loan and/or Fixed and floating Debenture over assets of the company and/or Parent Guarantee and/or Signed pre-let 50% public sector leverage contribution	3%	3.25%	3.5%
Good - First charge over property/land where the valuation confirms initial value covers part of the value of the loan and/or Fixed and floating Debenture over assets of the company and/or Parent Company guarantee and/or Signed pre-let 40% public sector leverage contribution	3.75%	4%	4.25%
Medium - Second charge over the property and/or	4.5%	4.75%	5%

Security Available	High	Normal	Low
Fixed and floating Debenture over assts of the company and/or Parent Guarantee and/or Signed pre-let 30% public sector leverage contribution			
Poor - Second charge over a number of properties and/or Fixed and floating Debenture over assts of the company and/or Parent Company guarantee and/or Signed pre-let 20% public sector leverage contribution	5.25%	5.5%	5.75%

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7. Social Value

- 7.1 There are a number of measures of social value and these measures have been selected to reflect the nature of the Growing Places Fund
- 7.2 The following measures can be used and when each scheme is considered by the board the appropriate measures will be indicated.
- Work Experience places
 - Apprentice Opportunities
 - Local Job Opportunities
 - Local Spend by commissioning of local SMEs and third sector organisations
 - School/ College Engagement by supporting careers, education and information sessions
 - Workforce Development
 - Community based projects driven by the local communities in which the project is based
- 7.3 The above measures are only an indication and the social value measures will be included in each scheme for the board's consideration.
- 7.4 Social value measures that are committed to as part of the application will be viewed as deliverable obligations in line with the loan agreement.
- 7.5 Successful applicants will be required to complete regular monitoring of social value measures to Lancashire LEP.
- 7.6 Where appropriate Lancashire LEP will play a support role in linking the applicant to local skills, employment, training and community provision to ensure maximum impact is achieved.
- 7.7 The investment decision matrix can be used to attach a value to the social value element of the scheme to assess it against other schemes.

8. Net Zero

- 8.1 All schemes will contribute to the Net Zero agenda by utilising at least one of the following measures,
- EPC Rating B
 - BREEAM Rating Very Good
 - Renewable energy
 - R&D low carbon innovation
 - Commercialisation of low carbon technology
 - Utilisation of low carbon technology
 - Carbon capture
 - Energy/battery storage
 - Carbon offsetting
- 8.2 The above measures are only an indication and the net zero measures will be included in each scheme for the board's consideration
- 8.3 The investment decision matrix can be used to attach a value to the net zero element of the scheme to assess it against other schemes.

9. Investment Matrix and Pricing applied to Previous Schemes

- 9.1 Using the tables in Sections 5 and 6, ten completed schemes are detailed in the table below.
- 9.2 Please note that the original criteria for the Fund was a stalled scheme in Lancashire and Net Zero and Social Value information were not requested from the borrower.
- 9.3 Using the scoring matrix as detailed in Section 5 it can be seen that all except two schemes would have been approved, despite the net zero and social value not being taken into account.
- 9.4 Using the pricing mechanism as detailed in Section 6 it can be seen that all of the rates have been set above the minimum, except for the first scheme. That is because the number of jobs was not collected and it was not initially a requirement of the funding.
- 9.5 The original pricing was on a fixed basis. This changed circa June 2018 to be plus LIBOR. LIBOR as a mechanism is being phased out so the Bank of England base rate is being used going forward to maintain the integrity of the loans.

Development Scheme	Loan	Private Sector Leverage	Interest rate	Security	Sqm developed	Jobs created	Net Zero Impact	Social Value Impact	Sector Impact	Matrix score out of 70	Minimum Interest rate + base rate
1. Leisure	£2,000,000	£1,580,000	5.1% fixed	2 Second charges	1,200	0	?	?	Tourism Culture & Place improved offer	22/70	4.75%
2. Infrastructure to unlock employment site	£2,443,500	£45,727,000	4.5% fixed	First charge over site	66,519	778	?	?	Advanced Manufacturing	40/70	4%
3. Retail	£2,750,000	£6,000,000	5% fixed	Parent company guarantee	3,279	60	?	?	Tourism, Culture & Place improved offer	30/70	3.25%
4. Mixed use scheme - office, retail, hotel, restaurant and	£3,900,000	£14,500,000	5% fixed	Parent company guarantee	5,789 + 20,000 public realm	357	?	?	Tourism, Culture & Place improved offer	40/70	3%

Development Scheme	Loan	Private Sector Leverage	Interest rate	Security	Sqm developed	Jobs created	Net Zero Impact	Social Value Impact	Sector Impact	Matrix score out of 70	Minimum Interest rate + base rate
public realm improvements				and signed pre-let							
5.Land Remediation for future housing use	£4,000,000	£12,000,000	4.5% fixed	First Charge	70,000	600 construction jobs	?	?	Tourism, Culture & Place improved offer	38/70	4%
6.Housing	£2,900,000	£2,800,000	5% fixed	First Charge and signed pre let	3,693	0	?	?	Tourism, Culture & Place improved offer	26/70	3.75%
7.Redevlopment of brownfield site	£2,500,000	£6,000,000	4.5% fixed	First Charge and pre let	24,076	69 construction jobs	?	?	Advanced manufacturing	36/70	3.5%
8.Mixed use scheme - office and housing	£2,500,000	£6,100,000	4.5% fixed	First Charge and parent guarantee	3,948	67 construction jobs	?	?	Tourism, Culture & Place improved offer	33/70	3.5%
9.mixed use scheme – office and housing	£2,100,000	£497,000	4.5% fixed	First Charge	1,124	15	?	?	Tourism, Culture & Place improved offer	31/70	4.25%
10. Redevelopment of brownfield site	£2,600,000	£2,705,152	3% + LIBOR	First Charge and 2 second charges	3,995	31	?	?	Tourism, Culture & Place improved offer	36/70	3.75%
Totals	£27,693,500	£97,909,152	4.56% average		201,563	2,135	0	0	n/a		

10. Approach to Risk

- 10.1 To assist decision making for investments the portfolio will be reviewed to establish how much risk the LEP Board is prepared to take when each proposal comes forward.
- 10.2 To manage the portfolio, the loans are RAG rated according to how they are performing as follows,

RAG Rating	Description for classification purposes
Red	<ul style="list-style-type: none"> • New facility • Unproven borrower or weak borrower creditworthiness • Issues arising with the development • Reliant on security valuations to cover amount drawn down • Impact will be significant but risky proposition
Amber	<ul style="list-style-type: none"> • Facility not all drawn but development progressing in line with expectations • Medium borrower creditworthiness • Facility in process of repayment • Security to cover the whole value of the loan from the start • The benefit of Outputs and Impacts starting to be delivered
Green	<ul style="list-style-type: none"> • Facility being repaid to schedule • Strong borrower creditworthiness • Solid security from the start • Outputs and impacts being delivered in line with expectations

- 10.3 New loans will automatically be classed as **Red**, unless the borrower has a strong creditworthiness and security to cover the whole loan, in which case it will be classified as **Amber**. Otherwise, **Red** loans will over time move to **Amber** loans which will ultimately move to **Green** loans.

- 10.4 Going forward the spread of risk is based on a relatively equal split as follows,

30 % Red
 40 % Amber
 30 % Green

- 10.5 The spread of risk will be reviewed on an annual basis so that the Fund can respond to market forces.10.6 The current portfolio is rates as follows,

10.6 The current portfolio is rates as follows,

Scheme	Value	Actually Drawn	Percentage of Fund	RAG Rating
	£2,000,000	£2,000,000	10.3%/10.3%	
Cash	£17,378,944	£2,000,000	89.7%/10.3%	
Pipeline schemes				
	£1,600,000	0	8.3%	
	£1,500,000	0	7.7%	
	£750,000	0	3.9%	
Cash when funds drawn	£13,528,944		69.8%	

10.7 Currently 100% of the GPF is rated as green which is a secure position but it is not fulfilling the potential to create maximum impact.

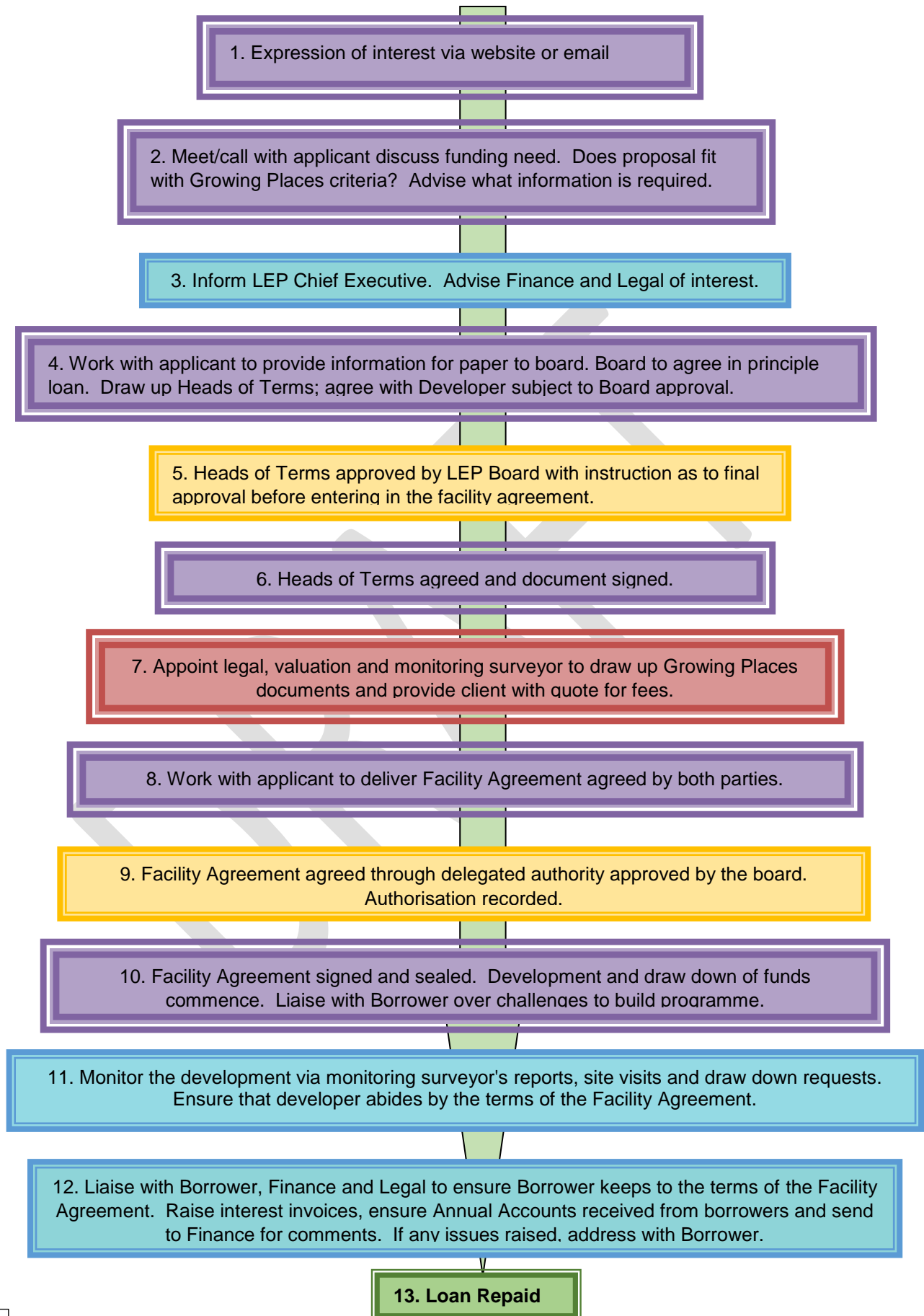
10.8 When the pipeline schemes are drawn then the portfolio will look as follows,

30.2% Red
69.8% Green

11. Conclusion

- 11.1 GPF is the most significant resource that the LEP has available to unlock and support projects and going forward it will support a wide range of schemes that will contribute to the growth the Lancashire economy and close the economic performance gap through capital and revenue loan funding.
- 11.2 GPF now has the flexibility to extend beyond its current parameters and will support the Strategic Framework through a range of projects including,
- Continued capital development loan funding,
 - Inward investment capital and revenue loan funding,
 - Enterprise Zone capital funding
 - Revenue funding to provide equity or loans through a Fund Manager as part of a collaboration of partners
 - Closer alignment with LEP sectoral priorities, sector action plans and other public sector priorities
- 11.4 GPF has the potential to be more impactful by supporting other public sector initiatives such as Growth Deal, Getting Building Fund, Levelling Up Fund, UK shared Prosperity, Towns Fund along with any Local Authority schemes that address local needs. These schemes are also likely to support the LEP's sector groups and Strategic Framework in one way or another.
- 11.6 Public sector interventions have an impact on local areas which can often result in private sector activity thereby increasing the impact of the initial intervention.
- 11.5 The investment decision matrix will be used to score schemes to ensure consistency and confidence that schemes will support the Strategic Framework, sectoral priorities and wider public sector interventions. This matrix should deliver the outcomes that the LEP board are looking to achieve.
- 11.6 The pricing framework indicates the minimum interest rates that need to be applied plus the Bank of England base rate. The board may want to increase the rate if it wants to maximise income and if the investment could support a higher interest rate, mindful of the changing base rate.
- 11.7 The Investment Strategy takes into consideration the competing needs for funding to deliver the impacts that will contribute to closing the economic performance gap.
- 11.8 It is important that GPF is invested in schemes and working hard to improve the Lancashire economy rather than waiting for ideal projects to come along. When GPF is invested in schemes it is earning interest which can then be ploughed into other economy activity.

Appendix A – GPF Flowchart



KEY

- GPF Team
- External Legal Team
- Developer
- LEP Board

Overview of application process

1. Applications come to the LEP via various means such as emails, telephone conversations, referrals from business support activities and website Expression of Interest.
2. Conversation between the applicant and the Commercial and Business Support Manager discuss scheme and check that it fits with the criteria of the Fund.
3. The Commercial and Business Support Manager works with the applicant to develop a business case for the LEP CEO.
4. Once CEO satisfied with quality of the proposal, work with the applicant and take a paper to board for agreement in principle to the loan. Finance (including section 151 officer) and legal to sign off board paper.
5. Work with applicant to agree Heads of Terms subject to LEP board approval. The board may delegate authority to the CEO, Company Secretary and Section 151 officer to sign off the Facility Agreement.
6. Both parties sign the Heads of Terms.
7. Appoint a valuer and monitoring surveyor and legal firm to draw up the Facility Agreement and do the Due Diligence. Do credit checks in house.
8. Work with the applicant, monitoring surveyor, valuer, internal and external legal teams to get the construction documents agreed.
9. Work with applicant, internal and external legal teams and finance to agree Facility Agreement. Once Conditions Precedent completed, the Facility Agreement and other security documents presented to the delegated authority for signature.
10. Facility Agreement signed/sealed. External lawyers to provide the Bible of documents. Development phase can commence and drawdowns as per the terms of the Facility Agreement.
11. Monitoring of the scheme commences with monthly reports from the monitoring surveyor and drawdown of funds. Any issues identified brought up with the borrower.
12. Annual interest invoices raised, annual accounts and any other terms of the facility agreement monitored to ensure compliance with the Facility Agreement.
13. Liaise with Finance and internal Legal team in relation to partial and full repayment of the loan.



LEP – Sub Committee

LEP - Joint Scrutiny Committee

Private and Confidential: NO

Date: Wednesday, 8 March 2023

Growing Places Fund Private Sector Leverage

**Report Author: Sue Roberts, Tel: 01772 536605,
sue.roberts@lancashire.gov.uk**

Executive Summary

At the meeting of Scrutiny committee on 18 November 2022 a presentation and report was presented on the Growing Places Fund. Further detail on private sector leverage was requested and this report provides further information on the Fund.

Recommendation

The LEP Joint Scrutiny Committee is asked to noted and comment on the report.

Background and Advice

1. Background

- 1.1 Growing Places Fund (GPF) operates as a commercial loan to bring forward development on marginal schemes which would not have come forward if left to market forces.
- 1.2 As part of the reporting regime private sector leverage is recorded. Private sector leverage includes any funds that are used by the developer to complete the scheme. Any grant that has been awarded as part of the scheme is included in the private sector leverage figure.
- 1.3 The LEP board received a Programme report twice a year which includes the following outputs along with a programme risk register,
 - Capital Loaned
 - Capital Repaid
 - Private Sector Investment
 - Interest Received
 - Capital Available to Invest



- Jobs Created
- Space Developed
- Housing Units delivered

2.Private Sector Leverage

2.1 Private Sector Leverage for the purposes of Growing Places has been defined as any funds that are used to make up the shortfall between the total project cost and the loan amount.

2.2 Growing Places prefers to lend a maximum of 70% of the build costs but can lend more in certain circumstances. Private sector leverage is required to complete the financing of the scheme.

2.2 In some instances grant funding has been available and this is shown in the table below.

Scheme	Loan Amount	Grant	Private Sector Leverage	Total
1	£2,000,000	£550,000	£1,030,000	£3,580,000
2	£2,272,424	£3,853,651	£41,873,349	£47,999,424
3	£2,750,000	£0	£6,000,000	£8,750,000
4	£3,414,188	£7,400,000	£7,100,000	£17,914,188
5	£3,786,204	£0	£12,000,000	£15,786,204
6	£1,169,090	£1,900,000	£900,000	£3,969,090
7	£2,474,184	£0	£6,000,000	£8,474,184
8	£3,127,368	£473,336	£5,626,664	£9,227,368
9	£2,086,700	£0	£497,000	£2,583,700
10	£2,600,000	£0	£2,705,152	£5,305,152
11	£14,213,213	£1,750,000	£7,798,293	£23,761,506
Totals	£39,893,371	£15,926,987	£91,530,458	£147,350,816

List of Background Papers

Paper	Date	Contact/Tel
N/A		



Reason for inclusion in Part II, if appropriate

N/A

LEP Joint Scrutiny Committee – Work Programme 2023/24

Meeting Date item requested	Report Title	Report Author	Actions / Detail of Request	Progress Detail
18 November 2022	Social Value and the LEP	Andy Walker	Andy Walker to present a report to regarding Social Value and how it is being delivered and measured across the LEP.	To be presented at the March 2023 meeting of the Joint Scrutiny Committee.
18 November 2022	Dashboard of Audit Activity	Andy Walker	A report outlining a summary of audits already completed within the LEP's programmes.	Standing Item. To be presented at the March 2023 meeting of the Joint Scrutiny Committee.
18 November 2022	Rural Economy Sector Study	Martine Winder	A report which details the Rural Economy Sector Studies which have taken place.	To be presented at the March 2023 meeting of the Joint Scrutiny Committee.
18 November 2022	Growing Places Fund	Sue Roberts	A report providing an update on the Growing Places Fund and private sector leverage.	To be presented at the March 2023 meeting of the Joint Scrutiny Committee.

