

Agenda Item 4

Title:	Pooled Investment Fund & Investible Propositions
Purpose:	To inform the board on the current status of the proposals to develop the Pooled Investment Fund and to explore the programme and timescale for the development of the new fund. To identify the current readiness potential of a number of known potential investments.
Recommendation(s):	That the board note the proposed timetable for the development of the Pooled Investment Fund and the steps proposed to establish this fund. For the board to comment and note the work required to further develop potential investible propositions ahead of the fund launch.
Response To Risk Register	It is important that the criteria for the establishment of the new fund complies with all regulatory frameworks ahead of establishment and that the appropriate board and executive structures are in place to deliver the new fund.

1 Vision and Criteria (Growth Board / LEP)

A key component driving change in Buckinghamshire has been the scarcity of Government capital programme funding into local economic priorities. While this situation may persist both LEP board and Buckinghamshire Council have agreed that to mitigate the risk of lack of resource the Place Based Growth Programme will oversee the establishment of a Pooled Investment Fund and that the Enterprise and Investment Board will be tasked with establishment and operation of the Fund.

The criteria for the Pooled Investment Fund will be determined by the Place Based Growth Board to establish programme balance across the four building blocks identified in the Place Based Growth model and correspondingly will be informed by the requirements of all of the supporting boards covering skills, levelling up and town centre regeneration as well as from the Enterprise & Innovation Board.

At our last Board meeting members proposed that the investment criteria for the Pooled Investment Fund from an Enterprise & Innovation Board perspective should include the following points:

- To establish a financially sustainable fund.
- The “multiplier effect” of individual investment and impact on the wider local economy.
- Whether proposals support Buckinghamshire’s niche at the “cutting edge”, the point where technology is moving forward and creating new and exciting opportunities.
- Whether proposals are being brought forward by Buckinghamshire companies with some longevity within the county, or from “county hoppers”.
- How to support both large and small businesses within the county, particularly when considering social mobility and diversity.

- The weight that will be placed on progressing recommendations in LEP sponsored research e.g., the recent Green Audit.
- Utilising impact evidence gathered on previous investment, as a route to identifying future need/investment.
- Where investment proposals meet several identified criteria.

Looking at other local investment funds the following criteria are also essential requirements: -

- Clear links to local economic strategy
- Impact of investment in relation to job creation and retention
- Ability to improve business productivity, product development and new market penetration.

Different funds often have separate levels of investment linked to both the size and scale of the funding and the history and track record of the applicants. Some funds have specific seed investment funding programmes for new enterprises, many have a bespoke small business loan fund and many feature more significant capital investment schemes, often the latter are managed directly by business finance partners.

Often the loan funds are tailored for the different sizes of business or with businesses with longer track records ranging from partner participation where repayment terms do not require any equity stake, mixtures of equity and loan investment to pure equity loans for businesses in the early stage of their life cycle. A local loan fund will typically work alongside other bank and equity partners and as a board we will need to establish the terms on which we may wish to operate alongside other investors.

To deliver this new service we will also need to be compliant with Financial Conduct Authority rules around commercial investment and will be looking at the lessons learned from other locally led investment funds, particularly in relation to the operational arrangements, benefits and risks related to engaging business finance, agency to oversee the fund, management of risk, the gearing of other investments and their relationship with national funding agencies such as the British Business Bank. We have already been speaking to a number of individuals involved in the establishment of other funds including representatives from the London Investment Fund and from Jonathan Dixon formerly of Blue Sky Finance who supported a previous Ex-Ante assessment into the potential establishment of a fund of funds in Buckinghamshire and will be looking in detail at some of the more successful local evergreen funds such as Finance Yorkshire or the Greater Manchester Business Investment Fund.

In all instances they have advised that it is important that the objectives for the fund are clearly defined from the outset and that the appropriate governance structures allow the flexibility for the holding company to evolve to manage different types of funds such as small business loans or property investments which may need vastly different investment decisions and levels of due diligence.

2 Sectors

For Buckinghamshire a main criteria will be the need to support the sustainable growth of the fund, and in the first instance to do this by deploying our income generating assets including the utilisation of Enterprise Zone headroom funding where the LEP Board consider this will best meet wider programme objectives and commitments. It is also important that the fund is successful in leveraging new sources of finance while building upon the proposals outlined in our current economic strategy. In terms of economic growth, it is anticipated that the fund will concentrate initially on our core growth sectors linked to medical technologies, space, high performance engineering and the creative industries.

In those areas it is important to engage with potential applicants at an early stage to help ensure that they will be investment ready, and where appropriate, provide support to develop and ensure that the business cases are robust. In some instances, where a project is deemed to be important for our strategic outcomes, we may take a more direct approach in the development of the business case as is currently the case at Westcott Venture Park where we are seeking to establish a central operating facility that will be an internationally recognised focal point of UK space related activity for which we have the working title Westcott Hub.

3 Existing Investible Propositions – Initial Examples

Westcott Hub/DISC Proposal

BLEP and Patrizia have been working closely with consultants ekosgen and our wider partners to prepare the business case for the Westcott Hub. The updated proposals will reflect an evolution from the Westcott DISC thinking in 2020. These will focus on identifying a commercially sustainable core offer which will provide a central facility to existing occupiers of Westcott, as well as encouraging new investment in the site and, potentially, meeting the needs of the wider business and engineering community. They may include elements of the original DISC proposals and will add value to existing testing facilities on-site.

We believe that this facility is essential for the future expansion of the business environment at Westcott where there is a clear need for a focused facility to operate as the heartbeat for the Enterprise Zone and wider Westcott site development. The building will need to be striking in design to reflect the status as the location as an internationally renowned innovation and testing centre of excellence and offer the flexibility to operate both as a central business community and social hub for the Westcott site but to also attract and host business investment, academic and educational uses whilst also operate as a conference and events location. To justify Pooled Investment Fund investment, it will need to be much more than a business incubation facility it will need to perform a variety of functions offering different benefits for the overall investment.

The business case we have commissioned is intended to identify how these different requirements can be addressed within a single facility and how the return from the different requirements can support such a commercial investment by all partners.

The proposed Westcott facility will likely fulfil the following tasks:

1. Attract SMEs that will perform R&D for and with Primes with the longer-term objective of growth of the space, engineering and technology activities at Westcott.
2. Create a hub to include conferencing and catering that will create a programme and space in which businesses can engage and interact.
3. Provide additional testing facilities, which will support SME and start up commercialisation such as lettable clean room and vacuum chambers
4. A skills outreach focus or academy that will connect learning with testing capability.

Initial work completed to date by ekosgen has involved:

- Engaging with Buckinghamshire LEP and Patrizia's on-site management and property advisors to confirm the aspirations for the Westcott Hub and to agree the proposition to be tested.
- Holding a series of consultations with key partners to present and test the draft proposition, collect feedback, and identify any wider priorities that should be reflected in the proposals. To date consultations have been held with the following organisations:

- UK Space Agency
- Satellite Applications Catapult

- URA Thrusters (onsite business)
- University of Buckingham (Operator of Buckingham Enterprise Hub)
- Buckingham New University
- Buckinghamshire College Group
- Buckinghamshire Business First
- Buckinghamshire County Council
- Eagle Labs, Barclays

Alongside this, Patrizia has commissioned the design team to develop concept designs for the facility and are in the process of engaging with market agents to test demand and consider the commercial viability of the proposals, with a target of completing the construction during 2024/25. This will refine the proposition and identify those elements which are critical to include at the outset and those which are not identified as a priority for inclusion or could be delivered in subsequent stages. Once the proposition has been confirmed, and on the basis that there is approval to proceed at that point, ekosgen will be assisting Buckinghamshire LEP with the development of the full business case for the Hub.

The findings to date have helped clarify the uses to be tested as part of the investment appraisal process. Uses will likely include specialist grow on accommodation (mix of workshop, office, and collaborative spaces to engage suppliers and partners) for propulsion and other on-site sectors. The requirement for the correct anchor tenant has been identified to provide income certainty, and to help define the culture within the building and to support more marginal income streams. Uses including catering, meetings and conferences and part-time education space, as well as some Testing and R&D facilities may well be part of the mix.

Through the work completed to date, there is clear support for a centrally located facility at Westcott and a consensus is emerging around its minimum offer. However, to date, discussions have been based on a high-level concept and it will be necessary to refine and further test these proposals.

Specific next steps will include:

- Incorporating inputs from Patrizia and their design team, including costs to determine the scale and scope of the initial phase, explore any trade-offs in the use of available space and to refine the investment proposition.
- Test this refined proposition with market agents to consider which elements can potentially be delivered by the market and which may require public subsidy or incentives.
- For those elements that may require subsidy, explore potential funding opportunities and/or develop a business case to ensure that the hub can target funding where available.
- The announcement of the next round of the Space Cluster Infrastructure Fund (SCIF) is imminent, and this will be an immediate priority for bidding.
- Patrizia have indicated a willingness to co-invest in the facility alongside Bucks LEP through local funds to de-risk the project and build available capital. The structure of this co-investment will need to be agreed.
- The case will be prepared by late June/early July in line with funding timelines of SCIF and requirements of potential anchor tenants. As such options considered will include a pure commercial investment (most likely) and a possible part government funded option, both to include EZ investment, if terms are agreed.

Life-Science Sector - Epilepsy Society Research Hub Development Facilities

A number of initial investment propositions have also been received from the Epilepsy Society linked to their research and drug monitoring programmes and aimed at cementing the global pre-eminence of the

Society, and the Chalfont site, in the areas of care, research and advocacy, supporting people with epilepsy to lead the best life they can lead. The propositions are closely aligned with the strategic aims in the Buckinghamshire Local Industrial Strategy and support the LEP's strategy of job creation and elevation of the county's global assets, particularly in the fields of Med-Tech and Artificial Intelligence. The business cases supporting these applications will need further review and assessment, however given the strategic alignment and economic potential of the outline proposals we would like to work alongside the Society in developing the business cases for future board consideration which may be in advance of the Pooled Investment fund launch.

4 Current Funds

As outlined in the previous paper relating to the Enterprise & Investment Board the current funds available to the Pooled Investment Fund are currently limited to two sources namely Broadband Gainshare Enterprise Zone Headroom Programme funds meaning that we will have to identify and generate new sources of funding to support a programme of investment that would include propositions such as the Westcott Hub particularly where programme propositions fall outside of designated Enterprise Zone programme areas.

5 Future Funds - route to future funds

Future funding into the Pooled Investment Fund will need to come from a number of sources including investment partners and exploring the possible release or redirection of local public funds and assets. We would also be seeking to secure investment from other local partners including angel investor networks, banks, public works loan funding and other sources. The terms for partnering with new funding sources would need to be negotiated including the specific criteria for any investment and the respective repayment schedules.

6 Programme & Timescale

Over the next two months the Executive Team will be seeking to engage with as many of the existing national evergreen funds as possible to learn from their experiences in establishing, maintaining and managing a new fund. As a result of this engagement, we would look to produce a decision matrix for this board to help refine your thinking around the essential & desirable investment criteria and delivery options for the fund and to be clear about those areas you would not want to pursue at this point in time.

During this period, we would also like to speak to the other Chairs from the growth board structure to identify their initial aspirations for a new fund as well as with other core stakeholders including local MP's and a selection of business leaders from the top 100 Bucks Businesses.

From this engagement we would look to produce a summary report on how the new fund would operate, we would be looking to present this to both this board and the Buckinghamshire Growth Board by September 2023 and from that point would look to put in place the processes for a promotion of the new fund opportunities in the Autumn of 2023 with a view to allocating the first funding awards early in 2024.

Board Members are asked to:

That the board note the proposed timetable for the development of the Pooled Investment Fund and the steps proposed to establish this fund. For the board note the work required to further develop potential investable propositions ahead of the fund launch.