



*making our region more prosperous, sustainable and fairer,
helping our people and businesses to create and seize opportunities*

Combined County Authority Board		Agenda Item 7
Date	16 September 2024	
Report Title	Investment Plans Update	
Accountable EMCCA Board Member	Mayor	
Accountable Chief Officer	Mark Rogers	
Accountable Employee	Will Morlidge	
Report has been considered by	This report has been considered by the EMCCA Pre-Board process	
Key decision	No	
Public Report	Yes	
Voting Arrangements	Not required	

Recommendation(s) for action or decision:	
The Combined County Authority is recommended to:	
A	To note the challenge with funding for UK Shared Prosperity Fund (UKSPF) in the region and comment on the high-level options for future delivery (para 2.1 to 2.5).
B	To note progress with current investment plans, including the East Midlands Investment Zone, transport, Brownfield Land Fund, and ongoing workstreams coming from the D2N2 LEP (para 2.5 to 2.14).
C	To note the work being undertaken on models for investment risk and investment funding and the development of a pipeline of short, medium and long-term investment propositions (para 2.15).

1. Purpose

- 1.1 Investment into region (as per Q1 finance paper) is currently forecast to reach £82m this year (£7m revenue and £75m capital). This quantum is expected to increase materially in 25/26, and then further in subsequent years. Even in this year, investment has increased from £7m last year to include over £50m transport investment to constituent councils, £9.75m capital investment into growth projects including retrofit, and several items as set out below.
- 1.2 This paper sets out progress across a range of existing and new funding streams which are within or expected to be devolved into EMCCA's remit in this financial year or the next.

The paper starts by addressing the key issue related to the UKSPF. The report acknowledges the funding challenges with UKSPF and asserts the assumptions that it or any successor from 25/26 will be delegated to the regional level. No decision is requested on future programme delivery at this point, however some high-level options are set out, whilst further work is undertaken with local authority partners to develop the evidence base on current funding.

2. Proposal

2.1 UK Shared Prosperity Fund (UKSPF)

UKSPF funds investment in the region for skills, regeneration, business support and inward investment, as well as many community and environmental projects. It was allocated for the three-year period ending March 2025 from Government directly to local authorities in the region. Each authority developed its own strategy, projects and contracting models. The total value was £66.9m of which £11.2m was to fund adult numeracy programmes via Multiply.

No further funding beyond this financial year has been confirmed. Decisions on future UKSPF (or successor) funding in 25/26 are subject to the next fiscal event in October 2024. This creates a very challenging funding cliff edge that risks programme continuity and even risks the ongoing operational viability of some organisations that deliver programmes currently reliant on UKSPF.

- 2.2 The EMCCA Board will want to consider its position on these current circumstances, noting that the Combined Authority has no current involvement in the programme. Even so, the option for the Combined Authority to do nothing is not recommended because we can make two reasonable assumptions about what happens next:
- There will be some form of UKSPF roll-over or successor programme at least for the next financial year (25/26) confirmed by Government on or after the next fiscal event, and before the end of this financial year.
 - That delivery of that programme, so defined, will be delegated within the region to the Combined Authority as set out in the Devolution Deal, as was the case in other areas with existing MCAs at the time of the programme initiation, who will need to work with all local authority partners to develop a collective approach on how to proceed in 25/26 (and beyond, subject to further funding being confirmed).
- 2.3 No decision on the future programme can be taken by the Combined Authority based only on these assumptions, however we can set out some high-level options should these assumptions crystallise in reality – and proceed with further evidence gathering and collective assessment of those options with all local authorities in the region, which the EMCCA Board can then consider again in the near future.
- 2.4 Those high-level options for 25/26 (and beyond) for delivery of UKSPF (or successor) are as follows. The Board is invited to note these high-level options and provide any initial reactions to input into the next stage of work.

- Rollover the current model – in which the Combined Authority delegates out funding to existing commissioning authorities, based on refreshed current commitments, with an emphasis on continuity for at least 25/26.
- New regional delivery approach – through a consolidated model developed collectively, potentially with an emphasis on executing some reforms for 25/26 with more fundamental change thereafter.
- Mixed economy – whereby a combination of unified service where sensible (e.g. on business support in the region) but pragmatically allocating a portion of funding to more local programmes best done at that spatial level for continuity purposes.

2.5 The next stage of work includes more detailed preparation and planning for a future programme with all local authorities in the region through collecting regional data on how each commissioning authority allocation has been used. All but three authorities have responded with some data.

To date this shows UKSPF spend was allocated to the following thematic areas in this region:

- 40% Communities and Place (including some place marketing activity)
- 38% Supporting Businesses (including some inward investment activity)
- 18% People and Skills
- 4% Business and Community

The data shows authorities have commissioned some similar programmes across the area and, in some cases, the same delivery body was contracted to deliver very similar services by separate local authorities with separate management and monitoring arrangements on each. This at least raises the question about whether the current approach delivers the best impact and value for money.

Feedback from partners also acknowledges present concerns about operational viability of programmes or the delivery organisations themselves should the current uncertainties continue for too long.

It is appropriate to acknowledge that solutions for funding from 25/26 will affect current programmes and the associated delivery organisations differently. We will need to be thorough in understanding those implications, including the potential for change to the shape of economic development activity in the region over the longer-term tied to changing funding flows.

Finally, it is vital that focus is maintained on the longer-term strategy. This work will also provide a platform for a comprehensive review of what has worked best from UKSPF and other programmes to ensure that, from 26/27, we can co-design with our partners a more strategic approach based on our Inclusive Growth Strategy, which is grounded in robust evidence of quality and value for money.

2.6 **Initial Investment Plan**

To enable the acceleration of early investment in the region, the EMCCA Board agreed an initial investment plan in March 2024 that was intended to enable an early pipeline of interventions and further investment that directly link to the Strategic Framework and associated delivery plans. They will have region-wide impact, not benefitting any one part of the region over another and are explicitly linked to developing a specific intervention or investment strategy or a pipeline of investible propositions. The Board agreed up to the £2m revenue funding to invest in initiating development of business cases for more substantial future projects.

These include:

- First phase of a strategic options appraisal for a zero-carbon energy growth and industrial plan. This forms the basis of a second phase of work that will develop a specific investment strategy for the zero-carbon energy industry in the region as well as initiating regional level spatial development planning linked to the creation of a government-mandated local growth plan. This second phase of work will examine the potential for, and make recommendations on the composition and administration of, a green growth fund, to leverage further investment into green industries in the region. Future propositions for green growth funding and spatial development plans will be presented to a future Board.

- Initiated development of a regional visitor economy strategy and work programme. Work is underway to map the various bodies engaged in supporting the visitor economy in our region. Once we have analysed the provision against the opportunity and potential funding needs, we will bring a paper to a future board recommending options for a refreshed strategic approach for the region. Note, however, that for those visitor economy businesses part-funded by UKSPF, there is a more immediate issue to consider about core funding in FY25/26 – as set out above.

This initial investment plan will be augmented with development work for the regional strategy programme to the value of £0.5m, as set out in the associated paper in this pack and funded from transferred D2N2 LEP reserves. This will support early work to refresh the regional evidence base that will in turn support both long-term Inclusive Growth Strategy and other strategy and policy development work underway.

2.7 **East Midlands Investment Zone (EMIZ) Sprint Initiative**

EMCCA Board in June adopted up to £4m of Year 1 EMIZ funding into the EMCCA budget to commence a Sprint Initiative for early investments. Confirmation of this funding from Government has been delayed with positive progress now expected by (or shortly after) the Autumn Budget.

The Sprint Initiative allocates year 1 funding to support the development of a clear delivery plan for the EMIZ and sector related projects. £2m of funding has been allocated to the Planning and Development section of the sprint programme, funding will only be released to partners upon confirmation of funding from Government.

Alongside this funding there are two other sections of the EMIZ Sprint Initiative which we recommend are progressed in advance of the Government's confirmation. Up to £735,000 of funding will be allocated to the research and innovation sprint which will create innovation roadmaps for the key sectors in EMIZ and funding will also be used for a small grant programme for 10-12 pilot projects in the key sectors to test routes to market and development of new products. A second allocation of £150,000 will support the development of Green Industries and Advanced Manufacturing related skills based on the design and implementation of skills and training plans.

All funding through the sprint process will help to develop the strategy and delivery plan for future years in the EMIZ programme and will inform where future years allocation of funding will be spent.

2.8 **Brownfield Land Fund**

Following the call for projects for the Brownfield Land Fund, 50 expressions of interest were received and, after the conclusion of the scoring process, £17m of funding was allocated to 12 projects that will now move on to the next phase of due diligence. Business cases will be required for EMCCA Board for approval.

Project	Location	LA Area	Number of Homes
Queens Road Phase 2	Nottingham (NG2 3NH)	Nottingham City	382
The Island Quarter Phase 1	Nottingham (NG2 4LA)	Nottingham City	322
Hawton Lane	New Balderton (NG24 3DN)	Newark & Sherwood	309
Land off Bridge Street	Langley Mill (NG16 4EE)	Amber Valley	109
Trent Basin West	Nottingham (NG2 4BN)	Nottingham City	45
Castleward	Derby (DE1 2RJ)	Derby City	112
St Peters Street	Derby (DE1 1SN)	Derby City	50
Miller Road	Chesterfield (S43 3BE)	Chesterfield	18
Welbeck Gardens	Bolsover (S44 6XX)	Bolsover	58
Leviers Court	Arnold (NG5 8AX)	Gedling	30
Mansfield Road	Derby (DE1 3QY)	Derby City	33

Former Argos, Bath Street	Ilkeston (DE7 8FB)	Erewash	11
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2.9 **Community Development Fund**

Work is in progress to develop an early investment opportunity to communities in the region to draw on to support local initiatives. The Board is asked to note the development of a Community Development Fund (CDF) proposal, a mayoral manifesto commitment, based on the objectives which do not have current funding allocations available to deliver them. It could entail funding support (capital and revenue) to deliver on objectives such as: reducing inequality and promoting social mobility; improvement of healthy life expectancy; and supporting enhanced green spaces and welcoming nature back into our communities.

Ongoing co-design work will determine how this funding should be used. Other mayoral combined authority best practice examples are being explored as possible ways in which to utilise this allocation. The fund can be targeted at delivering key inclusive growth objectives from the agreed Strategic Framework and could also be deployed to develop new approaches in specific places within the region.

Whilst further scoping work for a CDF will continue to take place, with officers working towards agreeing the outcomes wanted from the fund as well as the delivery mechanisms to ensure these are delivered, a subsequent decision to adopt the funding within the budget from the Board would be required at a subsequent meeting. That report would set out the objectives, funding source, and delivery model. It would also be expected to be reviewed as part of the MTFP/budget process to assess whether to continue, enhance or adjust in future years. A key principle of the projects supported by the fund would be engagement of and design by residents and communities.

2.10 **Developing the investment pipeline through Portfolio Plans**

To prepare for future years and potential funding opportunities that may arise there is a need for EMCCA to have a prepared pipeline of identified and prioritised projects which inform how the CA will invest its resources and respond to opportunities that may arise in the future.

To ensure we are well prepared for a future funding landscape with consolidated funding lines (subject to the roll-out of integrated funding settlements beyond Greater Manchester and the West Midlands), these pipelines will be developed thematically through investment portfolios. They will be aligned, where possible, to the relevant EMCCA committee, and collectively aim to deliver against the Inclusive Growth Strategy and Local Growth Plan – with oversight of the investment portfolio and system as a whole through the Investment Committee.

These plans will also need to contain initiatives that are short term (where delivery and utilisation of funding is time limited) versus medium and long term (where EMCCA will co-develop with partners and stakeholders across the region the key projects and programmes for development).

2.11 **Existing Workstreams**

Early-Stage Angel Investment Fund

The Early-Stage Angel Investment Fund (ESAIF) officially launched in July with two events held in Nottingham and Derby to promote interest in the fund across financial and investment partners. The fund provides equity investment in companies up to £250,000 for businesses that are revenue generating between 6 and 24 months old. The fund is match funded with contributions from Haatch and the British Business Bank which take the total value of the programme to £8 million.

Haatch is operating as the independent fund manager for ESAIF and will work on the selection of companies to be invested in across the Derbyshire and Nottinghamshire area. The fund originates from the lack of funding available for companies in the early stages of business in our region and will look to concentrate investment away from traditional arenas such as London and the South East.

Haatch has stated a good level of interest in the fund from companies across the area since its launch and continuous promotion is taking place from EMCCA and Haatch. Haatch has also reported that two businesses have been identified for further due diligence and working through their internal processes to decide whether funding will be allocated to those projects. Haatch will feedback on their investments to EMCCA on a quarterly basis in line with the terms of the Limited Partnership Agreement.

We expect the D2N2 Board to formally agree the transfer of this programme to EMCCA at its 16 September meeting, with formalities completed by December.

Business support programmes

All of the following programmes commissioned by the D2N2 LEP remain active. The staff are now within EMCCA and the programmes are being novated across:

- EMCCA is now the accountable body for the East Midlands (formerly D2N2) Growth Hub. Growth hubs are core-funded by government to deliver some free-at-the-point-of-use advisory services to businesses and to provide direct or signpost to more intensive business support programmes. The funding of £380k p/a currently supports 7 staff. This service dovetails with services provided locally under UKSPF as local authorities know they do not need to duplicate the core offer from the Growth Hub.
- D2N2 runs a fully-funded national programme called Smart Manufacturing Data Hub which provides advice and diagnostics to businesses to help them use their own data more smartly. The programme helps businesses, primarily SMEs to simultaneously increase productivity and reduce emissions. To date 251 businesses have been supported, including 26 in our region.
- We have one post dedicated to “Key Account Management”. The main purpose of the role is to work with overseas or UK investors who have recently invested in our area for the first time to keep on reinvesting in more jobs, more capital and additional skills commissioning. At a cost of around £55k per year (paid for by the Department for Business and Trade), this programme has helped to secure new investment valued at over £400m. It is a function we intend to expand.
- Our Careers Hub, 60% match funded by Government, works with all the secondary schools and colleges in our region. It matches volunteers from business with senior leaders in educational institutions to ensure that the school has a clear plan for careers inspiration, advice and guidance. This involves bringing the curriculum to life by linking it to the needs of local employers. It is not about providing work experience or workplace visits: it is the step before that ensures that the schools understand their local economy so they can commission the most impactful support for their pupils. Key businesses involved include Rolls Royce, Coca-Cola, Capital One, Experian, Toyota and the NHS.

Transport/Highways

- In July, the remaining transport capital funding allocations for 2024/25 were passported through EMCCA to the constituent Councils, totalling £51.6m. This comprised funds from Government for the Pothole Fund, Highways Maintenance Block (Needs and Incentive Elements) and the Integrated Transport Block. It includes £6m passported from government as reallocated HS2 capital funding to EMCCA for highways maintenance (local road resurfacing and wider maintenance of the local highway network) as a single annual payment.

2.12 **Investment Risk and Funding Models**

As part of EMCCA’s future thinking around investment, the investment team will be working around colleagues in finance to identify the level of funding risk and different types of funding model that the CA will undertake to promote growth across the region. This work is being undertaken to understand how the CA will generate best value from the funding resources it has at its disposal and maximise the amount of funding that we have.

The work will look to inform potential mechanisms for delivery of projects and also the types of funding that the CA may use moving forward. This could include but is not limited to grant, loan and different types of equity funding models. The review will also hope to identify different partners that may be engaged to generate match funding for the region and support key development projects, potentially utilising funding from pensions, institutional investment partners and other public funding bodies.

Within this investment work there will be considerations for EMCCA and its constituent partners over the levels of risk that the organisation is willing to take and how this may maximise growth in the region from sources that have previously either not been available or utilised. The work will also inform EMCCA on how we best prepare projects and programmes to be able to unearth the potential opportunity from such funding bodies and types.

3. Background

- 3.1 Devolution and the establishment of the Combined Authority unlocks £4bn+ investment to the area – more if potential to leverage private investment is considered. Subject to national funding decisions, investment into the region will increase from approximately £100m this year, to closer to £400m per year from 2026-27.
- 3.2 Current investment delivery is underpinned by the achievement of objectives as set in the EMCCA Strategic Framework, approved by EMCCA Board on 20 March. Further development of the Strategic Framework into a long-term inclusive growth strategy and delivery plan this year is being progressed.

4. Appendices

- 4.1 None

5. Implications

Financial Implications

- 5.1 This paper sets out progress across a range of existing and new funding streams which are within or expected to be devolved into EMCCA's remit in this financial year or the next.
- 5.2 The report sets out a number of high-level options which need to be considered which do not require finance comments at this stage.
- 5.3 The paper does detail that £0.5m is required to be transferred from D2N2 LEP reserves (para 2.6) for development work for the regional strategy programme. It is recommended that this is funded from the D2N2 Local Enterprise Partnership reserves, which is a suitable use for funding intended for regional economic development.
- 5.4 The report outlines the Early-Stage Angel Investment Fund (ESAIF), the D2N2 Board will formally agree the transfer of this programme to EMCCA at its 16th September meeting, this will include a direct transfer of LEP funds to EMCCA for this programme of £4m.

Legal Implications

- 5.5 The projects described within this report fall within the powers and functions of EMCCA. Noting the progress of the updates described within this report does not raise specific legal concerns
- 5.6 The allocation of funds through the project described in this report will require compliance with various regimes including the Public Procurement and Subsidy Control, as well as fulfilment of EMCCA's fiduciary duty as a steward of public funds. Appropriate advice will be sought, and appropriate governance and decision-making procedures followed, for each project as required.

Other Significant Implications

- 5.7 None identified.

Background Papers

5.8 N/A