

Report to: West Yorkshire Combined Authority

Date: 9 March 2021

Subject: **West Yorkshire Business Accelerator Fund (WYBAF)**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	

1. Purpose of this report

- 1.1 To update the Combined Authority on the proposed business case for the creation of a West Yorkshire Business Accelerator Fund (WYBAF) to help deliver revenue, business growth and job creation in the light of the COVID-19 pandemic. This follows on from the LEP Board support for the project in July 2020 to create a successor to the 'Growing Places Fund' (GPF), using the returned GPF loans (c£17m) as core funding.
- 1.2 Approve up to £100,000 from the GPF development funding for external legal, tax consultants and specialist consultants to specify the fund, develop the business case, prepare for the governance, recruit the necessary resources and procure which will go through the assurance framework and CA for final approval.

2. Information

Board Approvals

- 2.1 Building on the 2018 external review of the Growing Places Fund (GPF). Deloitte were commissioned in 2019 to advise on gaps in the regional

investment market and potential business finance models for a new investment accelerator fund.

- 2.2 At the Combined Authority meeting 10 Oct 2019 it was noted that the CA/LEP were developing options for a new fund that responds to current market needs which was discussed by the LEP Board on 25 Sept 2019.
- 2.3 A report to LEP Board on 14 July 2020 provided an update on the fund and it was agreed that feedback from the Board be used to help shape the final Business Investment Strategy for approval at a future meeting.
- 2.4 In order to expedite work on the West Yorkshire Business Accelerator Fund business case the Combined Authority are requested to approve spend of up to £100,000 on development funding for external legal, tax consultants and specialist consultants to specify the fund and the business case, prepare for the governance, recruit the necessary resources and procure. This is in advance of a final approval to a future Authority meeting to release the GPF and launch the fund.

Economic Context

- 2.5 The Combined Authority must meet its strategic objectives and promote the Region in an increasingly competitive market. Several other Authorities have created investment funds as an enabling tool to support local economic development through direct investment in local businesses in a manner that is commercially attractive.

Current Position

- 2.6 This proposal is not for a grant fund but for a self-sustaining Business Accelerator Fund. Investments in businesses are more sustainable than grants and they avoid concerns over State Aid as they are commercial arrangements. Based on West Yorkshire Combined Authority's engagement with business, evidence shows that businesses are interested in receiving finance as an investment as part of a wider package.

Fund Structure

- 2.7 Subject to this approval the Fund structure will be developed with the support of the Legal Advisors alongside the procurement process.
- 2.8 The fund will be targeted at high growth businesses, with the potential for significant growth in terms of turnover, profitability and job creation over a short period of time. These types of businesses have been chosen as the preferred target because there is a clear market gap for investments in these types of businesses and they have potential for greatest financial return and economic development impact.

Fund Structure, Legal Arrangements and Governance

- 2.9 Subject to approval of the business case a specialist FCA regulated fund manager would need to be procured, initially for three years. It is envisaged that the fund manager will help set up and operate WYBAF.
- 2.10 The Fund structure is likely to be a standard and well recognised venture capital approach of a limited partnership with a fund manager acting as a general partner. This structure is tax transparent and therefore efficient, i.e., tax is treated as it ordinarily would by the parties who form the partnership. This structure is also flexible and enables other investors to be added or new sub funds to be created.
- 2.11 In order for the fund to be a commercial success it is essential that the fund manager is authorised to make investment decisions consistent with the policies approved by the new company. Appropriate decision making and delegations will be put in place by the Combined Authority.
- 2.12 It is a legal requirement of the Financial Conduct Authority that fund managers' report to their funders on the status of the funds under management every six months.

Implementation and Time Scales

- 2.13 The procurement of the fund manager can commence following the assurance process and final Combined Authority approval with a view to WYBAF launch in the Autumn of 2021.
- 2.14 Key activities subject to business case approval will include:
- Soft market testing and supplier engagement
 - Preparing legal documentation for procurement
 - Tender, Evaluation and Assurance
 - Investment Committee Approval
 - Development of marketing strategy and product brand name
 - Fund Launch

3. Tackling the Climate Emergency Implications

- 3.1 There are no tackling the climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

- 4.1 There are no inclusive growth implications directly arising from this report.

5. Financial Implications

- 5.1 The intention would be for the investment fund to be 'Evergreen' (ie self-sustaining), with initial modelling based on a ten-year fund. It is intended that the fund will be self-funding after initial start-up costs.
- 5.2 It must be recognised that investments of this nature come with an element of risk and there will be some investments that are less successful than others or may fail. At the same time however those that are successful should result in strong returns, offsetting the losses from the investment.

6. Legal Implications

- 6.1 External legal advice is required to set up the fund the scope of which will include taxation advice on the fund.

7. Staffing Implications

- 7.1 Appropriate staffing will be put in place.

8. External Consultees

- 8.1 No external consultations have been undertaken.

9. Recommendations

- 9.1 That the Combined Authority approve up to £100,000 from the GPF development funding, to expedite the establishment of a Business Accelerator Fund for external legal, tax consultants and specialist consultants to specify the fund, develop the business case, prepare for the governance, recruit the necessary resources and procure which will go through the assurance framework and Combined Authority for final approval.

10. Background Documents

There are no background documents referenced in this report.

11. Appendices

None