

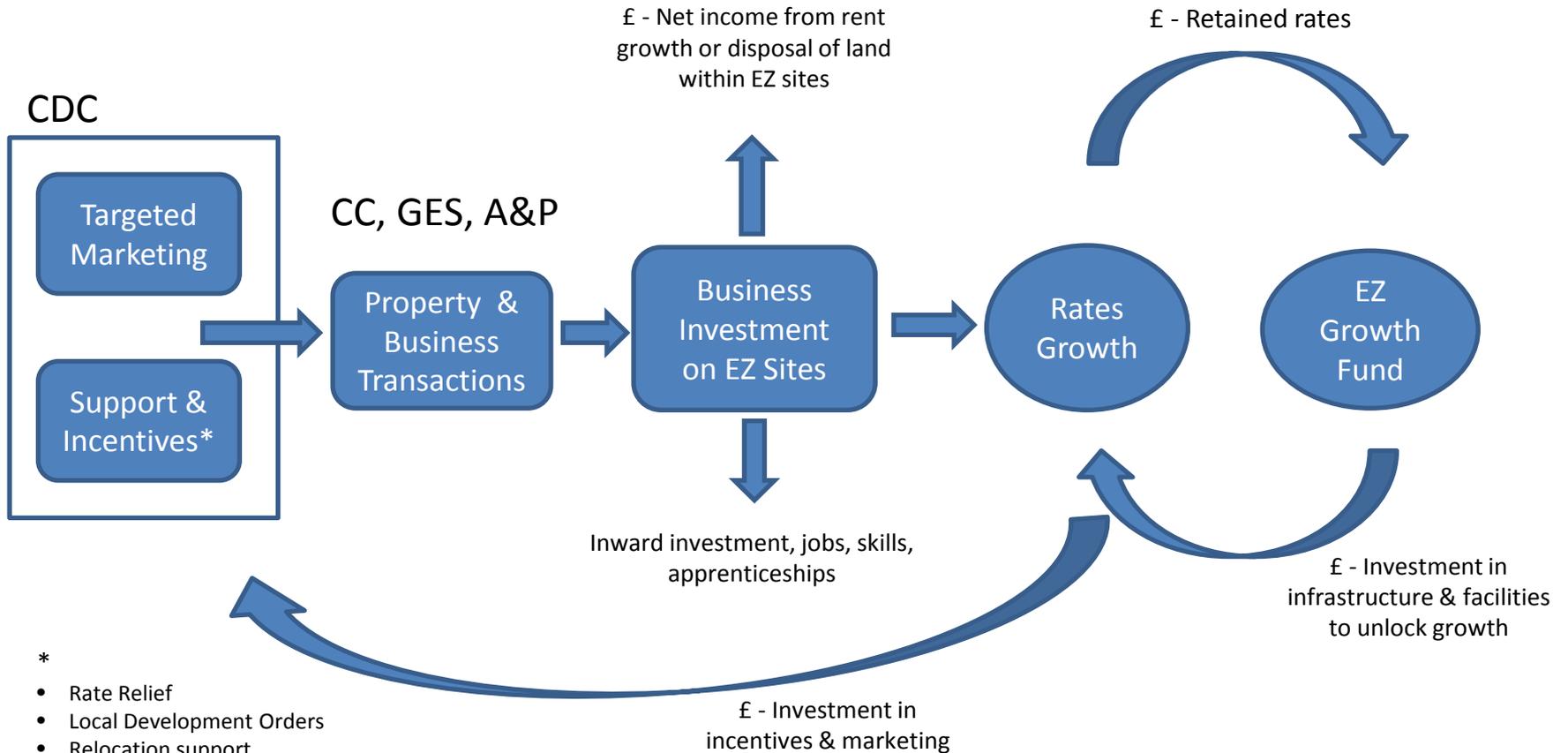
# EZ Growth Fund – Investment Policy

Draft updated to reflect discussion at the EZ Board Meeting 10<sup>th</sup> July 2017 and to address additional point of clarification

26<sup>th</sup> September 2017



# Enterprise Zones – Overview



- \*
- Rate Relief
  - Local Development Orders
  - Relocation support
  - Research funding
  - Direct grants & loans to business

# EZ Growth Fund – Investment Policy

## Introduction

1. Approving investments from the EZ Growth Fund is a key responsibility of the EZ Board
2. The Council is developing an EZ Operational Agreement which, once agreed between the EZ Partners, will formalise the governance arrangements for Cornwall's EZ's
3. The EZ Growth Fund Investment Policy will be a Schedule to the EZ Operational Agreement
4. The following slides are presented to prompt discussion and debate
5. Before the Investment Policy can be adopted it needs to be approved by the Voting Members of the EZ Board: C&IoS LEP, GES Ltd, A&P Group Ltd and CC



# EZ Growth Fund – Investment Policy

## Key Principles

1. The funding from all zones will be aggregated into a single pot
2. The EZ parties acknowledge that they invest time and effort into the EZ initiative and will endeavour to recognise that commitment by taking impartial decisions and by treating each application for funding on the basis of its merits
3. Investment decisions will be based upon maximising future rate growth across the zones
4. An equal distribution of funding from the EZ Growth Fund between the zones is not required.



# EZ Growth Fund – Investment Policy

## Key Principles (cont.)

5. Investment will be made in the form of: grant, loan and or guarantees
6. The EZ Growth Fund should not be used as a substitute for commercial lending but could be used in conjunction with commercial lending to support investment decisions by partners where the risk (or the impact of the risk) is considered by the board to be low”.
7. The fund will contribute a modest sum to the Council and LEP costs of running all of the zones – between £35K-£50K/annum



# EZ Growth Fund – Investment Policy

## Investment Drivers

Priority for investment will be given to projects that:

1. Accelerate rates growth across the EZs
2. Unblock critical infrastructure that in turn will accelerate delivery and rates growth
3. Target the priority sectors
4. Invest in new technology development and R&D in particular those that cut across the priority sectors



# EZ Growth Fund – Investment Policy

## Investment Drivers (continued)

Priority for investment will be given to projects that:

5. Significantly leverages additional private or public funding
6. Significantly increase trade and inward investment
7. Support significant productivity led growth in existing tenants where this leads to a significant expansion of the business and rates growth



# EZ Growth Fund – Investment Policy

## Application Process

1. All applications must be completed and submitted to the EZ Board for consideration
2. The board will use reasonable endeavours to make decisions on applications quickly and avoid unnecessary delays
3. Decisions will be made by the voting partners
4. Voting partners have a veto on decisions for investment on their land



# EZ Growth Fund – Investment Policy

## Application Process (continued)

5. For large capital investments (EZ Growth Fund award of >£200K) the application must be accompanied by a business case which will be independently assessed with the work to be commissioned by the LEP on behalf of the partners
6. The decision on investments will be made by the EZ board in accordance with the EZ Operational Agreement
7. The EZ Board will create a ‘rapid response fund’. This will involve designing and approving criteria and a process which will enable the partners to respond quickly and offer incentives to secure inward investment



# EZ Growth Fund – Investment Policy

## Rapid Response Process (Page 1)

1. The Rapid Response process provides a means to secure EZ Growth funding via written procedures to enable the partners to respond quickly to opportunities secure investment in the EZ which leads directly to rate growth. Applications seeking to use the Rapid Response Process must meet all of the following criteria:
  - a. There is a sense of urgency and a demonstrable risk that the investment opportunity may be lost if the EZ Growth Funding is applied for through the standard process;
  - b. The maximum investment requested through the EZ Growth Fund is less than £75,000;
  - c. The investment must lead directly to an increase in business rates, where the forecast rates growth is equal to or greater than the sum invested from the EZ Growth fund within a 4 year period.
  - d. Whilst the fund can be used for all categories of eligible expenditure, the process would not be appropriate for highly complex projects.



# EZ Growth Fund – Investment Policy

## Rapid Response Process (Page 2)

2. The Rapid Response Process is as follows:
  - a) An application must be submitted to the EZ Growth Fund using the standard application form;
  - b) The C&IoS LEP should be alerted that the application has been submitted;
  - c) The project will be checked to ensure that it meets the criteria for using the Rapid Response Process;
  - d) The application will be circulated via e-mail to the voting members who will vote in accordance with the EZ Board TORs, with responses required within 3 days;
  - e) Approved projects will be notified that their application has received ‘in principle’ support. Additional information may be requested at this point;
  - f) The application (and any additional information requested) will be presented at the next EZ Board for ratification.



# EZ Growth Fund – Investment Policy

## Eligible Costs - Revenue

<b>Administration &amp; Governance</b>	
Examples	<ul style="list-style-type: none"> <li>FTE baseline assessment</li> <li>Review of rates baseline</li> <li>Evaluation</li> <li>EZ Specific Marketing costs (e.g. EZ Website)</li> </ul>
Exclusions	<ul style="list-style-type: none"> <li>Staffing Costs</li> </ul>
Notes	Capped @ £75K/year

<b>Specialist Advice</b>	
Examples	<ul style="list-style-type: none"> <li>Rates advice &amp; modelling</li> <li>Independent financial appraisal of business cases to access retained rates fund</li> </ul>
Exclusions	<ul style="list-style-type: none"> <li>Professional fees associated with normal operational activity such as legal fees associated with letting premises</li> </ul>

<b>Relocation Incentives</b>	
Examples	<ul style="list-style-type: none"> <li>Relocation of equipment to support an inward investment where this can be recovered through business rate growth (must be secured contractually e.g. through lease).</li> </ul>
Exclusions	<ul style="list-style-type: none"> <li>Relocations from within Cornwall</li> </ul>



# EZ Growth Fund – Investment Policy

## Eligible Costs – Capital

Business Growth Infrastructure	
Examples	<ul style="list-style-type: none"><li>• Access infrastructure</li><li>• Service and communication Infrastructure</li><li>• Wharf space</li><li>• New buildings</li><li>• Building refurbishment</li></ul>



# EZ Growth Fund – Investment Policy

## Assessment – Gateway Criteria

Criteria	Notes
Eligibility	Are the costs eligible (see above)?
Strategic Fit	Does the project meet the investment drivers of the fund?
EZ Programme	Do the benefits and outcomes deliver EZ programme benefits?
State Aid	Is the project compliant with the state aid regulations?
Deliverability	Is there a clear and realistic delivery strategy?



# EZ Growth Fund – Investment Policy

## Assessment – Prioritisation Criteria

Criteria	Notes
Cost Benefit Analysis (CBA)	<p>The Cost Benefit Analysis will be the primary means of prioritising investments.</p> <p>The business case must include a cost benefit analysis where the benefits are represented by the potential of the future growth in rates. The assessment criteria would prioritise those projects which are able to replenish and ideally add to the retained rate fund on an NPV basis therefore favouring those projects which deliver a return sooner. For the same reason projects seeking a loan or guarantee from the fund would be prioritised over those seeking a grant.</p> <p>The CBA must include a sensitivity analysis.</p>
Job creation	The job creation potential will be considered along side the CBA to assist with prioritisation.

