

GROWING PLACES FUND

Communities & Local Government

Department for Transport



Cornwall and Isles of Scilly Growing Places Fund

Delivery Plan

May 2012

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1. Introduction

Communities and Local Government and Department for Transport have awarded the Cornwall & Isles of Scilly Local Enterprise Partnerships (LEP) £6.4m of Growing Places funding, following an application made jointly by the LEP, and Cornwall Council who will act as accountable body.

The funds are made up of capital and revenue, which is detailed in the table below:-

	Capital	Revenue	Total
First allocation - February 2012	£4,207,462	£85,867	£4,293,329
Second allocation - March 2012	£1,674,460	£397,872	£2,072,332
Total	£5,881,922	£483,739	£6,365,661

A detailed cash flow of the fund is provided at the end of Section 6 – Monitoring.

The LEP and Cornwall Council have co-commissioned Cornwall Development Company Ltd as its fund manager.

Delivery Principles

The objectives of this fund are as follows:-

- To create an “evergreen” fund that is revolving and self financing by absorbing its own costs of management into the future;
- Support targeted growth in localities and get developments moving;
- To create economic activity by removing barriers to investment;
- To reduce risk of future investments by the private sector;
- To facilitate job creation and housing development;
- To establish sustainable revolving funds so that funding can be reinvested to unlock further development;
- To think creatively about potential investment solutions which meet the objectives of the fund and present value for money.

These funds could provide much needed pump priming finance for developers where the schemes have stalled due to the level of risk or lack of available development finance. In return, the developers would use a proportion of land value uplift or financial receipts to repay the GPF outlay. A contractual mechanism would be used to recoup the initial outlay and interest paid by recycling into projects such as transport, utility provision, flood defences or other constraints preventing development.

Location of Programme

All beneficiaries will be located in the area for which the Cornwall and Isles of Scilly LEP has responsibility. The area is the same as that of Cornwall and Isles of Scilly Convergence Programme.

Announcement of Programme

The Programme was announced on 15 May 2012 at the Finance in Cornwall event in Newquay by the Chair of the LEP.

The announcement for a call for applications which will last for a period of six weeks until the end of June 2012.

2. Governance

The Cornwall & Isles of Scilly Local Enterprise Partnership (LEP) is responsible for taking a role along with Cornwall Council in setting the economic development strategy for Cornwall and the Isles of Scilly and has chosen to be a strategic commissioning organisation. Increasingly this means that the LEP is responsible for making funding applications and commissioning decisions – the Regional Growth Fund Round 2 scheme being an example.

In order that it discharges this role in an effective manner the LEP operates a commissioning process and operates a risk management and performance monitoring process that aligns as much as possible with partner organisations such as Cornwall Council and the Cornwall Development Company. It has adopted clear management process that enables it to formally review the performance of work it has commissioned and this scheme will be complying with these requirements.

Roles and responsibilities of Organisations

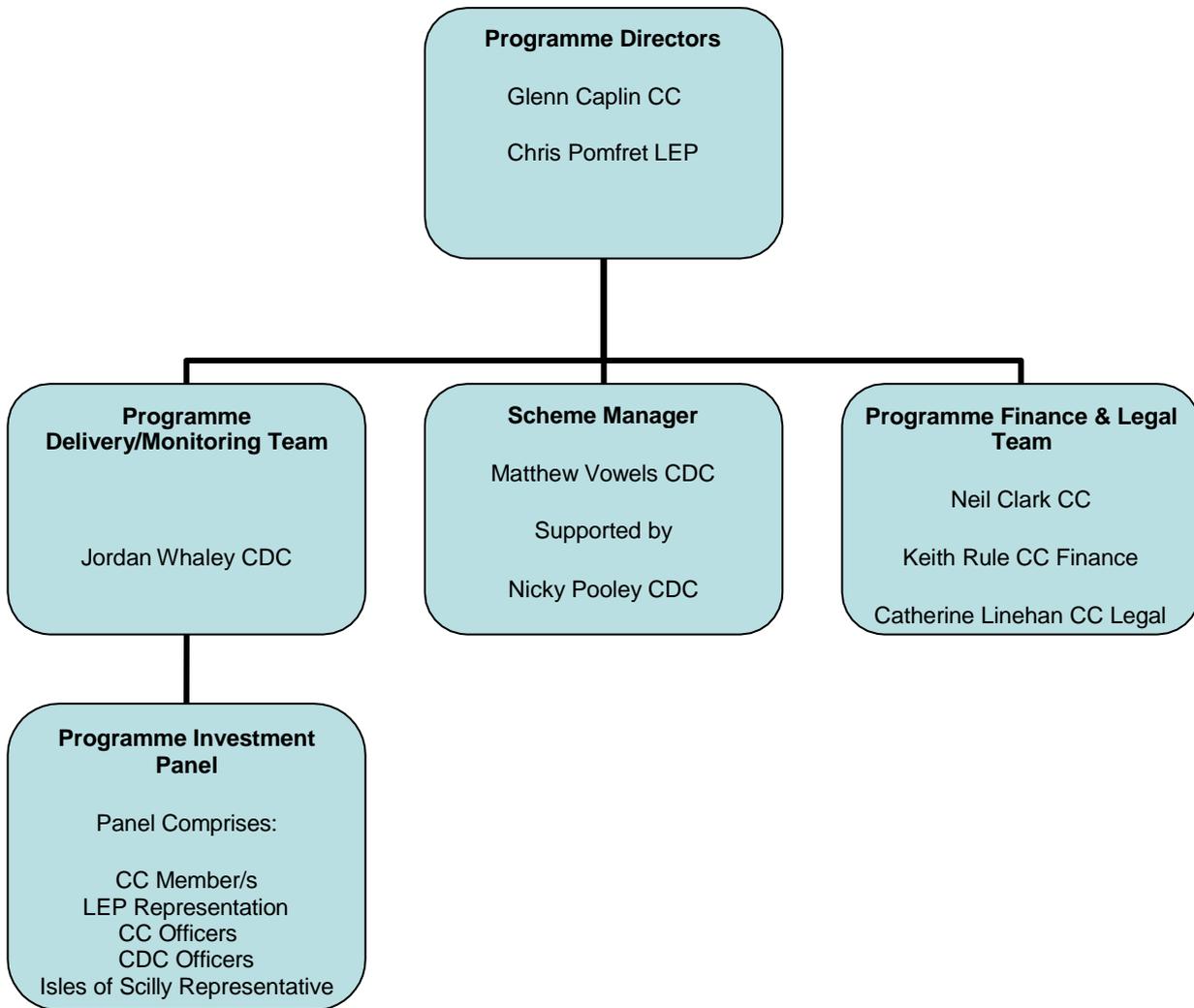
Organisation	Role and Responsibilities	Remarks
LEP	Oversight of the contract. Review performance. Strategic direction.	Having led the development of the bid the LEP has decided that the responsibility for delivery is with Cornwall Council who is the accountable body. The LEP retains responsibility for ensuring GPF is being delivered as intended and that any corrective action is taken if needed. The LEP has agreed that the Cornwall Development Company Ltd is the fund manager for the GPF. CDC will provide regular reports on performance of the GPF, which will include the Monitoring Reports and Statements of Use made to CLG/DfT.

**CIOS LEP Assurance Framework
Appendix 15.1**

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<p>Cornwall Council (CC)</p>	<p>Hold the contract with CLG. Report on performance at contract level. Enter into contracts with businesses. Financial responsibility.</p>	<p>CC on behalf of the LEP undertakes full financial responsibility for delivering the contract. It will ensure the correct processes, resources and balances are in place for successful delivery. CC will provide CLG & DfT with regular financial returns, indicating the commitment of</p>
		<p>investment in schemes and the details & timing mechanisms for its repayment. It will use the resources of its economic development arm, Cornwall Development Company (CDC) for day to day delivery of the contract. This relationship has been used for the successful delivery of a number of multi-million pound contracts. It will receive from CDC monthly progress reports on the performance of this contract as part of its governance arrangements with CDC.</p>
<p>Cornwall Development Company (CDC)</p>	<p>Day to day delivery of the contract. Employ resources to promote interest in the use of the RGF investment. Employ the funds within the initial two year programme to ensure that the fund is repayable, with or without a return on its investment. Recycle & redeploy the funds as many times as possible to maximise the economic impact for Cornwall & Isles of Scilly. Ensure probity in how funds are used.</p>	<p>CC will use CDC to ensure that the interface with businesses is effective and that the processes used are also effective, from the perspective both of the users and CLG/DfT. Support the LEP & Accountable Body by providing fund management information for the regular returns, including DCLG & DfT when required.</p>

GPF Delivery Management and Administration



3. Overview

Total Programme	GPF Total	£6.4m
	Capital for investment	£5.9m
	Revenue for fund administration & costs of loans	£0.5m
Location	All beneficiary organisations' investments will be located in the area covered by the Cornwall and Isles of Scilly LEP.	

Outputs	<p>To unlock barriers to investment in capital projects</p> <ul style="list-style-type: none">▪ To be the catalyst for investment for new housing schemes through the construction of infrastructure & additional investment
	<ul style="list-style-type: none">▪ To create jobs through construction projects▪ To attract co-investment or leverage through GPF▪ Indirect jobs resulting from positive outcomes from GPF intervention. <p>Outputs and outcomes:</p> <ul style="list-style-type: none">▪ Construction jobs▪ Direct and indirect jobs resulting from development being unlocked▪ Housing units built resulting from the capacity of the type of infrastructure delivered
Investment targets	<p>Type of project investment:</p> <ul style="list-style-type: none">▪ Residential property infrastructure development▪ Commercial & retail property infrastructure development
Criteria	<p>Eligibility:</p> <ul style="list-style-type: none">▪ Lack of alternative sources of project funding▪ Cost of alternative sources of funding contributing to poor scheme viability▪ Strong prospect of principal GPF investment being repayable, plus agreed return or cost of funds▪ Pump priming public infrastructure that would be subject to Section 106 agreements or Community Infrastructure Levy planning obligations that would be directed at repaying GPF investment▪ A demonstrable need for financial support <p>Investments in:</p> <ul style="list-style-type: none">▪ Residential development infrastructure▪ Land associated with property development▪ Buildings & associated infrastructure▪ Land remediation plus associated "abnormal" site development costs e.g. due to previous uses <p>Special organisations will be considered:</p> <ul style="list-style-type: none">▪ Social Enterprises or Community Infrastructure Companies

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Minimum investment	Minimum investment circa £350k, maximum subject always to the headroom in & demand for the funds.
Investment timescales	It is an objective of GPF that the initial £6m of funds is invested by March 2014.
Investment types	Type of investment or support available: <ul style="list-style-type: none"> ▪ loan finance
Investment transaction costs / arrangement fees / verification costs	Transaction Costs: <ul style="list-style-type: none"> ▪ Each party will bear its own costs ▪ There are no arrangement fees Independent verification costs: <ul style="list-style-type: none"> ▪ Where possible GPF shall require the benefit of professional advice provided to the project applicant ▪ GPF may require additional independent advice to verify critical risk areas to the proposed project – these costs will be borne by the applicant and if applicable charged to the project.
Fund Marketing & PR	GPF announcement: <ul style="list-style-type: none"> ▪ An initial call will be made for proposals in May 2012 which will last for six weeks until the end of June 2012. ▪ Further calls for proposals will be considered after this date, subject to availability, commitment & recycling of funds.
Key factors for investment	Controlling factors and conditions to GPF investment: <ul style="list-style-type: none"> ▪ All proposals are subject to contract and the availability of GPF funds ▪ The viability of the investment ▪ Contractual agreement ▪ State Aid: All applications will be subject to state aid regulations.

**Investment
Inquiries**

Processing of investment propositions:

- Expression of Interest (EoI) registered on website
- Initial appraisal by CDC
- Propositions considered as suitable (or not) by CDC
- Full application prepared by beneficiary
- Verification & financial appraisal by CDC
- Decision to endorse investment by Investment Panel
- Offer letter issued by CDC on behalf of CC
- Inclusion on spend report to LEP

Independent firms of accountants may need to support & verify complex investments.

Monitoring

CDC will provide as part of its fund management services a regular report to the LEP; Cornwall Council and DCLG/DfT;

This will include inter alia the following information:

- Number & types of investments
- Financial commitments & cash flow
- Forecast of outputs against actual
- Forecast of outcomes
- Risk assessment for each investment
- Overview of the fund & its revolving capacity
- Overall risk fund assessment

Evaluation

CDC will commission an evaluation at the point the initial £6m of funds has become fully committed with a forecast for the receipts (principal capital & return on investment). This is currently forecast to be by March 2014. This will be at the cost of the fund.

At this point the LEP may wish to review the objectives & targets for the fund, in conjunction with DCLG/DfT.

4. Description

The Growing Places Fund will enable the delivery of stalled local infrastructure schemes in Cornwall and the Isles of Scilly. It will provide the up-front funding needed to get development underway, with the flexibility to recycle funding for other projects as developments are completed.

GPF will be used alongside other investments that are available to Cornwall and the Isles of Scilly, such as the Regional Growth Fund (RGF) and Convergence ERDF, to provide sustainable support for infrastructure projects that are tightly focussed on the development of Cornwall's

economy, in line with the LEP's emerging strategy.

Infrastructure is essential to realising Cornwall's economic ambition and it can often be challenging to secure forward funding of infrastructure in advance of development, particularly where development interests are held by a number of parties. In the current economic climate, many otherwise viable schemes are not able to proceed because the lack of available capital has reduced the flow of investment. The additional investment risks associated with the provision of the physical infrastructure

which unlocks development (e.g. transport, utilities and flood defence), is limiting the creation of much needed homes and jobs.

The Growing Places Fund aims to help address this constraint; enabling targeted investment in infrastructure which will unlock development, enabling the realisation of site value which can then be recycled to provide a longer term solution to Cornwall's infrastructure provision.

One of the overriding objectives of GPF is for it to be used to establish a sustainable revolving fund. To date unlocking property development and jobs has been grant based, and by having an additional tool to encourage economic development will allow greater flexibility to respond to market needs.

For example, the intention is that as GPF unlocks development, the developers would use a proportion of land value uplift or financial receipts or surpluses to repay the GPF including a premium on the funds employed. The level of return will generally reflect the market and by the level of security offered by the applicant and project risk.

Initial funding loaned could then be recouped plus interest paid, and recycled into new projects. The fund will be targeted at the provision of infrastructure to unlock housing and jobs and it will target projects which represent good value for money.

To accelerate economic activity, funding should be directed towards stalled sites, given that these are likely to progress quickly once capital is injected. The initial £6m of GPF will be loaned by March 2014, provided the right projects are forthcoming.

Operating the funding on a revolving basis will enable the LEP, in partnership with the Council, to take a programmed approach to infrastructure delivery, identifying projects which can be phased and delivered as funds from initial investments return.

There are a number of the key issues that should be considered when making investment decisions. These could form part of the project selection criteria used:

- **Planning status of sites:** development sites unlocked by infrastructure will ideally have planning consent in place in order to give greater certainty that the related development can proceed.
- **Scale of development:** the scale of development unlocked by the investment should be a consideration from a value for money perspective. This will include both initial phases of development unlocked by the infrastructure investment and phases that will be delivered over the longer term.
- **Deliverability:** the likelihood of the related development being delivered will be

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a key factor in the funding assessment. Ultimately, if the related development is unlikely to proceed, there is little benefit in investing in upfront infrastructure to enable it. Deliverability will take account of matters such as:-

- Landownership;
 - planning permissions;
 - the demand within the local property market;
 - size and type of development;
 - other competing developments;
 - whether other necessary funding streams have been secured;
 - financial position and track record of the developer; and
 - level of investment in the project to date & any additional development finance required for completion.
- **Timescale for repayment:** the intention is that GPF funding invested in projects is repaid and re-invested in more projects. The sooner initial loans are repaid, the sooner the GPF will be able to support additional projects.
 - **Timing & certainty of repayment:** consideration will be given to the risks around the timing and cash flow of repayment. This will typically relate to the viability of the site, the risk of the project performing behind forecast and the risk of the developer/landowner not being able to repay the funding. Risk can be mitigated by seeking to agree a fixed repayment schedule, rather than one that is contingent on certain events occurring, although landowners/developers may not be always in a position to take on this risk.
 - **Risk/reward balance:** in assessing the terms on which funding is made available, consideration should be given to the fair rate of return (or profit) generated by the GPF. Profit could be generated from interest charged on the loan and/or profit share on the related development, with the intention that the return is consistent with the level of risk that it is taking. Existing forward funding arrangements usually will not include any cost of finance in the agreed repayments, which in part will reflect the level of risk taken by the LEP/Accountable body and in part the requirements of the funding streams used to finance them. It should be noted that if GPF is to be capable of attracting private investment, it will want to avoid the investor's cost of finance being met through reduced capital repayments, it will need to generate a profit/return in order to meet investor requirements.
 - **Security for investment:** consideration should be given to the need for security to protect the GPF investment in a project. In most cases the security needed will be a direct arrangement with a landowner/developer, further security or a legal charge (fixed or floating) and/or a corporate guarantee from the landowner/developer parent body is likely to be required.
 - **Do nothing:** the question of what is preventing the project from advancing without the intervention of GPF must be asked? For example, the credit squeeze is making banks more cautious and taking a very low risk approach to investments in

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projects by setting very high returns. GPF may be able to be more competitive by taking a more flexible approach to funding levels & rates of return.

5. Management

The Scheme Manager for GPF Cornwall and Isles of Scilly will be Matthew Vowels Interim Head of Development Services, CDC.

Neil Clark, Contracts Manager, CC Economic Development will liaise with the Scheme Manager throughout the programme to provide CC with an overview of delivery progress and issues.

In addition, the following management support is in place:

- Legal services will be provided by Cornwall Council, which has specialists in many areas relevant to the investment of GPF. Additional specialist legal advice, if required, will be obtained as needed from the Cornwall Council legal framework panel;
- Specialist financial advice from accountants if required will be procured via Tenders in Cornwall;
- Financial reporting will be undertaken by CDC in conjunction with the Cornwall Council as Accountable Body
- Additional financial services will be provided by Cornwall Council;

Fund management functions include:

- Assessing applications for investment from Expressions of Interest
- Drafting and agreeing terms of reference for all relevant supervisory and decision making investment panels.
- Preparation and submission of quarterly reports.
- Collection, collation and analysis of beneficiary data.
- Production and updating of all programme documentation, including application and guidance forms.
- Producing and updating the programme management information system (MIS).
- Providing a Secretariat for all meetings both scheduled and ad hoc; their organisation, preparation and post meeting reports and minutes.

The Investment Panel

It is intended to establish a GPF Assessment Panel comprising Member(s) and officers of Cornwall Council, officers from CDC, a representative from the Isles of Scilly and representation from the LEP. The frequency with which it meets will depend on the volume of proposals coming forward.

Resources & budget (Appendix)

CDC will undertake the fund management role for GPF. A budget for this work has been estimated and agreed with the LEP. Over the initial two year until March 2014 this will be drawn from the revenue element of GPF, and totals £100k. It covers time for experienced staff including administration costs.

These costs mainly include staff time plus overheads. CDC is very used to charging its time and apportioning its actual costs of operation to funding programmes such as this. All CDC staff enter regularly their time to projects / programme activities, and the actual costs will be set off against this budget.

Third party costs such as CC legal or other services or external costs e.g. accountants or for fund evaluation, will be estimated and agreed by the LEP at the time of commissioning. These costs are directly attributable to the number of investment transactions the LEP will approve and CC as accountable body will enter into.

Investment cash flow profile

Section 6 provides a cash flow estimate for both the revenue and capital elements of the fund.

Until we have a response from potential applicants to the marketing and communications plan which commenced during Cornwall Business Week (w/c 14 May 2012) it is difficult to forecast as there has been limited market exposure to the GPF.

The objective is to have invested all of the GPF capital invested, and committed and loaned by March 2014. Once the initial investment has been exposed to the market we can then provide a more detailed and longer term cash flow of the repayment of the funds and their returns.

GPF Investment and Appraisal Criteria

The following general criteria will be applied:-

Investment principles:

- The primary target for investment will be focussed on unlocking housing development; other sectors will not be precluded, especially if they generate job outputs and other economic outcomes;
- The primary target for investment will be to fund infrastructure investment that will demonstrably lead or link to further property development led activities;
- GPF investments must show leverage of additional investment as a direct result of intervention;
- All investments will be made on sound commercial grounds and must add value to the project, but with the overriding principle being to support the applicant in pursuing its objectives and the loan repayment;
- Every decision to invest will be at the sole discretion of the Investment Panel which will sit to review applications. There will be no further recourse or review of any decisions on an application unless facts change;
- Market rate – all loans will be lent at a market rate, and based on the minimums set by the EU Reference rate, in accordance with State Aid rules, and level of perceived project risk;
- Term – the term of loan will be as short as possible to facilitate early repayment of the principal capital and or interest thereon;
- Repayment of principal – this is a priority for GPF, even if interest coupon or profit share is delayed as a balloon payment for sound investment reasons;

- Repayment of loan interest – this may be paid alongside the principal or on its own accruing from the start of the term;
- Decisions will be expedited to suit both investment demand and to achieve the objectives of GPF. However, there must be a full disclosure of information from the applicant to facilitate this.

Type of beneficiary / applicant

- Public Sector – applicants should be able to define the project and confirm match funding and any relevant security to be offered against repayment obligations;
- Private Sector - applicants should be well established businesses operating & investing in Cornwall & Isles of Scilly and incorporated as a limited company;
- Applicants of other corporate or commercial entities or organisations will be considered, subject to full disclosure of structure; and any investment will be at the sole discretion of CDC, Investment Panel, Cornwall Council and LEP.

Eligibility (see also Investment principles above)

- Generally the minimum investment by GPF will be in the order of £350k, although exceptional individual projects with limited risk (financial and repayment) and high return of outputs will be considered on their merits;
- Investment may comprise up to 100% of the value of the project to be funded, although the applicant will have to demonstrate its level of existing investment, locus or lien, or other available security that is to be subordinated to the GPF loan finance;

Type of finance available

- **Loan finance** – term based loan with agreed interest rate probably fixed, with either repayment of principal over agreed term or a balloon payment at the end of the term. An appropriate level of security for the loan will be required.

Financial return to GPF

- The overriding principle is for the funds to be subject to similar terms and returns that would be available in the commercial market;
- The level of return and security shall reflect project risk and security available for the loan;
- The interest rate will be based on a minimum rating using the EU Reference Rate which is calculated as follows and will change from time to time. The current position is as shown in the table below:-

EU Reference Rate as at 31/12/2011 is 1.74%	Loan margin (basis points above Ref Rate)		
Rating Category of Business	Collateralisation		
	High	Normal	Low
Strong (AAA-A)	60	75	100
Good (BBB)	75	100	220
Satisfactory (BB)	100	220	400

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Weak (B)	220	400	650
Bad financial difficulties (CCC & below)	400	650	1000

- In addition to the above the level of financial risk of the project will have to be taken into account as well as the terms on which a viable project could be maintained. These factors will be taken into account when setting the terms of the loan and the repayment schedule.

GPF investment security - to be available from

- A primary fixed charge on project assets
- A primary fixed charge on other assets
- Contract committing future capital funds receipts
- Company debenture
- Cash flow from project income (if any)
- Other collateral, if available

Commercial Confidentiality

- All discussions with potential applicants whether they lead to the award of a loan GPF will be kept confidential by CDC, the Investment Panel and LEP;
- As with all use of public funds there will be a requirement to disclose and publicise key facets of the investment both for reporting purposes to DCLG and DfT and to the wider public;

The Decision Process

GPF Decision Process	
Activity	Paperwork/Resources
Applicant visits CDC website to self assess eligibility against Investment Principles as stated above;	Web based self-assessment of client/project suitability:
If applicant passes self assessment the Expression of Interest (EOI) can be downloaded from CDC website.	The EOI (Appendix1) will require the applicant to outline the proposal, show how deliverable the proposal is, why it requires GPF, and to what timescale.
Initial information is uploaded onto a database	MIS Database

EOI is submitted to GPF Advisor for eligibility check and scoring.

Eligibility Checklist (**Appendix 3**)

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If scoring level adequate the applicant completes a Full Application (**Appendix 2**). CDC GPF Adviser facilitates basic level support upon request.

The business plan will require the applicant to produce a full financial appraisal, and show how the proposal fits with relevant strategies and give detail on outputs and outcomes.

The application and supporting information is sent to CDC Scheme Manager to carry out the assessment and make a recommendation to the Investment Panel.

All loans:-

If approved, CDC will contact applicant and issue CC headed conditional offer letter within 7 days of the decision.

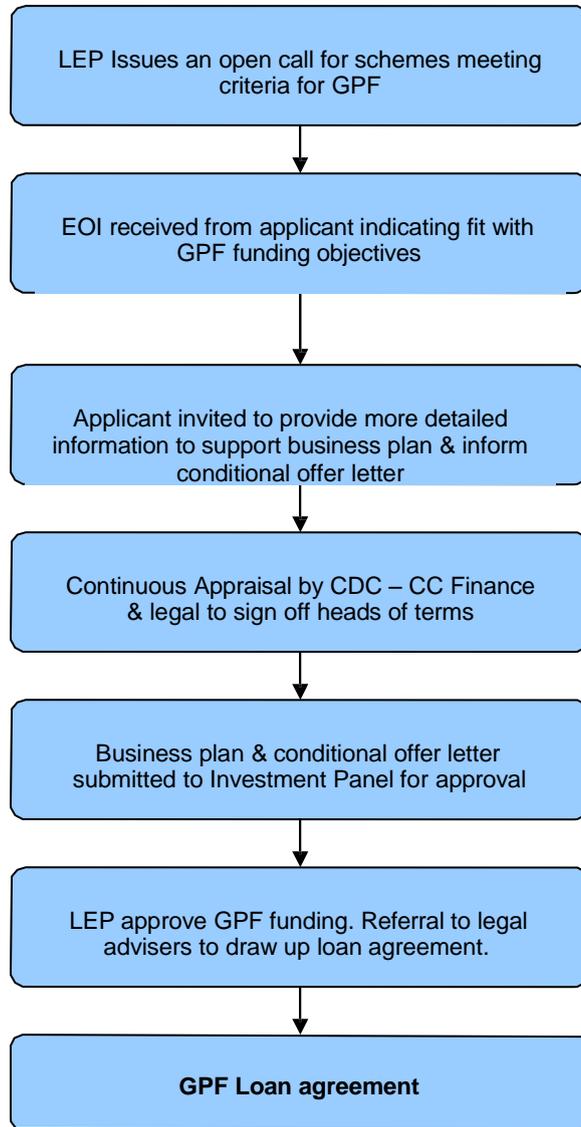
Conditional Offer Letter to be drafted

Legal or financial services will be commissioned to draw up loan agreements prior to the draw down of any funds.

Loan agreement to be drafted by CC (accountable body)

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Appendix 15.1**

The flowchart of the process is shown in below:-



6. Monitoring Investments

CDC will be responsible for ensuring investments to the beneficiaries are used in accordance with the loan agreement. CDC has many years experience of programme management involving significant numbers of contracts involving UK mainstream and European funds and have well-established systems for the continuous collection of monitoring data.

Once a decision to award has been made, CDC will issue a conditional offer letter in which the nature of the proposed loan will be laid out. The offer will provide the instructions for the legal and financial advisers to draw up the relevant loan agreement and security requirements. The loan agreement will include details of monitoring by the CC (?).

The conditional offer letter will include details of any specific conditions and will include the following general conditions:

- Within 30 days after the end of the project, the beneficiary will be required to provide documentary evidence of the expenditure (including, in the case of private sector applicants, bank statements showing defrayal of the investment and any associated purchase orders and invoicing) together with satisfactory evidence of progress against targets, in order to draw down the GPF investment plus the return on the loan;
- Beneficiary organisations will be required to adhere to the general principles of national rules for public procurement. In exceptional circumstances, for example, where the nature of the product or service precludes the normal process, the beneficiary can submit a written request, accompanied by full justification.
- Subject to the nature of the draw down of the investment the beneficiary will make a written request to draw down grant funding via the Claim Form. Claims will be checked by CDC and then sent to the CC Finance team for payment authorisation. The payment will be made by BACS, normally within 30 working days.
- The project monitors may organise a visit to inspect items or contracts purchased through the GPF scheme as part of the post-award monitoring process discussed above.
- Beneficiaries will provide baseline information on turnover and employment at the application stage and be asked to provide monitoring information at the time they make their claim at the end of the project. Depending on the performance information reflected in the application and accepted in the offer, beneficiaries will be required to provide information on employment (job creation and safeguarding) for up to 2 years after the project has completed.
- Requirement of the recipient to enter into the loan agreement and comply with its conditions.

Methodology for financial processing

Individual investment claims will be processed through the CC finance system to the relevant cost code, following authorisation by a designated Scheme Manager.

On a monthly basis a report will be downloaded direct from the finance system and then reviewed by the Claims & Audit team to ensure that each entry is eligible in accordance with the project and that the defrayal falls within the claim period.

The eligible expenditure is transferred to the expenditure summary and reconciled to the finance system.

Claims

- During project – where there are instalment payments of the loan, the loan information on the progress of the project will be required with supporting claims e.g. status reports, showing progress against contracted programme and cash flow profiles.
- Post completion of project - once a project has completed the applicant will complete a Monitoring and Claim form; technical advice and guidance will be available from CDC. CDC will check the completed form when it is returned, ensuring that appropriate supporting evidence is included. Originals of this evidence are required; CDC will copy original receipted expenditure or bank statements and return originals to the applicant. If and/or once all is in order the claim is signed off by CDC who send appropriate notification to CC (Finance) recommending payment to the applicant. CDC will deal direct with the applicant on any issues that arise in this process, be they generated themselves or by CC Finance.

During this process Contract Services will enter performance information from the Monitoring Form onto the database.

Payments

Beneficiaries will be expected to cashflow their project expenditure and then reclaim the cost from the programme at an intervention rate commensurate with the size of the business and approved at time of decision. In exceptional circumstances, such as applications submitted by social enterprises, there is the potential of Cornwall Council considering a request to cashflow the project but this process lies completely outside the operation of this contract.

As described in the previous section, CC will receive from Contract Services notification that payment should be made to the project. If satisfied with the notification (and any subsequent information) CC will make the payment to the project and inform Contract Services that they have done so. Cumulative payment figures are kept by both Contract Services and CC Finance and quarterly reconciliations made to ensure financial accuracy.

Retentions

Project investment retentions may be required to ensure performance and completion of the obligations of contractors employed to deliver the investment. The amount (%) and conditions for any retention will be stated in the investment contract.

Default or breach of contract

Any breach of a loan agreement will be reported to the LEP Board. Subject to the nature of the breach will dictate the nature of the response by CDC or by CC legal teams.

Subject to Contract

All the documents that invite the applicant to submit information will be caveated to ensure that until the loan agreement is signed all documentation relating to the investment is subject to contract and the availability of funds.

Post Claim

Financial and performance information is gathered by CDC from each and every claim and assembled onto claim forms for the regular returns to CLG/DfT .

Performance Management

In the event that only some of the grant originally requested by an applicant is drawn down and defrayed, CDC will assess with the business what effect this will have on the original proposition and report back to the Investment Panel or LEP. They will then decide on the extent to which the project's objectives have been met. If the project has achieved what it set out to but at a lower cost than anticipated, the surplus investment will automatically go back into the GPF account so that other projects can benefit. However, if in addition to incurring an underspend the project has also underperformed, a decision will be made whether or not to except repayment of loan instalments advance under the loan agreement.

The loan agreement will have provisions that protect CC from underperformance by the Beneficiary. The decision-making process does what it can to lessen the chances of underperformance, but all contract management processes will at times have to deal with situations that cannot be forecast. Where the beneficiary is unable to use all or part of the offered investment, it will be withdrawn and the remaining loan monies recycled back into the GPF account.

Standard contracts e.g. loan agreement, will be drafted by CC Legal Services working together with CDC.

7. GPF Budget

GROWING PLACES FUND	Total	2012 Q1 FYR	Q2	Q3	2013 Q4	Q1	Q2	Q3	2014 Q4	Total
CDC Costs	£109,874	£8,000	£18,000	£12,000	£14,321	£14,320	£14,400	£14,440	£14,393	£109,874
Other costs	£373,865				£186,932				£186,933	£373,865
Total Revenue	£483,739	£8,000	£18,000	£12,000	£201,253	£14,320	£14,400	£14,440	£201,326	£483,739
Total Capital	£5,881,922	£0	£0	£500,000	£800,000	£1,200,000	£1,500,000	£1,500,000	£381,922	£5,881,922
TOTALS	£6,365,661	£8,000	£18,000	£512,000	£1,001,253	£1,214,320	£1,514,400	£1,514,440	£583,248	£6,365,661

8. Marketing and Promotion

Background

CDC has been contracted/commissioned to administer a number of business-facing funds on behalf of the Cornwall & Isles of Scilly Local Enterprise Partnership, working as the economic delivery arm of CC and involving both UK and European funds. Most of these are grants, rather than loan funds like GPF. Also, many of the programmes are very bespoke in terms of eligibility criteria.

Individually these are significant pieces of work but together they represent a body of support for business growth in Cornwall & the Isles of Scilly entrusted to CDC. They also represent an opportunity for enhanced awareness and cooperation in enhancing business awareness of, and thus take up of, these various development opportunities.

CDC will seek to ensure that all the funds are applied to suit the objectives of the project. It may be that an approach for GPF may result in a different funding opportunity. CDC is however well placed to interrogate the project and direct the applicant accordingly to the appropriate funding solution.

Whilst this joint management and delivery of various funds offers great opportunities for businesses in Cornwall & the Isles of Scilly to benefit, it does also present challenges in relation to branding, delineating messages to businesses, managing expectations and supporting businesses to secure what investments are most appropriate.

Therefore CDC plans to work with its partners to develop an overarching media campaign which will be as much about informing businesses about what is available as it is about painting the big picture of what is available. It will maximise the potential to ensure equality of opportunity for businesses to access the range of funds available.

This will be done by a mix of media releases and messaging via relevant partner organisations who will be dealing with potential clients, private sector organisations and others with access to business clients. Work has been done to identify just who these organisations are so that contact can be made immediately; indeed CDC, CC and the LEP are already engaged with most of these organisations anyway.

Promotion

A Marketing and Communications Plan has been prepared to ensure that GPF is successfully promoted and marketed to encourage eligible applications and maximise private sector investment. **Appendix 4** provides a more detailed marketing and communications plan. It is anticipated that this will work closely with the fund management for RGF to ensure that economies of scale are secured and duplication is avoided, to ensure the maximum impact and value for money.

It is not considered appropriate to run a traditional marketing/advertising campaign to promote this activity, as past experience has shown that this inevitably attracts the wrong type of enquiries and can raise the expectations of businesses for which the programme is not intended.

The GPF was launched during May 2012 with a press release at the same time as details are fed to the partner organisations already identified in the work above.

In addition, CDC will use its own contacts to target communications to businesses and public sector agencies and organisation that are most likely to benefit from GPF.

Web based presence and pre-selection interface with applicants will be critical and is being developed.

Promotion on the Isles of Scilly

Colleagues based on the Isles of Scilly will support CDC to signpost potential applicants to examine and progress their proposals.

Thereafter, CDC would rely on regular contact with the IoS Economic Development team to ensure that Scilly-based companies enjoy the same level of access to the programme as businesses on the mainland.

PR & Communications events

The following communication opportunities arise for GPF investments:

- Initial announcement formally with the opening the RGF and BIG funds in May 2012.
- Overall investment activity and responses from the private & public sector
- Funding agreement in place
- Announcement of key project milestones
- Construction contracts signed and unconditional.
- Commencement of the physical site works.
- Six months prior to practical completion.
- Practical completion
- Overall outputs, investment & return achieved and successfully returned to GPF for recycling
- Any catalytic investments as a result of GPF investment

A more detailed communications plan will be prepared and be a live document to respond to project timescales and milestone achievements.

9. Risks

As indicated in the Governance section the LEP undertook its own risk assessment of the scheme. Additionally, before accepting the contract management functions for this contract CDC operated its normal risk assessment processes, namely to produce a Project Report and Risk Assessment for discussion and refinement by its Executive Team and then present this to their Board of Directors. This was done at their meeting at the end of February and the performance of the contract will be monitored monthly utilising the Risk Register agreed at that meeting.

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The risk register below provides an outline of the key delivery and financial risks that this programme may face. Many of the risks are common to projects that have been completed by Cornwall Council and CDC in the past, which have provided considerable knowledge and experience of how such risks can be mitigated.

Risk	Likelihood (H/M/L)	Impact (H/M/L)	Risk Management
Low take-up	M (at outset) H (later)	(at H)	Adopt highly targeted approach. Use business support network through warm leads as opposed to open marketing.
The quality of applicants and their projects is low	M	H	Adopt highly targeted approach. Ensure business support network well briefed on the scheme and kept informed of progress to ensure buy-in
Eligibility issues	M	H	Set out clear criteria at start. Robust compliance systems established to manage and monitor.
The relationship between project partners breaks down and the project cannot proceed as expected	L	H	Define relationships at start with clear ToR. Engage partners in panel process. Keep them involved and interested.
Management system failure leading to poor record-keeping, creating audit issues	L	H	Make use of one of the most experienced programme management teams in the UK, with over 18 years' experience. Combine with continuous review of systems and ensure fitness for purpose, with stringent separation of duties.
Programme/target outputs not achieved	M	H	Targeted approach will include assessment of likely outputs per investment. Project specification

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			development will underpin this process.
Complaints from ineligible businesses who believe they have a right to benefit	M	M	Ensure communications programme is effective. Manage expectations on a realistic basis.
Failure to recruit panel members with sufficient skills and knowledge	L	H	In principle buy in from the private and public sector participants
Cash flow issues for CC	L	L	Cash flow forecast undertaken with manageable level of exposure anticipated
Investment completion & receipt of returns to achieve revolving funds to recycle into new investments	M	L	Rigorous selection criteria of applicant & scheme to determine level & term of risk

10. Scheme Evaluation

Throughout the delivery of this contract performance will be measured and reported upon. Whilst the majority of this will be quantitative, qualitative information will also be gathered as part of CDC's attention to customer requirements. The cost of the evaluation will be a cost to GPF. For the avoidance of doubt this cost is not included in the CDC management costs.

As reflected in the Governance section, as well as making regular performance reports to the LEP there will be a minimum of an annual review of the operation of the whole fund. These will in effect be on-going and interim evaluations of the scheme.

CDC will in addition complete a final evaluation report in March 2014 for the initial £5.9m invested, in order to capture the impact of the GPF until that date. Whilst the report will focus on the number of jobs secured through the scheme it will also gather the opinions of the businesses and stakeholders through a consultation process, using a simple structured topic guide to enable aggregation of responses, as well as the observations of delivery partner organisations.

The evaluation will note the lessons learned which will be applied to the continuation of the fund management by CDC.

A full review of the fund management and achievements of the investments will be undertaken. It may be necessary to refocus the funding to ensure that more businesses or public sector organisations benefit from GPF, whilst maintaining the same principles of the revolving nature of the "evergreen" fund.

Growing Places Fund

Project Assessment Criteria

GPF Criteria		Rationale
1	<p>Funding eligibility</p> <ul style="list-style-type: none"> ➤ Delivery of infrastructure to bring forward housing or retail or commercial development ➤ Construction jobs created ➤ Unlocks medium and long term employment growth and private sector investment; 	<p>✓ To ensure funding conditions & outputs are achieved.</p>
2	<p>Match funding</p>	<p>✓ GPF investment working alongside other sources of project funding from applicant.</p> <p>✓</p>
3	<p>Deliverability</p>	<p>✓ Must be deliverable within funding timescales e.g. statutory consents in place</p> <p>✓ CDC acting as facilitator will ensure pre-application progress is made against demonstrable progress</p>
4	<p>Maximising return on investment</p> <ul style="list-style-type: none"> ➤ Return of principal for recycling funds ➤ Interest rate or share of uplift in value of project 	<p>✓ Complementary funding and fund management with ERDF, RGF and Council match will maximise both returns for the funds and Cornwall</p> <p>✓ Provide flexibility to ensure that funding intervention rates are maximised to ensure eligibility & endorsement by approving authorities</p>
5	<p>Applicant</p>	<p>To demonstrate that it has the ability to proceed with the project by providing the following information relevant to the investment such as:-</p> <ul style="list-style-type: none"> ✓ Ownership of the land ✓ Other contracts in place (if any) ✓ Internal (e.g. Board approvals)

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		<p>external consents & statutory approvals in place</p> <ul style="list-style-type: none"> ✓ Available match funding if applicable ✓ Detailed & viable business plan ✓ Track record of performance with individuals identified to carry out the project ✓ Procurement of consultants & contractors in train ✓ Supporting evidence to indicate that the return on investment is acceptable to the market & project risks
6	State Aid	All investments must be state aid compliant.
7	Loan or Agreement	<p>All documentation will be subject to contract and the availability of funds.</p> <p>All loan agreements may require the applicant to repay the loan on the request terms included in the CC Standard loan agreement.</p>