

Cabinet Member for Finance and Assets Agenda

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| Date: | Monday, 13th July, 2015 |
| Time: | 4.00 pm |
| Venue: | Committee Suite 1,2 & 3, Westfields, Middlewich Road, Sandbach CW11 1HZ |

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

3. **Public Speaking Time/Open Session**

In accordance with Procedure Rules Nos.11 and 35 a period of 10 minutes is allocated for members of the public to address the meeting on any matter relevant to the work of the body in question. Individual members of the public may speak for up to 5 minutes but the Chairman or person presiding will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers. Members of the public are not required to give notice to use this facility. However, as a matter of courtesy, a period of 24 hours' notice is encouraged.

Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

4. **Greater Manchester and Cheshire Life Science Investment Fund approval of Preferred Bidder (Pages 1 - 6)**

To consider the appointment of the preferred bidder as Fund Manager.

For requests for further information

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CHESHIRE EAST COUNCIL

Portfolio Holder Finance and Assets

Date of Meeting: 13th July 2015

Report of: Executive Director for Economic Growth and Prosperity

Subject/Title: Greater Manchester and Cheshire Life Science Investment Fund – Approval of Preferred Bidder

Portfolio Holder: Cllr Peter Groves

1.0 Report Summary

- 1.1 Seven times as many people are employed in the life sciences sector in Cheshire East than the national average, with 6000 people employed by 60 companies, ranging from large multinationals such as AstraZeneca and Waters Corporation, through to high growth SMEs. The sector has benefited from over 7% annual growth since 2002, generating over £970m GVA and strengthening its position as a key element of the Cheshire East economy. At the heart of the sector is Alderley Park, which currently supports over 81 high growth life science SMEs, employing over 300 people.
- 1.2 As part of the Council's wider efforts to support the long term growth and sustainability of Alderley Park and wider life science activity in the Borough, the Council has worked closely with partners in Greater Manchester and Cheshire and Warrington to create an innovative life science investment fund which will provide critical investment funding to SMEs and encourage their growth.
- 1.3 The fund will support a minimum of 58 life science businesses to grow over 15 years, creating a minimum of 370 jobs and occupying over 200,000 sqft of space at Alderley Park. Through this intervention, a GVA uplift of £40.3m over 15 years will be delivered.
- 1.4 Following the Council's decision to initially invest £5m in the Alderley Park Investment Fund (Cabinet – 16th September 2014) and subsequent expansion of the Fund in the Greater Manchester and Cheshire Life Science Fund following the successful award of £20m Local Growth Funding (Approved by Portfolio Holder for Finance – 20th March 2015), a procurement process has been undertaken by the Council and its partners to appoint a Fund Manager for the proposed fund.
- 1.5 As a result of a fully OJEU compliant procurement process, a preferred bidder has been identified by the Council and its partners, and approval is now required to ratify the appointment.

- 1.6 Once ratified by all partners, the appointed Fund Manager will begin an intensive period of marketing of fund set-up in preparation for a public launch in late Summer 2015.

2.0 Recommendations

- 2.1 To note the details of the procurement process undertaken by the Council and its partners
- 2.2 To ratify the appointment of the preferred bidder as Fund Manager for the Fund.
- 2.3 To approve entering into a Limited Partnership Agreement together with any ancillary legal documentation required to set up the Fund.

3.0 Reasons for Recommendations

- 3.1 Officers have worked with colleagues at the Greater Manchester Combined Authority, Cheshire and Warrington Enterprise Partnership, and Manchester Science Partnerships to undertake a fully compliant OJEU procurement process to identify a preferred bidder to manage the Fund, in line with the original business case submitted to Government to secure Local Growth Funding.
- 3.2 Alderley Park is of significant importance to both the Cheshire East and wider North West economies, and the Council's involvement in a targeted investment fund for SMEs located on site is a key intervention for ensuring the future sustainability of both the science park on site, and subsequent job creation and business growth.

4.0 Wards Affected

- 4.1 The Alderley Park site is located part within Chelford ward, and part within Prestbury ward. However, the positive impacts of supporting the growth of SMEs will be applicable over a wider area.

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 The proposals put forward in this report are considered to be aligned to the Government's stated intention that the UK becomes a global hub for life sciences, capable of attracting and nurturing world-leading talent.

- 6.2 The project relates directly to the Council's key priority: *A growing and resilient local economy*. It is also prioritised in the Council's Three Year Plan:
- Outcome 2: *Cheshire East has a strong and resilient economy*
 - Priority 1: *Local Economic Development*
 - Change Project 1.3 (*Investment to support business growth*).

This proposal also accords with, and is complementary to the following:

Ambition for All: Sustainable Communities Strategy 2010-2025: Priority 2 Create conditions for business growth

- Harness emerging growth opportunities;
- Create a climate attractive to business investment.

Cheshire East Economic Development Strategy

- Ensure that Cheshire East maintains and enhances its role as a 'knowledge economy';
- Facilitate economic growth through progressing schemes that will create jobs and improve the attractiveness of the area as a place to invest, live and visit;
- Macclesfield and its hinterland sustain their current position as one of the most successful parts of the regional economy.

7.0 Implications for Rural Communities

- 7.1 The location of Alderley Park within the Prestbury and Chelford wards means that a successful and sustainable future for the site is of benefit to the rural communities in the area in terms of job creation and retention.

8.0 Financial Implications

- 8.1 Cabinet approved the £5m investment from the Council on 16th September 2014 and the Portfolio Holder for Finance re-affirmed this investment into the enlarged fund on 30th March 2015. An earmarked reserve containing £5m has now been set up to facilitate the Council's investment in the Fund. The terms of the Limited Partnership Agreement required to set up the Fund confirm that the Fund will run for 15 years (with a possible 2 year extension if all investors agree) with net income being distributed to investors as and when it is realised.

9.0 Legal Implications

- 9.1 Previous reports have outlined the legal implications relating to the structure of the Fund and the Council's powers to invest in the Fund.
- 9.2 The Council and its partner organisations have undertaken a procurement exercise to appoint a Fund Manager in accordance with public procurement legislation. Procurement support has been given by Transport for Greater

Manchester and external legal advice has been received in terms of the procurement process and tender documentation.

- 9.3 External legal advice has also been sought on the terms of the legal agreements required to enable the Fund to be established so that (i) investors enter into a Limited Partnership arrangement by way of a Limited Partnership Agreement and (ii) a Management Agreement between the Limited Partnership, General Partner and the Fund Manager governing how the Fund Manager will manage the Fund. Investment Operational Guidelines have also been drawn up to guide the Fund Manager's investment in any investee company and to ensure that the objectives of each of the investors in the Fund are met.

10.0 Risk Management

- 10.1 The Council and its partners have received specialist expert advice from the following sources to ensure that the procurement process has been carried out compliantly and appropriate risk mitigation measures have been included in any legal documentation.

- Eversheds – specialist legal advice on behalf of all investors
- FiveLines Consulting Ltd and Amberley Advisory – specialist investment advice and project management on behalf of all investors
- Transport for Greater Manchester – specialist procurement advice and management on behalf of all investors
- BlueSky Corporate Finance Ltd – specialist financial and commercial advice on behalf of the Council and the Cheshire and Warrington LEP.

11.0 Background and Options

- 11.1 On the 16th September 2014 Cabinet approved a £5m investment by the Council into the proposed Alderley Park Life Science Investment Fund, alongside match investments from AstraZeneca and Manchester Science Partnerships (MSP). The Cabinet decision delegated authority to the Portfolio Holder for Finance to take all necessary actions to set up the Fund and undertake the proposed Council investment in the Fund.

- 11.2 The provision of such finance specifically to spin outs from AstraZeneca and academic institutions wishing to establish at Alderley Park; SMEs in the UK looking to relocate to Alderley Park in order to grow and expand; and inward investors would contribute to the already strong supply of facilities and skills, and would help to cement the site's position as a global centre of excellence and innovation.

- 11.3 Following the successful award of £20m Local Growth Funding, the Council has worked closely with the Greater Manchester Combined Authority, Cheshire and Warrington LEP and MSP to expand the proposed Fund, with a subsequent increase in benefits to the sub-region in terms of both job creation and business growth.
- 11.2 Since the successful award of LGF funding, a Portfolio Holder decision was taken on the 30th March 2015 to address the increase in geographical focus of the Fund.
- 11.3 As set out in the original business case for the Council's investment, a fully OJEU compliant procurement process has been undertaken to identify a Fund Manager for the Fund. This process was managed on behalf of all investors by Transport for Greater Manchester, with specialist financial and legal input from FiveLines Consulting Ltd/ Amberley Advisory, and Eversheds LLP.
- 11.4 In line with the Council's Contract and Procurement Regulations, the below process was undertaken:

| Activity | Commence | Complete |
|---|----------|----------|
| Issue OJEU Notice | | 30/01/15 |
| Issue Pre-Qualification Questionnaire (PQQ) | | 05/02/15 |
| Candidate Awareness Presentation | | 19/02/15 |
| Receive PQQ Responses | | 09/03/15 |
| PQQ Evaluation and Clarification Period | 09/03/15 | 18/03/15 |
| Issue Invitation to Tender (ITT) | | 24/04/15 |
| Receive ITT Responses | | 12/06/15 |
| ITT Evaluation and Clarification Period Commences | 12/06/15 | |
| Tenderer Interviews | 26/06/15 | 26/06/15 |
| ITT Evaluation and Clarification Period Concludes | | 30/06/15 |
| Award Recommendation and Governance Board Approval | 30/06/15 | 02/07/15 |
| Standstill Period – Issue Successful and Unsuccessful Award Notifications | 02/07/15 | 13/07/15 |
| Confirm Award | | 14/07/15 |

- 11.5 Following the evaluation of a number of bidders, Bidder A scored most highly and has been agreed by the investor group as the preferred option. Subject to formal ratification of the decision by all investors and completion of the statutory standstill period, the award of contract to Bidder A will be confirmed.
- 11.6 The Council, along with the other investors, will enter into a Limited Partnership Agreement with Bidder A which sets out the roles and responsibilities of the investors and the terms upon which each investor will invest in the Fund.
- 11.7 There will also be a Management Agreement between the Limited Partnership, the General Partner and the Fund Manager which will govern how the Fund Manager administers and manages the Fund.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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