

# Cornwall & Isles of Scilly Investment Fund



Unlocking finance for  
smaller businesses

**Pre-Market Engagement Seminar  
For Prospective Fund Managers  
27<sup>th</sup> July 2017**



# Cornwall & Isles of Scilly Investment Fund



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## Introduction

**Sandra Rothwell, CEO Cornwall and  
Isles of Scilly LEP**

# Cornwall & Isles of Scilly Investment Fund

## Agenda

Introduction & Welcome

Sandra Rothwell,  
CEO Cornwall and Isles of Scilly LEP

Cornwall & Isles of Scilly Investment  
Fund - Overview and British Business  
Bank role

Ken Cooper,  
Managing Director, Venture Capital  
Solutions

Cornwall & Isles of Scilly Investment  
Fund - Thoughts on Structure, Timetable  
and What's Different

Grant Peggie,  
Director, Venture Capital Solutions

*Questions and Answer Session*

*Coffee / Networking / Informal Questions*

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**Overview and British Business Bank role**

**Ken Cooper**

**Managing Director, Venture Capital Solutions**

# Cornwall & Isles of Scilly Investment Fund

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## What is the Cornwall & Isles of Scilly Investment Fund?

- Circa £40m of funding for SMEs in the Cornwall & Isles of Scilly geography
- Investment and lending aimed at creating sustainable economic activity through supporting new and growing businesses
- The opportunity to build a legacy for Cornwall & the Isles of Scilly from successful investment and lending
- Supported by the Cornwall & Isles of Scilly LEP

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## Why are we (BBB) here today?

- British Business Financial Services Limited invited as an 'Entrusted Entity' by DCLG & BEIS to implement the project
- BBB will be running a process to select a Fund Manager delivering both debt and equity funding to help deliver an ambitious investment and lending programme
- Compared to previous ERDF funded activity we have greater flexibility to alter the mix of the Fund between debt and equity
- No pre-conceived solutions but we are anticipating a larger and more flexible fund
- We want to give you an idea of our likely selection criteria but important to **get your feedback** on what is possible

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## **Why are we (BBB) here today – what does the Bank offer?**

- The British Business Bank has a stock of £9.2bn finance in over 59,000 companies delivered through more than 100 partners across all the Banks programmes<sup>1</sup>
- The Bank has a wide range of investments in debt funds as well as supporting lending through the Enable programme and the Enterprise Finance Guarantee & Start Up Loans Company
- The Bank also supports several Venture Capital programmes such as ECFs, VC Catalyst Fund and the Angel Co-Fund
- The Bank is also delivering the £400m Northern Powerhouse Investment Fund and will be shortly delivering the £250m Midlands Engine Investment Fund

<sup>1</sup> The British Business Bank 2017 Annual Report & Accounts

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**Thoughts on Structure, Timetable and What's Different**

**Grant Peggie**

**Director, Venture Solutions**



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## **Objectives**

To deliver a Cornwall & Isles of Scilly Investment Fund of circa £40m by bringing together an ERDF Grant, Growing Places Funding, ERDF Legacy and BEIS Grant Funding to create a fund providing debt and equity for growing businesses in Cornwall & Isles of Scilly

To run an OJEU compliant procurement process, with the exact approach to be agreed with external legal counsel, once appointed

To put in place an Investment Strategy that will deliver appropriate targets against the ERDF funding and deliver the economic development objectives of the Cornwall and Isles of Scilly Local Enterprise Partnership (LEP)

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## **Proposed Structure**

Single Fund Manager to deliver the Fund across the region

Proposing a 50:50 debt: equity mix

We will retain the right to alter the mix of the fund to ensure objectives are met

Will also be able to respond to changing market conditions and vire funding as appropriate

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## **Investment Strategy – Market Needs identified**

A number of research reports have sought to assess the access to finance landscape for SMEs in the South West and more specifically the Cornwall and IoS area. These reports identified a number of common themes;

- Issues around the provision of debt, including microloans and debt for established SMEs
- An equity gap in start up, early stage, and development capital

This is against a backdrop of the CIOS area having a higher than average proportion (12.5%) of businesses classified as high growth.

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## **Debt element of the Fund (£25,000 up to £1m)**

To include:

- provision of small business loans (above £25,000) above Consumer Credit Act and where Start Up Loans currently operates; and
- Debt: later stage / growth capital (up to £1m?)

Need to be mindful of State Aid requirements:

- De Minimis
- MEO
- GBER (particularly for mezzanine type loans)

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**Equity: Early Stage Technology / Proof of Concept / Innovation: provision of equity funding (£50k - £2m)**

- Investments in a range from £50,000 up to £2m. Sometimes beyond this figure, but in exceptional circumstances only and with investor consent
- Recognition that this is a cultural shift for Cornwall & Isles of Scilly in moving away from a primarily grant based culture.

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## **What is different about the Cornwall & Isles of Scilly Investment Fund?**

Depends on your starting point -

EU money has strings. These relate to:

- Eligible investments
- Reporting
- Timetables

We also have to fit within State Aid rules but there are various ways of doing this

At fund of fund level we must demonstrably cover the whole of the Cornwall & Isles of Scilly LEP area

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## Outputs overview

- CIOSIF will be required to meet certain outputs that are not common to normal commercial funds
- These create an additional element of reporting but should not create major changes to investment processes. We will need to collect numbers around:
  - Jobs created
  - Enterprises supported through investment/lending
  - Private investment 'geared' in
  - Innovation – new products to market
  - Innovation – new products to firm

In most cases this information will be part of lending or investment due diligence, the difference is mostly in recording it!

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## Selection Process Overview

Fund Manager selection via an OJEU tender process. Key aspects likely to include:

- Track record
- Team – named individuals and recruitment plans
- Demonstrating an ability to meet the proposed geographic coverage – may include detailed plans
- Systems and processes - reporting and recording
- Financial terms - fees, management co-invest, third party investors

Today is an opportunity for an open discussion. We will note the outcomes and make any new information or clarifications available on our website in due course

Once we get into the tender process all Q&A will need to be recorded and published (although can be anonymised)



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**Questions?**



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