

Item 6. LEP Business Support Management Board
Private & Confidential: NO
Date: 20th January 2016

Oversight of Key Business Support Initiatives

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Executive Summary

In addition to planning and shaping the commissioning of future business support initiatives, the Business Support Management Board (BSMB) also has a key responsibility to the LEP to oversee existing activity to ensure that it is well run and delivering for Lancashire.

This report focusses on two key projects, both of which are seeking to transition into new formats. They are Boost – Lancashire's Business Growth Hub and the North West Fund which delivers business finance solutions across the region.

Recommendation

The LEP BSM Board is asked to:

- (i) note progress of the Boost and NW Fund within Lancashire,
- (ii) commit to actively oversee the development of these projects in their new form
- (iii) Seek an update from the Lancashire Business Grant Programme

1. Introduction

- 1.1 There are a number of major on-going projects within Lancashire which contribute significantly to the Business Support offer. As part of the BSMB work programme and to inform future commissioning it is intended to look out how these projects have performed, what they achieved for business in Lancashire and whether / with what modification we should seek to continue this provision in Lancashire.
- 1.2 The two project for consideration at this meeting are Boost – Lancashire's Business Growth Hub which formally ended as an ERDF project on the 30th September 2015 and the North West Business Fund which is still operational but has committed all of its budget for investments outside of the Liverpool City Region.

2. The Boost Project Final Outturn results and External Evaluation

- 2.1 The Boost Business Lancashire Programme was developed in 2012 in response to a call within the last NW European Programme to establish Growth Hubs across the five North West LEP areas. At that time, there was an existing Growth Hub in Greater Manchester and the called allowed for similar initiatives to come forward in Lancashire and Cumbria. More latterly the concept of each LEP area having its own Growth Hub has become ubiquitous with a full network of 39 envisaged to be operational from early in 2016.
- 2.2 Whilst there is no single model of how a Growth Hub should be run and what activity it undertakes, the majority of the early Hubs made use of ERDF and local match to create a core service and some key delivery projects. In Lancashire the Growth Hub consisted of 7 main components all within one European project. These activities were:-
- The Gateway Team – providing advice and referral to businesses contacting Boost and access to grants
 - A Marketing partner – raising the profile of the service
 - A Growth Business Start-Up service, providing guidance and training for those wishing to set up a business and those in their first three years of trading
 - Innovation Support – delivered by UCLAN
 - Leadership and Management training and development delivered by Lancaster University Management School and
 - A Business Mentoring matching service to get experienced business people to work with businesses looking for support
 - A resource to allow Lancashire businesses on the Growth Accelerator programme to get further support where this would lead to the realisation of extra growth or jobs.
- 2.3 At the commencement of the Boost project, a number of contractual targets were agreed with CLG to measure the success of the initiative. Each of the seven constituent projects within Boost was allocated its share of the outputs, and charged with securing those measures of growth and providing the evidence to back up the figures.

- 2.4 A Client Monitoring System called Evolutive was made available to all partners and the performance towards achieving the allocated targets has been closely monitored throughout the life of Boost. Monthly monitoring reports from Evolutive have kept partners informed of the programme performance overall and these have also influenced marketing activities and the targeting of growth businesses.

Engaging with target businesses

- 2.5 In order to identify the required pipeline of businesses needing support, Boost has engaged with just short of 3,000 businesses. This has been achieved through a concerted and coordinated central marketing programme in conjunction with marketing efforts by individual partners including a series of events, and through various media channels.

Targets and Results

Number of businesses assisted to improve their performance (O3)

- 2.6 This headline target represents those businesses that satisfy the gateway criteria as being Boost eligible, and who have been referred for support to one of the Boost partners. This target has been a core focus for Boost – to ensure that the project could meet its contractual obligations overall, and to focus the effort on growth oriented companies. Considerable effort has been expended to monitor performance against the headline target and to inform and drive the marketing effort to generate a steady stream of businesses to Boost.
- 2.7 The project has met its overall target, with **1278** unique business assists being recorded against a target of 1269.. This figure has been calculated by removing 61 dual assists relating to those SMEs who have been supported by more than one project from the gross number (1339) of assists recorded on Evolutive.
- 2.8 The dual assists have been allowed in very limited circumstances where specific justification has been provided by partners of SMEs being able to generate additional programme outputs related to additional growth proposals over and above the original assist.

Businesses with improved performance (R3/R3a)

- 2.9 This result indicator represents the number of businesses who have been able to evidence improved performance, as a direct result of the assistance provided by Boost. This can either be through improved GVA (R3 indicator) or through other evidence (R3a) of new or improved products, processes or services. **909** such assists were recorded against a target of **795** by the close of the project.
- 2.10 The actual number will be greater than this because of the time lag between the support provided and the implementation of growth projects by businesses. For example many of the companies supported in the six months leading up to the close of activities in October 2015 have not yet had opportunity to follow through on proposals before the monitoring period finished. The impact of the project is therefore likely to be significantly higher.

Jobs created (R1a)

- 2.11 One of the main objectives of the Boost project has been to encourage growth projects that help to create additional employment in the Lancashire economy. Over the lifetime of the project, **1166** new jobs were recorded against a target of **1468**. Again, this figure under-represents the actual impact of the project as a number of companies, particularly those who have most recently been assisted, reported that they plan to increase their employment in the period following the formal monitoring period.
- 2.12 Nevertheless this is still a creditable performance and is a considerable boost to employment numbers and incomes within the Lancashire economy.

Jobs Safeguarded (R1b)

- 2.13 In addition to jobs created Boost has monitored those instances where businesses have made a direct link between the support received from the Lancashire Growth Hub, and the safeguarding of jobs within their businesses. Whilst the achievement of **294.3** jobs safeguarded against the target of **461** may seem somewhat disappointing, it should be remembered that Boost has operated against a backdrop of the UK economy emerging from a deep recession, and most businesses supported by Boost have either recorded significant new jobs, an increase in GVA, or other growth related activities.

GVA Increase (R3)

- 2.14 The measure of improved Gross Value Added (GVA) is an important indicator of growth in the Lancashire economy through increased economic activity. The methodology for recording GVA is well established and within Boost the evidence has been gathered directly from the SMEs supported.
- 2.15 The programme target of **£18,000,000** has been over achieved by a factor of 283%. Some **£50,943,000** of increased GVA has been reported by 407 businesses supported through Boost since July 2013. This is a significant achievement, particularly at a time of economic recovery, and provides a good platform for the new phase of Boost beginning in early 2016.
- 2.16 This growth has not resulted in as high an increase in employment in the businesses concerned as might have been expected. This is attributed to businesses being more cautious as the economy moves out of recession, investing in more efficient production methods and processes rather than in job creation.

Businesses Created/Pre-start assistance (O2/O2a)

- 2.17 In order to support those individuals who wanted to launch their own businesses, and to help new and young businesses to establish and grow, a range of support has been provided through Boost. This has included pre-start support together with ongoing support for early stage businesses. The project had a combined target of **560** new businesses supported and achieved a figure of **547** overall. This was

made up of **286** pre-start individuals supported against a target of **260**, and **261** existing businesses assisted compared with a target of **300**.

- 2.18 The split between pre-start and early stage businesses assisted reflected actual market demand from SMEs and is not an adverse result for the project overall. Of more concern however is the lower number of pre-start individuals who progressed to launching a new business.

Businesses Created (R2)

- 2.19 The target for the number of new businesses launched by Boost was **180**. It was somewhat disappointing that at the end of the project **104** new businesses had been recorded. In mitigation, the delivery partner reports that recent monitoring shows that the number of new business starts is projected to rise significantly in the early part of 2016, as many individuals who have participated in the LEAP start up programme in the latter half of 2015 intend to commence trading in the New Year.
- 2.20 The conversion rate of 36.4% new businesses from 286 individuals who received pre-start support is less than may be expected for this type of support programme. The lessons from the past 2.5 years in providing pre-start support have been used to improve and enhance the start-up programme for Boost 2 in order to improve this conversion rate.

Individuals assisted with skills development

- 2.21 One of the ways in which Boost has sought to promote growth within SMEs, is to support the development of skills for those individuals who can influence the growth proposals of the SMEs in which they work. A target of **450** was set at the beginning of the project and **450** skills assists have been secured.
- 2.22 This is a very good achievement, and the programme has been well appreciated by the companies who have participated. The target was achieved many months before the end of the project and a significant number of further skills assists would have been possible if additional funding had been available.

Summary

- 2.23 Overall Boost has been a very successful project and has for the most part met its target outputs. If the Lancashire LEAP project had performed to expectation in terms of jobs created and new businesses started, Boost would have met or exceeded all bar one (jobs safeguarded) of its targets.
- 2.24 Nevertheless as a programme that was launched at a time of economic recession, Boost has made a significant contribution to the growth of SMEs in Lancashire, with over 900 of the 1278 businesses assisted demonstrating improved performance and over £50 million of additional GVA secured for the Lancashire economy.

Table 1. Summary output table

Indicator	Target	Achieved	
Businesses assisted to improve their Performance (net)	1269	1278	(100.1%)
Businesses with improved performance	795	909	(114%)
Jobs created	1488	1166	(78.4%)
Jobs safeguarded	461	294.3	(63.8%)
GVA increase	£18m	£50.94m	(283%)
Pre-start individuals assisted	260	286	(110%)
Businesses created	180	104	(57.7%)
People assisted with skills	450	450	(100%)

3. Boost Moving Forward

- 3.1 As indicated in Item 5, Boost has now received a conditional offer of ERDF support to continue Growth Hub provision until the 31st December 2018. We have slimmed to down the project to focus more on key services and referral and are in the process of commissioning Mentoring and Start-up support providers a Gateway service provider and a marketing partner.
- 3.2 Boost will continue to act as a central referral point for the full range of Lancashire business support offers but businesses themselves will be freed up to access more than one provision.

Table 2 BOOST Business Lancashire – Outturn Performance Table

Result Indicator	SMEs assisted to improve their performance	Businesses with improved performance	Jobs Created	Jobs Safeguarded	GVA Increase	Pre-start individuals assisted	Businesses Created	People assisted with skills
Project	Achieved (target in brackets)	Achieved (target in brackets)	Achieved (target in brackets)	Achieved (target in brackets)	Achieved (target in brackets)	Achieved (target in brackets)	Achieved (target in brackets)	Achieved (target in brackets)
Lancashire Forum	(120) 93	(84) 62	(30) 54.4	(37) 42	(£1,000,000) £1,974,000			
Innovation Clinic	(65) 65	(44) 43	(48) 28.2	(9) 7.3	(£600,000) £1,027,000			
GA ERDF	(100) 99	(89) 97	(198) 203	(198) 14.5	(£13,000,000) £20,659,000			
Sector Specific Skills	(15) 13	(36) 0	(6) 27.5	(22) 0	(£600,000) £2,559,000			
Growth Sector Support	(270) 272	(137) 152	(76) 328	(175) 212	(£1,500,000) £1,637,000			
Lancashire LEAP	(300) 261	(115) 249	(760) 159		(£800,000) £6,348,000	(260) 286	(180) 104	(114) 114
Growth Mentoring	(531) 536	(290) 306	(350) 366	(20) 18.5	(£600,000) £16,739,000			(336) 336
Totals	(1410*) 1339*	(795) 909	(1468) 1166.6	(461) 294.3	(£18,100,000) £50,943,000	(260) 286	(180) 104	(450) 450

* Net Target following removal of dual assists = 1269 Achieved = 1278

4. The North West Fund

- 4.1 The North West Fund is now almost fully invested and has already supported more than 430 businesses across Cheshire, Cumbria, Lancashire, Greater Manchester and Merseyside with over £148m of finance.
- 4.2 The North West Fund is a £155m evergreen investment fund established to provide debt and equity funding to small and medium sized enterprises in the North West of England. The Fund will address an identified gap in the lending, venture capital and private equity markets.
- 4.3 The Fund is managed by North West Business Finance Limited, an independent private sector company. It comprises seven specific funds, each of which is managed by an experienced Fund Manager. These Fund Managers have been appointed to manage the discrete funds. They will deploy the capital in a non-competitive and collaborative manner to provide comprehensive and tailored support to facilitate the long-term growth and prosperity of small and medium sized enterprises across the region.
- 4.4 The North West Fund's initial investment period lasted until December 2015, with a subsequent realisation period through to December 2022.
- 4.5 The North West Fund is financed by the European Regional Development Fund and the European Investment Bank (EIB) under the European Commission's Joint European Resources for Micro to Medium Enterprises Initiative - otherwise known as the JEREMIE programme.
- 4.6 From a European funding perspective, the NWF covered two funding areas, Merseyside (viewed as a priority for European Funding) and the rest of North West covering the other four LEP areas.
- 4.7 By mid 2015 investments in Lancashire amounted to £10.1m in 35 companies with an anticipated outcome for the programme of £12m to £13m. We are awaiting confirmation of these figures. Generally, Lancashire's business density accounts for 44,150 (21.3%) out of a total businesses stock of 206,810 across the North West and that the demographics of its business base in terms of average employee numbers was broadly comparable to GM and Cheshire. Given this context Lancashire might be disappointed with just £12m to £13m when it might more reasonably have expected significantly more.
- 4.8 NWF's explanation of this rests partly because NWBF was required to invest 40% of its capital into Merseyside which had only 15% of the business stock and 60% into the RoNW which had the remaining 85%. This meant NWBF was required to invest £3.80 into Merseyside for each £ into the RoNW relative to business density. There were no individual targets for LEP areas within the RoNW.

5. The North West Fund Moving Forward

- 5.1 Having worked for over 18 months to try to secure a new NWF in the next European Programme, the five NW LEP's and others were presented with a proposal from the British Business Bank (BBB) to establish a Northern Powerhouse Investment Fund (NPIF) which will cover 10 of the 11 northern LEPs who were previously part of three North East, North West and Yorkshire programme. The one LEP not to join is the North East LEP.
- 5.2 In total the new fund will be worth £406m with Lancashire committing £12.5m of its ERDF to the project.

Northern Powerhouse Investment Fund

Fund Size and Structure

Element	Amount	LEP	ESIF Allocation
ESIF Allocations	£136m	The Humber	£5.6m
Ex-RDA Legacy SP & ERDF	£26m	Leeds City Region	£18.7m
HMT Grant	£6.5m	Sheffield City Region	£15m
EIB Loan	£138m	York, North Yorkshire and East Riding	£7m
BBB Additional Financial Transaction Funding	£50m	Cheshire and Warrington	£10m
EIB Additional Loan	£50m	Cumbria	£1m
		Greater Manchester	£32m
		Lancashire	£12.5m
		Liverpool City Region	£15m
Total Funding	£406m	Tees Valley Unlimited	£19.5m

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- 5.3 The BBB have a tight timescale to develop the parameters and investment policy of the new fund and establish a governance structure which satisfies all the partners. It is recommended that the BSMB seeks representation on the interim Strategic Oversight Board or, as a minimum, receives regular updates on progress.

THE NORTH WEST FUND ///

VENTURE CAPITAL / MEZZANINE / LOANS PLUS
BIOMEDICAL / DIGITAL & CREATIVE / ENERGY & ENVIRONMENTAL



The North West Fund – Investment amounts broken down by Sub-Fund and Sub-Region

Sub-Fund	Sub-region					Totals
	Cheshire	Cumbria	Greater Manchester	Lancashire	Merseyside	
VC (EV)	£ 6,010,000	£ 100,000	£ 6,008,471	£ 2,512,000	£ 3,910,031	£18,540,502.04
Mezzanine (EV)	£ -	£ -	£ -	£ -	£ 900,000	£ 900,000.00
Loans (FW)	£ 5,221,400	£ 400,000	£ 7,370,000	£ 3,016,000	£ 3,490,000	£19,497,400.00
Loans (Mezz) (FW)	£ 750,000	£ -	£ 1,450,000	£ 250,000	£ -	£ 2,450,000.00
E&E (350IP)	£ 3,872,113.41	£950,000.00	£5,123,666.66	£ 650,000.00	£1,300,000.00	£11,895,780.07
BioMed (SPARK)	£ 4,731,041	£ -	£ 5,259,221	£ 1,474,952	£ 6,904,989	£ 18,370,203
D&C (AXM)	£ 1,856,000.00	£ -	£1,624,994.08	£1,540,180.64	£1,778,061.66	£ 6,799,236.38
Dev Cap (now closed) (EV)	£ 500,000	£ -	£ 1,950,000	£ -	£ 2,050,000	£ 4,500,000.00
Totals	£ 22,940,554	£ 1,450,000	£ 28,786,353	£ 9,443,133	£ 20,333,082	£82,953,121.26

Figures updated to 18.3.14