

Investment Framework for Action Area 1-1 - Developing High Value New Enterprise

1. Introduction

Generic Purpose of Investment Frameworks

- 1.1 The NWOP Programme Monitoring Committee has agreed to the development of a series of Investment Frameworks. The purposes of these are to:
- Develop further the context for each of the action areas within the NWOP and focus on specific investments which the ERDF Programme will support
 - Encourage all project sponsors to seek guidance from the relevant policy leads and/or the European Programme Team before embarking on the development of a project idea
 - Provide guidance for projects sponsors when developing their ideas and projects in relation to the NWOP
 - Set out what outputs and results are expected to be delivered.
- 1.2 All Investment Frameworks (IFs) have been developed with input from regional and local stakeholders across the region during late 2008. The IFs will be subject to a monitoring and evaluation process to ensure that they continue to be fit for purpose and aligned with the NWOP and relevant regional and sub regional strategies. The NWOP Programme Executive will be able to provide further guidance in relation to the IFs.

Specific Purpose of this Investment Framework

- 1.3 This Investment Framework is designed to guide the use of the resources under the NWOP that have been indicatively allocated to this Action Area as part of Priority 1 "*Stimulating Enterprise and Supporting Growth in Target and Markets*" which focuses on supporting the re-structuring of the region's business base towards more businesses competing in higher value markets. At present the indicative resources covered by this Investment Framework amount to around €51m (or around £34m) over the life of the programme comprising £10m to be spent on enterprise support activities in the Merseyside phasing-in area and £24m in the rest of Northwest¹.
- 1.4 This Investment Framework supports interventions to support innovative high value start-ups, including social enterprises, to establish and then grow. The emphasis is on businesses which will generate additional GVA for the North West economy and create further job opportunities as part of their overall growth objectives. The focus of the Investment Framework priority is on supporting entrepreneurs with growth ambition and business plans which show a reasonable potential to:
- Grow turnover (e.g. generate £0.5m of turnover in the first 3 years of operation); **OR**
 - Employ people (e.g. generate staff base of 5 employees in the first 3 years of operation)²

AND

¹ These figures include an element of resources which will be delivered via a regional Venture Capital and Loan Fund (VCLF) Investment Framework. Note: based on assumed exchange rate of €1.4845 to £1.00

² Social enterprises would only need to meet this employment growth criterion

- Attract customers and trade from outside the North West region (e.g. over half of their proposed turnover is with customers outside the region).
- 1.5 In addition this Investment Framework seeks to raise general awareness of interest in enterprise across the region, especially amongst groups with the greatest prospect of leading to high growth starts.
- 1.6 Support under this Investment Framework will also be available to social enterprises that meet the growth criteria, although in this case it will be the ability to grow employment that will be the criterion.
- 1.7 There are 4 strands of activity supported under this Investment Framework:
- **Strand 1** - Expanding and deepening High Growth Business Support for start-ups (including businesses in their first three years of trading)
 - **Strand 2** - Supporting enterprise promotion activity and enterprising behaviours.
 - **Strand 3** - Support for the provision of incubator space for high growth start-ups.
 - **Strand 4** - Support for the enhancement of incubator services.
- 1.8 In addition, Venture Capital and Loan Fund (VCLF) support for high growth start-ups, which is an eligible activity for this Action Area, is supported via the Programme-wide Investment Framework for VCLF activity.

2. Partner Engagement

- 2.1 The framework has been developed through consultation with key partners in the region and after a round of meetings with sub-regional partnerships.

3. Linkages to Other Strategies

- 3.1 The Action Area has been developed in response to a priority identified in the 2006 Regional Economic Strategy (RES). In the RES, Enterprise was clearly identified as one of the key challenges facing the Northwest. RES Action 3 and RES Action 4 identify the greater level of support required for potential high growth companies either at start-up or during development. There is a substantial gap of businesses per 10,000 adults and new start-ups compared with the England average. Knowledge based businesses, particularly those with the potential for high growth, form a corner stone of a successful 'knowledge-based' economy.
- 3.2 The North West has 18% fewer businesses (per 10,000 adults) than the England average resulting in a gap of 38,000 businesses. If this same analysis is extended to business size, then the North West has a gap of about 6,000 businesses which have grown to a turnover of greater than £500K per annum. The region's start up rate is well below the national average: although progress has been made recently. The largest new business growth rates have tended to be in relatively low value-adding sectors. The North West faces a challenging context for stimulating enterprise as it underperforms on each of the key factors which tend to be correlated closely with start-up rates e.g. population change, earnings, education levels and existing rates of self-employment. Finally there is some evidence to suggest that lower growth aspirations and greater risk avoidance are features of the North West enterprise culture.

4. Key Principles to Support Project Prioritisation and Design

4.1 There are a number of important principles which will inform project selection and how the resources allocated under this Investment Framework will be used:

- The majority of activity under this Investment Framework is to be organised and procured through regionally organised projects to maximise efficiencies and overall impact. Exceptions are potential support for specialist incubators for high growth start-ups where locations/development proposals are best determined sub regionally
- The focus of support is on businesses in their pre-start phase and in the period of up to 36 months after trading has started to help growth and survivability. This Investment Framework does not support activities focused on existing businesses that are greater than 3 years old
- The activity supported needs to be coordinated with any ESF supported activity linked to enterprise delivered through the regional ESF Plan
- Where possible, preference will be given to businesses that will help to deliver a low carbon economy

4.2 Those aspects of this Investment Framework which fall within the scope of the Business Support Simplification Programme will accord closely with its priorities and principles. In practical terms this means:

- Business Link North West is the primary access channel for these services: all services will be maximise access through Business Link's brokerage service to ensure an efficient and effective customer journey
- Any Information, Diagnostic and Brokerage (IDB) service, including the highly specialised, will be delivered through Business Link North West, or with their agreement by other specialised organisations
- Marketing of the services will need to be co-ordinated by and compatible with BLNW's own marketing programme so confusion, duplication and waste are all minimised
- Where a range of providers is involved, there will be a regional approach to branding across each service/strand
- Services will be located in one (or more) of the approved business support products: they will support the stated objective of that product(s) and be under-pinned by an appropriate market failure assessment
- All services will be based on a clear and convincing rationale, with supporting evidence on effectiveness and business demand: BLNW will help ensure services respond to identified needs
- NWDA will coordinate business support to ensure on-going consistency with BSSP and promote fit to regional economic strategic priorities
- Legacy schemes which are not consistent with the portfolio but which cannot be immediately terminated for wider strategic reasons will cease as soon as is reasonably practicable.

4.3 Business support activity supported under this Action Area sits within the draft national Business Support Simplification Product Framework and relates to three products:

- **Business Creation** -*supporting more businesses to start up and survive*; and
- **Business Expertise For Growth** – *expert knowledge and specialist input for targeted small-medium businesses to grow*
- **Shared Business Support Environments** – *shared business premises and facilities in which businesses develop and grow.*

4.4 The current national summary of these products is included as Appendices A to C.

5. Investment Framework Targets

5.1 The main objective of this Action Area of the NWOP is to improve regional GVA, rather than employment creation. The businesses supported therefore need to have the potential to make a significant contribution to net additional regional GVA, or in the case of social enterprises have to ability to grow significantly in employment terms.

5.2 The work in developing this framework has suggested that the intensity of support per business assisted is likely to be considerably higher than for start-up support in other parts of the Programme and so the numbers of businesses assisted rather lower. Currently, there may be as few as around 200 new businesses a year in the North West which achieve high growth. There is the potential for an additional 300 businesses p.a. based upon national averages of high growth start ups. The focus of most interventions will be on intensity and quality rather than quantity.

5.3 The focus of what the Investment Framework is trying to achieve can be summarised as:

- An overall increase in interest in enterprise and awareness of this as a career opportunity
- Increasing the number of new businesses started in the region that have the potential to make a significant net contribution to GVA – these will mainly be in knowledge based or high value-added sectors
- Working with the businesses that have started recently to maximise their growth in a sustainable way to increase their longer term impact on regional GVA
- As a result of all the activity supported increase the longer term sustainable level of GVA in the region.

5.4 The indicators that will be used to measure progress are as follows³:

- **Outputs:** Number of people assisted to start a business; Number of new social enterprises assisted; No. of businesses assisted to improve their performance.
- **Results:** Number of new businesses created; No. of businesses with improved performance; Number of gross jobs created; Number of gross jobs safeguarded; New or upgraded floor space built/upgraded to BREEAM excellent or very good at current standards (sqm); Reduction in annual CO₂ emissions from Programme interventions (tonnes pa).
- **Impacts:** Net additional GVA overall in region (£m); Net additional employment overall in region; Net change in overall CO₂ emissions (tonnes pa). [Note these impact indicators are

³ Unless otherwise stated the indicators all are consistent with the national set of indicators and definitions produced by CLG and the RDAs

programme-wide impact indicators, the contribution of all Investment Frameworks to these overall targets will need to be measured].

6. Investment Framework Approach

6.1 As stated above 4 strands of activity are proposed under this Investment Framework:

- **Strand 1** - Expanding and deepening High Growth Business Support.
- **Strand 2** - Supporting enterprise promotion activity and enterprising behaviours.
- **Strand 3** - Support for the provision of incubator space for high growth for start-ups.
- **Strand 4** - Support for the enhancement of incubator services.

Strand 1 - Expanding and deepening High Growth Business Support

6.2 Description of activity supported. The activity is intended to deliver dedicated support services to the individual and firms in start-up phase, after identification by the Information, Diagnostic and Brokerage service (IDB) provided by Business Link North West. The services for actual and potential high growth start-up will include the following key areas:

- Guidance – direct provision of support to the client, either in one-to-one format or one-to-many as part of a workshop session. The requirements will be different for pre-start/ start-up businesses and those young businesses already established. However, in all cases the support will be targeted at the specific requirements of the client.
- Coaching – delivery of the intensive support to secure the growth potential. The introduction and support from experienced senior executives matched to the business requirement and particular sector. This is targeted support for the business rather than support for the individual or management team (mentoring). Available to the customer for a period of up to 3 years from successful entry onto the programme (so long as still in the 1st 3 years post-start-up).
- Specialist support – delivery of support elements specific to the growth objectives of the business e.g. Intellectual Property • Design • Legal • Financial • Technology
- Non Executive Director (NED) – matching of the business to an appropriate NED, where required. Also supporting the non-exec through appropriate measures to reduce the barriers for engagement.

6.3 Start-ups and young businesses with growth ambitions often have a requirement for additional finance. The Coach will assist in strategic elements of financial requirements where the emphasis is on assisting access to existing sources of business finance advice including VCLF. The Investment Framework for this Action Area will not offer any grant or other financial incentive. Relevant social enterprise firms will be eligible for support through this Strand.

6.4 Design principles. The intention is that ERDF will be used to expand the regional High Growth Business Support (HGBS) programme already going through the procurement stage and due to start in April 2008. The resources in this strand will not be used to supplement other activity for high growth support. This programme would be enhanced through an increase in the intensity and/ or the number of businesses involved the programme.

6.5 Outputs. In total around 1700 new high growth businesses would be assisted by this strand of the Investment Framework, of which 1200 would be additional to the initial 3 year NWDA High Growth Business Programme.

6.6 Match Funding. The match funding will come from the NWDA's new High Growth Business Programme.

Strand 2 - Supporting enterprise promotion activity and enterprising behaviours

6.7 Description of activity supported. The activity is intended to support activities which: raise awareness in enterprise (in the sense of starting a new business); encourage interest in enterprise; and improve access to information on enterprise. As such the activity is primarily about encouraging ambitious entrepreneurs for new high growth start-ups. Note: there could be, potentially, some linkages with the Investment Framework for Action Area 4.1 "Stimulate enterprise in disadvantaged communities and under-represented groups".

6.8 The activity supported will be:

- Development and enhancement of a regional enterprise portal with information on enterprise promotion activities in education and other areas.
- Development and enhancement of the role of Enterprise Champions in the Higher Education sector, building on activity already funded in HEIs.
- Increasing awareness and encouraging positive enterprise attitudes in individuals considering starting a high growth business and in the management/ employees of growing businesses.

6.9 Design Principles. The intention is that ERDF will be used to expand relevant regional projects and other programmes of significance (e.g. over £0.25m per annum) which can target relevant individuals/ growth businesses.

6.10 Outputs. Targets will be the number of students actively engaged in entrepreneurship training and development and the number of referrals to relevant start up programme e.g. Strand 1.

6.11 Match Funding. There are various sources of possible match funding including NWDA, Local Enterprise Growth Initiative (LEGI), and HEI funding streams.

Strand 3 - Support for the provision of incubator space for high growth start-ups

6.12 Description of activity supported. There is a national business support product - **Shared Business Support Environments** – shared business premises and facilities in which businesses develop and grow. The activity is intended to support the creation of new workspace (suitable for office, R&D or light manufacturing use) that aids high growth start-ups. The space could be new build or refurbished buildings. Such space would need to be designed as incubator space and targeted on firms with good growth prospects. Incubators eligible for this Strand would be of a non specific nature i.e. space available generally for graduates or new technology/science based firms could be supported. Space linked to specific HEIs (eligible to be funded under Action Area 2.1) and space focused exclusively on regional target sectors (eligible to be funded under Action Area 1.2) would be supported under those strands.

6.13 This Strand would not support new/refurbished general workspace for SMEs.

6.14 Given the limited budget available, resources will be focussed on strategic priorities and on projects with a demonstrable ability to incur expenditure by end of 2010, in particular in Merseyside, in line with decommitment targets.

- 6.15 Design Principles. Any projects supported would need to be included in the current Merseyside Action Plan under Priority 3 (High Growth Business Development) or Priority 2 (Business Infrastructure) or other sub regional action plans in the rest of the North West. To be eligible projects will:
- Need to demonstrate failure in the market for incubator space and so why public funding is needed
 - Need to demonstrate that they are targeted on new and potential high growth businesses
 - Need to demonstrate they will act in an incubator fashion, so that they support a continual throughput of new businesses
 - Need to demonstrate how specialist business support and incubation services will be accessed (NB these activities not funded under this strand).
 - Need to be supported in the relevant sub-regional strategy and action plan
 - Need to show definitive ability to commit to expenditure before the end of 2010.
 - Need to show compliance with NWDA Sustainable Buildings Policy
- 6.16 Outputs. The outputs will be additional new/refurbished floor space created and number of businesses assisted.
- 6.17 Match Funding. There are various sources of possible public match funding including LA, LEGI and NWDA Single Programme. However, private sector match funding may also be available for new facilities.

Strand 4 - Support for the enhancement of incubator services

- 6.18 Description of activity supported. The aim of this Strand is to enhance support to existing regional support structures for firms located in and the management of existing Incubator Facilities across the region including incubators funded under strand 3. The activity to be supported is development of regional best practice, networking, experience sharing and some shared support services for all incubator facilities.
- 6.19 Design principles. The activity needs to build on and enhance existing provision not add any new provision or providers. The intention is that ERDF will be used to expand relevant regional projects and other programmes of significance (e.g. over £0.1m per annum) which provide a support network to the region's existing incubators or new ones supported under Strand 3. It must fit it quite clearly with the Business Support Simplification Process in the region.
- 6.20 Outputs. Increased numbers of business start-up and survivability with GVA contribution above the regional average.
- 6.21 Match Funding. From NWDA Single Programme funding LEGI, HEI and private sector.

7. Procurement Method for the Investment Framework

- 7.1 The proposed procurement methods will vary by Strand as follows:
- **Strand 1 - Expanding and deepening High Growth Business Support**. Non-competitive selection, NWDA will act as project sponsor and negotiate enhancements to existing regional programme of activity and future regional programmes of activity.
 - **Strand 2 - Supporting enterprise promotion activity and enterprising behaviours**. Mixture of two types:

- Non-competitive selection, NWDA will act as project sponsor and negotiate enhancements to new and future regional programmes of activity.
- Limited bidding, dependent on funding available, HEI partnerships or Sub-Regional partnerships may be invited to bid to enhance existing enterprise awareness programmes.
- **Strand 3** - *Support for the provision of incubator space for high growth start-ups.* Limited bidding – a limited number of projects sponsors (applicants) identified on the basis of relevant projects in current sub-regional action plans will be invited to bid into the NWOP under this Investment Framework.
- **Strand 4** - *Support for the enhancement of incubator services.* Limited bidding from regional networks of specialist incubation services/ providers who can operate across and enhance existing and future regional programmes of activity.

8. Spatial Level of Delivery

8.1 Strands 1, 2 and 4 will all be regional programmes designed and managed at a regional level (with appropriate sub-regional input into design and management). The nature of businesses with high growth potential is such that there is sub regional opportunity to promote and assist in identifying suitable clients for the programme.

8.2 Strand 3 will be prioritised sub-regionally and delivered through individual incubator developments.

Merseyside

8.3 In the case of the regional programmes that are to be enhanced under this Investment Framework the design of these programmes will need to ensure that the relevant outputs, activity and spend linked to the ring-fenced Merseyside allocation are delivered. This means that there will need to be separate targets for Merseyside.

9. Financial Context

9.1 The NWOP has a total allocation of approximately €755m or around £521m. This is split between Merseyside as a 'phasing in' area (approximately €308m or £210m) and the rest of the NW region (€448m or £308m). The NWOP also fixes an allocation for each priority, including Technical Assistance, which cannot be changed. The NWOP is subject to a fixed financial profile and strict spend targets which must be met.

9.2 The NWOP overall and priority level intervention rate is set at 50%, but this is likely to vary according to individual projects. Match funding is expected to come from a variety of sources, both public and private, depending on the action area.

Sources of Match Funding

9.3 In summary, potentially these are:

- The NWDA Single Programme
- LEGI
- Local Authorities
- HEIs

- Private sector (for property development)

10. Guidance Documentation, Including Cross Cutting Themes

10.1 The NWOP has two agreed cross cutting themes: environmental sustainability and equality & diversity. The intention is to mainstream the delivery of the themes, building on best practice. The cross cutting themes should not be seen as an add-on, and be used in the design and the delivery of each project. All projects funded by ERDF will be expected to deliver against Cross-Cutting Theme (CCT) related outputs and results, some of which have been embedded into the NWOP.

Environmental Sustainability Cross Cutting Theme

10.2 The NWOP aims to grow the economy of the region providing for more value added activities and securing current and additional jobs. The inclusion of the Environmental Sustainability CCT in the programme is central to ensuring that negative environmental impacts are minimised, or mitigated, and that positive impacts are maximised.

10.3 Key messages of the CCT are to improve:

- energy efficiency and related carbon mitigation measures;
- air and water quality;
- protection of the local environment (green spaces, biodiversity, quality of life);
- resource efficiency to minimise waste and encourage recycling;
- sustainable transport; and
- sustainable construction.

10.4 All potential projects will be evaluated via the appraisal process to determine the perceived benefit to the region against both the Action Area objectives and consistency with the messages of the CCT. Projects will be supported that can demonstrate they have taken all practicable measures to reduce or eliminate negative environmental impacts arising as a result of the project and measures to enhance positive environmental impacts. Projects, which can demonstrate a positive contribution to environmental sustainability under the themes above, are more likely to be successful on application for funding.

10.5 To ensure delivery of the Environmental Sustainability CCT, all project applicants will be contractually required to:

- Complete an environmental assessment at the Development and Appraisal stage. This will include evidence of the existence of a Green Transport Policy and a Sustainable Procurement Policy/Plan/Strategy as well as evidence of implementation of both within the applicant organisation
- All business assist projects will be contractually required to refer companies that they have assisted (that meet the requirements of agreed criteria) to Enworks and collect evidence that the business assisted has contacted Enworks.
- All appropriate infrastructure projects will be required to comply with the NWDA Sustainable Buildings Policy.

- 10.6 As well as the initial assessment of project benefits as highlighted, a specific global target to support a 25% reduction in additional CO₂ emissions generated by the NWOP has been defined. Therefore, the Carbon emissions of all projects will be monitored and aggregated up so that the impact of the programme as a whole can be measured.
- 10.7 The following set of six generic indicators has also been established to track delivery of the cross Cutting Theme throughout the life of each project:
- Energy (tonnes CO₂)
 - New Green Infrastructure Created / Ha
 - % of projects with Green Travel Plans and evidence of implementation and practice change
 - % of Projects with Sustainable Procurement Policies / Plans / Strategy evidence of implementation and practice change
 - Number of new environmental products supported
 - Number of Environmental Business supported
- 10.8 Not all of the indicators may be applicable to each project and at the evaluation stage the relevant indicators will be chosen for the project. However for this Investment Framework this may include incorporating the following into the project design:
- Green Travel Plans
 - Brownfield land reclamation
 - BREEAM assessment of buildings
 - Use of renewable resources
 - Waste Minimisation
 - Sustainable procurement
 - Development of new environmental product / business stream

Equality & Diversity Cross Cutting Theme

- 10.9 The diversity of the Northwest's people and communities is an economic as well as cultural and social asset. In spite of the great strides made some equality groups are still subject to discrimination and experience exclusion from the benefits of economic growth. This is reflected in low levels of skills, educational attainment, employment and entrepreneurship among certain communities in the Northwest. This is an economic as well as social concern as poverty and lack of opportunity inhibits the region's potential growth and threatens community and social cohesion.
- 10.10 Promoting Equality and Diversity plays a fundamental role across the programme's priority and action areas. The guiding principle is that all policies, programmes and projects should be designed, developed and monitored with the diversity of the region in mind, and should proactively tackle barriers to economic participation and success.
- 10.11 The programme will also actively promote Equality and Diversity amongst all the agencies it works with in order to encourage wider engagement with the principles of equality and diversity beyond the programme itself.
- 10.12 The key messages of the Equality and Diversity CCT are to ensure that all potential projects:

- are designed and delivered in a way that promotes equality and diversity with specific indicators and measurable targets set.
- recognise the business case for promoting equality and diversity not only in terms of social and economic impact, but also how it can help to increase the number of businesses.
- reflect current and likely future changes in legislation.
- make equality and diversity integral to the project throughout its life cycle.
- take responsibility for having access to expertise and resources designed to further the programme's equality objectives.
- have robust monitoring and evaluation processes that include assessing the Programme's key Equality and Diversity objectives.

10.13 Using the current evidence base and taking into account relevant legislative requirements, the following Equality and Diversity strands have been identified as constituting priorities with regard to the NWOP and to which all potential projects will be expected to have established key performance targets against⁴:

- Gender
- Race and ethnicity
- Age
- Disability

10.14 Not all of the above equality strands may be relevant or applicable to each project and at the appraisal/evaluation stage the relevant indicators will be chosen for the project. However for this Investment Framework this may include incorporating the following principles into the project design:

- Demonstration of how equality and diversity are integral to the design of the project.
- Demonstrate how the project will, where relevant, meet the needs of women, black and minority ethnic (BME) communities, disabled people and people aged 50 and over.
- A clear understanding of the needs of the targeted group(s), the barriers that they face and how the project links into established best practice with regard to promoting equality and diversity.
- Ensuring that the management body for the project are sensitive to the needs of the targeted group(s) and that it ensures the accessibility of the project to disabled people, older people, women and the ethnic communities that they are targeting.
- How the project will be monitored, reviewed and evaluated to ensure that it promotes equality and diversity.
- Demonstrate that the applicant has in place steps to address any negative impact identified as a consequence of conducting an Equality Impact Assessment.

⁴ Although not identified as part of the priority groups for which we will be collating monitoring information on, we would encourage projects and programmes where appropriate and applicable to take into consideration the needs of Lesbian, Gay, Bisexual and Transgender people as well as faith and religious communities. However currently the priority within the programme in relation to the collection of monitoring data will be Race, Age, Gender and Disability. We will not therefore be expecting monitoring data for the other two strands.

11. Compliance

- 11.1 All projects being taken forward within this Investment Framework will be required to comply with EU and national rules such as state aids, public procurement and publicity underpinning any ERDF application. The implementing provisions of the NWOP sets out a number of such compliance issues. The ERDF offer letter will specify the detail. Additional advice and guidance will be available from relevant experts within the NWDA - please contact the European Programme Team in the Agency.

12. Evaluation and Monitoring for Investment Frameworks

- 12.1 All the Investment Frameworks will be evaluated during 2009-10 to ensure that learning and best practice can be identified. This will allow the PMC to change, amend and update all or any of the Investment Framework to fit with delivery of the NWOP, EU and government policy at the mid term. If there are significant policy changes in an area covered by the Investment Framework which requires an earlier review and evaluation, this will be carried out by the European Programme Team and then brought forward for approval by the PMC.
- 12.2 The NWDA Policy Lead for the Investment Framework is Tim Sheward. Further information is available from the NWDA ERDF Programme Executive 01925 400 121 or www.erdfnw.co.uk

28 February 2008

Appendix A - Business Creation Product - Supporting more businesses to start up and survive

Purpose

1. To increase the level of enterprise in the UK by supporting the creation of new businesses by enabling those with an interest in starting up in business to take the necessary steps to do so, particularly overcoming barriers faced by some individuals from under-represented groups and disadvantaged communities.

How will this be achieved?

2. By providing individuals and new businesses with relevant and timely advice and guidance for successful business start-up, on for example, compliance and regulatory information, business planning (appropriate to the complexity of the business), finance (including small grants and loans and financial skills), business idea development, market research and market understanding, managing and running a small business at start-up, and employing people. This will be provided by Business Link. More intensive support will be provided to the most disadvantaged individuals to overcome barriers to starting up.

Why offer public sector support?

3. The creation of dynamic businesses is a key driver of economic prosperity. The level of entrepreneurial activity in the UK, however, is modest in comparison to some other economies. Certain groups, including women, disabled people and some minority ethnic groups, as well as certain geographical areas have a disproportionately low level of entrepreneurship. If these disparities were overcome as well as increasing the overall rate of business creation then entrepreneurial levels could match those of our competitors.
4. The intervention is justified on equity grounds and government failure to provide enterprise education to some groups. In addition, people in some ethnic minority groups may not know where to seek the necessary information about how to start a business; they may not have the cultural or family history or networks to provide such information. For some groups in the population the transition from interest in starting up to running a business is made more difficult because of wider social and structural issues. The issues may become more entrenched without some suitable intervention.
5. There may also be information failures about the risks of starting a business among some women and certain ethnic minority groups which prevent some from these groups with an interest in starting up from doing so.

What will be offered?

6. Assistance will be given to individuals and new businesses comprising of a mix of generic advice and guidance that a business needs to be able to start trading concerning:
 - business idea development, market research and market understanding,
 - business planning, operations and management,
 - financial planning and management,
 - employing people.

7. More intensive support will also be available for some, including those from disadvantaged or under-represented groups. This will comprise:
- more personalised support from an adviser, coach or mentor who can work with the particular individual or business to overcome particular barriers to starting up;
 - early stage support to ensure survival through mentoring or proactive account management, ongoing business review;
 - limited financial assistance to disadvantaged individuals who face additional disproportionate costs when starting up.

Who is eligible?

8. Generic advice and guidance can be offered to all types of new business, including, for example, entering self employment and single person start-ups, team start-ups, high growth and high technology start ups, social enterprises start ups. The more intensive offer will be limited in availability to disadvantaged individuals.

Appendix B - Business expertise for growth Product - Expert knowledge and specialist input for targeted small-medium businesses to grow

Purpose

1. To improve the performance and productivity of businesses in the UK by providing expertise to help small-medium sized enterprises (SMEs) realize their full potential for growth and success.

How will this be achieved?

2. Through mentoring and coaching:
 - at a national level, to meet a national market failure;
 - at a regional or local level to meet market failures that would differ between regions or localities.

Why offer public sector support?

3. The rationale for this intervention varies depending upon whether the underlying problem is national or sub-national.
4. At the national level the intervention would fill in a missing market in business expertise. The intervention would be designed to rectify infrequent but possibly important instances where:
 - there are major advances in business technologies and processes which radically alter the competitiveness of companies, e.g. lean manufacturing;
 - yet markets for UK SMEs to acquire this knowledge are missing; e.g. due to the uneven geographical distribution of new technology and the industrial concentration of some industries;
 - the intervention provides a means for UK SMEs to acquire knowledge of the technology or process until such time as UK based consultants and others make the knowledge available.
5. At the regional and local level there may be specific geographically defined reasons why business expertise is not available. The intervention would be directed to rectifying the local market failure. Since the market failure might vary by locality the required type of expertise might differ from those provided nationally. For this reason the type of expertise will be determined locally after appraisal at regional and local levels to determine the existence of a market failure (as set out in the Treasury 'Green Book'), additionality and value for money.

What will be offered?

6. Subsidised access and provision of quality assured business expertise and specialist and advanced skills to SMEs which they would otherwise not have. The expertise would enable the take up of new technologies, techniques and processes. Broader benefits might include:
 - lower costs;
 - higher productivity; and
 - creation of a market for the supply of mentoring and coaching services in new areas.

7. The expertise would be provided by an external person or organisation most appropriate to meeting the individual businesses' needs. The expertise would vary and might be highly technical or specialist including advanced coaching for managing the growth of the business.

Who will be eligible?

8. National programmes would target SMEs where there is a:
- new technology or business process which is commercially important and materially affects the competitiveness of enterprises;
 - barrier to acquiring that new technology or process, and where
 - the intervention would be successful in creating a market for the type of expertise and the intervention would be time limited.
9. SMEs would be eligible for programmes targeted at regional and local needs where:
- local or regional appraisal identifies a market failure;
 - there is a well defined set of monitored exit criteria which would limit the duration of the intervention; and either
 - the recipients are located in a deprived area, or
 - the recipients are high growth or high potential companies, or
 - the recipients are one of the selected few priority sectors in the region.

Appendix C - Shared business support environments Product - Shared business premises and facilities to help businesses develop and grow

Purpose

1. To facilitate business growth and to create a larger number of sustainable businesses which will positively impact on the highest priorities for developing and strengthening regional economies including disadvantaged areas.

How will this be achieved?

2. By providing new or existing businesses with cost-effective, managed workspace such as business or science parks, incubation units, and provide access to specialist equipment in which to set-up, test and commercially exploit new ideas. Public sector investment in individual shared business premises will be on a time-limited basis with a clear exit strategy from the outset.

Why offer public sector support?

3. The intervention will be provided on a regional or local level where there is an identified market failure or equity rationale at this level.
4. Shared business environments can help provide a supportive environment in which to nurture and grow sustainable businesses (including through access to new ideas and technologies) within the highest priority areas of the relevant economic strategy

What will be offered?

5. Provide funding to intermediaries to build, operate and manage business premises with shared facilities (which may include technical facilities) and services for groups of new and/or growing businesses. These facilities will be characterised by having flexible tenancy and access arrangements.
6. Businesses will be able to access, cost-effective supportive shared premises and facilities. The exact range of facilities will depend on the purpose and complexity of the services to be offered (e.g. managed workspace, incubators, specialist equipment, science parks or shared pilot plants).
7. Best practice, however, would be for each physical entity to have a 'manager' to facilitate access to:
 - general information, guidance and advice on business support issues, particularly for the start-up businesses provided by Business Link and other providers;
 - specialist advice and guidance on defined specialist areas;
 - expertise - particularly coaching and mentoring in order to encourage sustainable business growth; and
 - encourage collaborations between participating businesses.

Who will be eligible?

8. To be eligible for tenancy businesses must display entrepreneurial and growth potential and match the purpose of the facility. The target customers are potentially wide and will include start-ups; inward investors; SMEs. In some cases large companies can act as the anchor tenant on a large business/science park but these companies will not receive subsidy. Support will be time-limited by a well defined set of exit criteria.

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9. These developments are typically aimed at start-ups and other young businesses which have a higher probability of failing than an existing business and the need to provide more space for communal areas, or technological or other relevant facilities which reduce the amount of rentable space available to the developer. They can, however, also provide more established SMEs with access to new ideas, technologies and processes
10. Appraisal will be at the project level using the Treasury Green Book criteria.