The Business Enterprise Fund

Delivery area: Shropshire, Herefordshire, Telford and Wrekin and Staffordshire

An Evaluation

June 2015

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Investing in Your Future
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red box research

Contents

Executive summary

Project	Business Enterprise Fund
Time period	Sept 2011 – June 2015
Areas covered	Shropshire and Herefordshire Telford and Wrekin and Staffordshire from Nov. 2013
ERDF value	£1.26m
Nos. of businesses supported	229
Range of grants available	£1,000 - £10,000

Introduction

Red Box Research conducted this evaluation of the Business Enterprise Fund (BEF) in June 2015. The research involved interviews with project staff, members of the appraisal panel and Project Board as well as analysis of programme activity.

The aim of the BEF is to provide small and medium enterprises with financial assistance to support individuals to start businesses and to encourage existing businesses to invest in projects that will result in increased profitability through efficiency savings and/or expansion and diversification/entry into new markets. Originally, the offer was for grants for up to 50% of the investment to a maximum of £1500 for start-ups and £5000 for existing businesses, but from 2013 the grants were increased to up to £5000 for start-ups and £10,000 for existing businesses.

Some £1m of European funding was secured in July 2011, to be matched to £127k public sector funding, with a further £1m to be sought from the private sector: a total project value of £2.26m. The project was extended until June 2015.

Key findings

- Over its lifetime, BEF has assisted more than 200 businesses to improve their performance (100% target achievement) and exceeded its target for job creation with almost 200 jobs created (142% of target).
- Although there was a shortfall against the business start-up target, the reasons for this are understood, and it is clear that, whilst not eligible for start-up support, many young companies have been supported.
- Monitoring feedback shows that 96% of beneficiaries rated the support of project staff highly, with two-thirds rating them as ‘very good’.
- Applications were vetted by Appraisal Panels which were seen as one of the project’s strengths bringing in new skills, local knowledge and private sector expertise. Being locally based they were able to use their knowledge of the area to inform their decision-making. The panels sat regularly and were diligent in undertaking the considerable task of appraising the hundreds of applications received over the project’s lifetime. The only concern raised over the panels was the need to ensure better consistency between different local authorities in the future.
- There was general acknowledgment that in future there needs to be more thought as to the remit and structure of the governance of any similar project, which in the absence of an independent chair was seen to lack a ‘champion’.

- Cross-LEP working between The Marches and Stoke on Trend and Staffordshire LEP was considered successful.
- In terms of grants, Shropshire benefitted to the greatest extent, accounting for over 50% of all the awards made.
- 95% of businesses said that their expectations had been met by the project.
- It is also encouraging to note that despite the economic climate, and with company closures rising, 82% were able to achieve an increase in sales and 83% an increase in profit as a result of BEF. Furthermore, the extent of the increase was significant with 50% achieving an increase in sales of over 10% and 52% achieving a similar increase in profitability.
- As a result of the BEF investment 47% of businesses had developed new processes stemming from new equipment; 38% had developed new products and 35% had entered new markets.
- During the course of the project private firms have invested £1.54m in capital investment, well in excess of expectations.
- The average grant value was £2,800 with £5000 being the value most often awarded
- In terms of numbers of awards by value, 34% of awards were for grants of less than £3000, and 85% of awards were up to £5000. This provides some evidence that the demand for grants has been at the lower end of the scale and it is these relatively small amounts of money which have been instrumental in generating the growth in sales and profitability of the small business base.
- Interviews with those involved in BEF indicated that there was general agreement that the project offered good value for money and met a real need in the local economy. In particular, it was felt that the project has gained real momentum in the past 12 months. It was felt that BEF:

    - Enabled firms to bring forward investment which they would not have been able to fund without the grant aid.
    - Supported firms at a difficult economic time, when bank lending was at an all-time low.
    - Became a catalyst for growth.
    - Improved business survival rates

- Lessons learnt are that there is scope to improve the application process and governance and to ensure that there is sufficient budget for marketing.
- Overall, the results and the concept were thought to be good, especially in the last 12 months and there is real potential to deliver this support in the future.

1. Introduction

1. A consortium of three Shropshire-based consultancies was appointed in May 2015 to undertake the evaluation of Marches Financial Assistance & Business Support Schemes. Red Box Research, one of the consultancy firms, led on evaluating the Business Enterprise Fund (BEF), a key contributor to the portfolio of support schemes operating across the Marches and into Staffordshire.
2. The purpose of the commission to evaluate the range of the Marches Financial Assistance Schemes, as stated in the original invitation to quote, was to enable the partners to:

    - Understand whether each of the schemes is meeting the needs of the businesses, including the different LEP growth sectors
    - Understand the performance of the schemes against its target spend and outputs
    - Inform the delivery of financial assistance schemes to businesses in future funding programmes
    - Provide robust information to include in any application for funding, presentations, PR and marketing materials
    - Disseminate the information to the wider public as a legacy of the schemes
    - Learn any lessons that the schemes highlight, especially in relation to the delivery of financial assistance schemes in the future

3. Specifically in relation to the Business Enterprise Fund, evaluators were asked to:
    - Assess the performance of the scheme against its target expenditure, outputs and results
    - Assess the type and size of the businesses supported through the scheme
    - Review communication channels and materials and assess whether they have clearly articulated the schemes
    - Identify if added value has been achieved and if so, what is the benefit
    - Evaluate the effectiveness of the project and whether value for money (cost of managing the projects against the impact of the project) has been achieved
    - Assess if larger grants (+£7,500) provide better value for money in terms of private sector funding invested, jobs created and overall economic impact.

4. The evaluation has been structured around the following key tasks:
    - An Inception Meeting and review of programme documentation, monitoring and management information held
    - Desktop analysis of programme activity in the review period
    - Analysis of marketing materials
    - Structured interviews with project strategic partners
    - Structured interviews with members of the appraisal panels
    - Structured interviews with members of the Project Board
    - Analysis of Monitoring Visit data

5. In all, 12 people involved in the programme have been interviewed. In addition various aspects of BEF paperwork and procedures have been reviewed; monitoring feedback has been collated and analysed; and strategic documents researched to give a context to the BEF evaluation.

2. Background and objectives

6. The aim of the BEF is to provide small and medium enterprises (SMEs) with financial assistance to support individuals to start businesses and to encourage existing businesses to invest in projects that will result in increased profitability through efficiency savings and/or expansion and diversification and entry into new markets. Originally, the offer was for grants for up to 50% of the investment to a maximum of £1500 for start-ups and £5000 for existing businesses, but since 2013 the grants were increased to up to £5000 for start-ups and £10,000 for existing businesses.

7. The project built on the success of previous, short-term, grant schemes that operated within Herefordshire and Shropshire during 2009/10 and 2010/11. Whilst provision to continue the schemes had been made, the Government funding (LAA reward monies and Area Based Grants) allocated for this was cut, meaning that the schemes could not continue without alternative investment. At the time, DCLG's call for applications was built around business support projects where support had been withdrawn, hence the funding sought matched the geography of the earlier funds. Both authorities were confident that the positive response from businesses to the earlier grant rounds suggested an on-going need for financial support. In addition, the slow rate of start-ups in Shropshire and Herefordshire combined with declining small business growth rates indicated a need to help the local economies withstand recessionary pressures and return to growth.

8. The objectives of the fund were:

   - To contribute 3% at least year on year to the business start-up rate in Shropshire and Herefordshire for 11/12 and 12/13. Calculation based on 2009 figures of 1,600 start-ups occurring across Shropshire and Herefordshire. The scheme would deliver this through supporting 50 start-ups per annum.

   - To contribute 2% at least year on year to the 3-year survival rates of business in Shropshire and Herefordshire for 11/12 and 12/13. Calculation based on 2006 start-ups, which totalled in 2150 for the area. The scheme would deliver this through the support of 43 businesses per annum (trading between 0 – 2 years) which survive beyond three years.

   - To increase the growth rates of businesses supported through the scheme in Shropshire and Herefordshire for 11/12 and 12/13 by 10% above the average rate for that period.

9. Through ERDF funding the Business Enterprise Fund had a capital budget of £1.26m with Shropshire Council acting as the accountable body. Herefordshire Council, and latterly Telford and Wrekin and Staffordshire Councils delivered the scheme through Service Level Agreements.

10. Originally the programme was designed to run between July 2011 and March 2014. In December 2012, DCLG agreed that £60,000 of BEF funds could be allocated to a Resource Efficiency Grants fund which would also be open to firms in Telford and Wrekin and Staffordshire. This was run as a pilot scheme to support SMEs to purchase capital items to reduce their carbon footprint and reduce their energy bills. In September 2013, the project was re-profiled and the fund was extended into Telford and Wrekin and Staffordshire. At around the same time, the grants available were increased in value to £10,000 for booster grants and £5,000 for start-up grants.

11. Within Shropshire the scheme was run by a 1 FTE Project Officer, which with the expansion into Telford and Wrekin and Staffordshire was increased to 1.6 officers. The Project Officer's duties comprised of processing the applications, undertaking the initial eligibility check and organising and attending the appraisal panel meetings. Post appraisal, the tasks included preparing offer letters, monitoring projects and processing claims.
12. Shropshire's Project Officer was supported by the Business and Enterprise team within the Council in terms of placing orders, organising meetings and other administration duties at no additional cost to the project.
13. Within Herefordshire the scheme was run by a 0.5 FTE Project Officer. The Project Officer undertook both monitoring of claims and finances and attendance at appraisal panels.
14. Outputs were set at:

Businesses assisted to improve performance	212
CIC assisted to improve business performance	5
Start ups	50
Jobs created	138
Businesses created and/or attracted to the region and surviving 12 months	54

3. Scheme management

15. Initial inquiries to the project are followed by eligibility checks which are undertaken by Business Support Officers in each area. Eligible business are then invited to apply for funds and officers have supported many businesses through the application process.
16. On receipt of an application, the application is checked for completeness and submitted to the Appraisal Panel for the relevant area. Each Appraisal Panel was made up of two business representatives; one individual with financial expertise – typically a private sector accountant - and the project officer/council staff. The original intention was that the project officer from Shropshire would attend the Panels in each area to ensure consistency, and at times this happened virtually to save on travel time. The panels met regularly (every 4 to 6 weeks) to review and assess the applications, score them against a set of criteria and ultimately make recommendations to the Project Board for intervention and support.
17. The Project Board had a different membership comprising of senior managers with responsibility for economic development from each of the authorities and business board members from each local authority area. The Board was designed to provide strategic direction to the project, give approval to projects which successfully made it through the appraisal panels and to monitor project outputs. It had no chair with the role being taken by different council officers.
18. A Project Officer Steering Group was also convened made up of Business Support Officers and Project staff, this met quarterly to review progress, share best practice and assess the success of marketing.
19. Once an application had been approved, a funding agreement was drawn up which was then checked by Shropshire Council Finance team who signed it off.
20. Successful projects were then monitored at 6 monthly and 12 monthly intervals.

4. Marketing and publicity

22. The process of marketing BEF involved a whole series of approaches including targeted marketing and awareness raising materials and approaches, alongside direct contact with employers by Business Support Officers and project staff. In the more recent period, more use was made of social media.

23. In more detail actions taken included:
    - Development of a BEF website, launched in October 2011
    - Press releases
    - Mailshots
    - E newsletter
    - Development of case studies
    - A leaflet was created and inserted into every business rate bill sent out by Shropshire and Herefordshire authorities
    - Information included in with business rates
    - Networking including events, workshops and business expo events.
    - Banner stands/leaflets targeting tourism businesses and attendance at Tourism business Summit.

24. Despite this activity, the project was constrained from the outset by the lack of any real marketing budget and officers had to be creative in promoting BEF in cost-saving ways, relying largely on networking, emails and press releases.

25. A common feature across the areas was that council websites are not readily adapted for marketing schemes in 'non public sector' ways through Facebook, Linkedin etc and the website was limited in terms of editing and designing pages. Similarly although the councils have a common database (Evolutive) it is operated in such different ways that it could not be shared between partners. It will be essential to consider the need for flexibility when developing IT for the Growth Hub.

26. The consensus from interviews was that face to face approaches were the most effective form of marketing, for example, through direct contact or at events, as individuals wanted to be able to ask questions and discuss issues one to one. This was easier in the authorities such as Staffordshire and Telford and Wrekin which have teams of Business Support Officers. In Shropshire the e-newsletter generated high volume of enquiries.

27. When Staffordshire were brought into the project the project officer was initially overwhelmed at the level of interest. This arose from having spread the word amongst different district councils, who then took their own initiative in marketing BEF. However, the publicity was not aligned across the county, was inconsistent and it had not been made clear that some businesses such as retail were not eligible for support thereby raising expectations and enquiry levels unnecessarily.

28. Consultees had mixed views on the use of twitter, with some considering that it was the best way to reach new entrepreneurs and others believing that people were left too much to their own devises and that the campaign was unsuccessful. This touches on a wider issue, in that the desire for individual authorities to take their own approaches compromised the consistency of the message and led to wide variations, with no consistent use of logos or branding.

29. The March 2014 Board Briefing Paper noted that "the marketing approaches vary considerably across the four authorities indicating that some audit work may be helpful to identify which methods have best impact. Partners involved in project delivery are constrained by a lack of a designated marketing budget, particularly Herefordshire where human resources are even more limited than elsewhere." It is not clear whether the audit was undertaken, since the issue of marketing continued to raise concerns in the course of the evaluation consultations. In particular, it was said that in future, more creative ways were needed to reach start-ups which could not be reached through council's existing databases.

30. The Board encouraged the production of a short A4 sheet detailing all the major grants and loans available via each Council to send out to local accountants, designed to help the private sector signpost businesses and start-ups in need of support. This was generally thought to be successful and was later extended to a mailshot to letting and commercial estate agents. With DCLG pressure to focus more on start-ups, the Board also noted that stronger links with professional organisations involved in start-ups could be productive, eg, Start up Britain, JCP+, the Princes Trust and loan companies.

31. Reviewing the marketing material, the original materials tend to be generic, requiring prospective applicants to contact the team. Even a leaflet targeted at food and drink businesses is very general, not giving any examples of what could be funded or outlining any eligibility criteria, it states that "Annex 1 activities" are excluded, with no explanation as to what that is, and again requires individuals to contact the BEF team. However, publicity did improve and a leaflet published in 2014 clearly sets out an eligibility checklist and what can be funded. Looking ahead, an approach which tailors support to the characteristics of the business (size, sector and to type of grant (booster or start-up)) and makes the grant simple to understand; in particular, is very clear about the eligibility requirements; the commitment required and how the application process works would be good practice.

32. All those interviewed agreed that any future project needed a marketing budget. It was also felt that there needed to be greater consistency over the message and branding, across all areas, suggesting the need for a marketing plan. Any such plan should acknowledge that council databases are not suitable for reaching potential start-ups. There is a need for those involved in start-ups in the private and voluntary sector to have clear and concise information on grant availability so that they can also signpost clients to the relevant fund, as well as better relationships with start-up support organisations.

5. The application process

33. Once businesses had been screened to identify that they were eligible for funding and the investment they intended to make fitted the Fund's criteria they were invited to apply for a grant. Investment had to be of clear benefit to the company and relate to capital investment such as:
    - Repairs and refurbishment of properties
    - The purchase, creation or enhancement of fixed assets
    - Machinery (not including road vehicles or related items like trailers)
    - Equipment with a useful life of at least 1 year

34. The fund did not cover intellectual property (e.g. websites), services, recurring (revenue) costs such as rent and utility bills, consumables, stock, salaries or purchases through lease-hire agreements.

35. The application form and supporting documentation required were:

    a. Application form
    b. Business plan
    c. 12-month cash flow forecasts with and without investment
    d. Latest set of audited accounts (for existing businesses)
    e. Previous 12 month+ trading figures this needs to be consecutive from the audited accounts.
    f. Three quotes for each item to be purchased with the aid of the grant.

36. The application form could not be completed electronically, generating a significant amount of paperwork.

37. The cashflow forecast template required all individual payments to be itemised month by month to a fine level of detail including for instance, expenditure on stamps.

38. The start-up application form differed a little in content from the form for existing businesses, but not significantly in its depth. In the absence of accounts, applicants had to complete a 12 month cashflow forecast; a personal survival budget; a business plan/marketing strategy and financial profiles.

39. The template for the Start-Up Business Plan included additional sections on personal strengths and weaknesses; competitor analysis; customers and consumers; a competitor SWOT; USP; marketing strategy; pricing strategy; start-up costs.

40. Unsurprisingly, feedback from the consultations highlighted the disparity between the extent of information sought and the value of the grant award, which averaged £2,800, with 1 in 3 of all awards being for grants below £3,000 (Aug 2014 data). A project officer reported that the word most frequently used during monitoring visits was that the process was ‘onerous’. Another said that an employer stated that it was easier to get £70,000 from the Green Bridge programme than £5,000 from BEF. Comments from employers in the monitoring reports support these views and include the following:

    “The application form is repetitive and long winded, not comparable to amount of grant.”

    “The grant has really helped. The application process a bit long winded – it would be easier if the form was simplified or more support given to bid completions.”

    (Need) “Simpler application form or more guidance, or drop in sessions, or webchat.”

    “Simplify the application process for small businesses and start ups, de minimis is confusing.”

41. On the other hand, some firms did find the rigour of the process useful in planning ahead:

    “The personal survival budget was very helpful even though I had already completed a business plan and it helped me to understand a break-even-point.”

42. A comparison of the application forms for BEF and for Green Bridge, an ERDF programme that awarded grants of £10,000 to £100,000 across the region, shows that similar levels of information were required for each programme, e.g. accounts and financial forecasts/cashflow projections, but in addition BEF asked for a Business Plan/marketing plan for both existing businesses and start-ups.

43. The guidance for the compilation of a Business Plan indicated that it should include details of:
    - key personnel
    - products and services and any capital investment already undertaken
    - business objectives for up to 5 years
    - a SWOT analysis
    - details of all market research undertaken in the past 5 years
    - Marketing and sales plans
    - Business case for the investment
    - Legal matters including *"a brief overview of business premises such as age, layout, size of building and ownership"*
    - All current suppliers

44. It is difficult to see that this level of detail was material in appraising the applications, for instance, questions on the layout, size and age of a building or how it was used in determining the application. Similarly in an application for a computer for instance, it is difficult to see that information on key personnel in the organisation and all current suppliers would be material to any decision. Clearly there is a need for the applicant to make a business case but was already part of the application form. Of course, it is essential that there are proper checks on the security of the business, but since other ERDF programmes have awarded far larger grants of up to £100,000 without such detail, it must be assumed that it was over-complex for the size of the awards.

45. Indeed, the high number of applications which were deferred because of the lack of information or not proceeded with suggests that applicants may well have considered the whole process not worth the effort. There is a need for balance between rigour and relevance.

    "Found the paperwork to be completed very complicated, the amount of time spent pulling the paperwork together has in financial terms cost the business approx £500+" (grant was £2658)

46. The mid-term evaluation of BEF undertaken in 2013 identified the application process as an issue, reporting that:

    "The paperwork for the application form is very onerous for SMEs to complete especially if it is a very small business or a start-up and does not have the capacity/and or the expertise to complete the forms. In comparing the business plan and application form a lot of the information is repeated which causes frustration from the business……..If a grant application is completed without the help of a business support officer it can often lead to a poor application , and consequently a refusal of a grant at the appraisal board."

47. In response, workshops were introduced to improve the standard of applications and these were widely held to be successful and a good use of officer time. A similar approach to support employers with claim forms was less successful however, and subsequently, the workshops were not proceeded with as they were poorly attended – employers did not have the detailed information to hand outside their office and did not wish to discuss confidential business information in an open forum.

48. Not only was the extent of information sought from applicants seen as burdensome, it in turn meant that project staff and those appraising the applications had to deal with a lot of paperwork. Comments from the consultees showed on-going frustration with the application process:

"The biggest problem was getting a good application, they needed one to one support"

"There was a lot of paperwork which was quite bulky. The form could have been easier certainly for small amounts."

"It was over-bureaucratic – could consider a two stage process in future"

49. The Green Bridge grants administered by Birmingham City Council are seen as good practice and their approach could help streamline the process in future. For Green Bridge the entire application was dealt with electronically and was accompanied by detailed guidance on a question by question basis which explained what evidence the project team were looking for. This practice should be adopted in any future BEF-type funding project to reduce demands on officer time. Several employers mentioned that a webinar would have been useful.

50. Although there was much comment from consultees on the process, a sample of businesses analysed from the monitoring reports who were successful were very positive about the process:

- 49% said that the process of completing the application form was good or very good, only 13% rated it as poor;
- 89% were pleased with the length of time taken for approval;
- 88% said that the process of claiming was good or very good; and
- 96% rated the BEF team highly with 2 out of 3 rating them as very good.

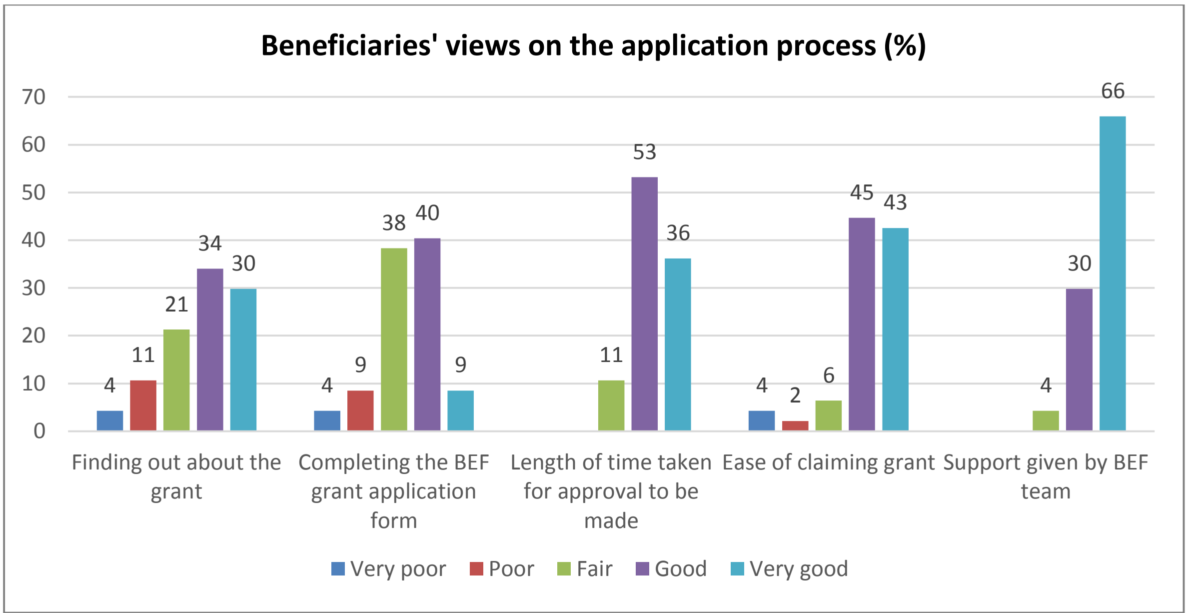


Figure 1: Beneficiaries' views on the BEF application process

6. The appraisal panels

51. Completed applications were assessed by appraisal panels which were appointed for each local authority area. The duty of each appraisal panel was to review all applications, scoring them against set criteria and judging which best met the programme objectives. The panel then made recommendations to a Project Board as to which businesses should be supported with ERDF grant aid.

52. Each Board comprised a project officer, two business representatives and another private sector representative with financial expertise. This composition worked well and the different skills that individual members brought to the panel were valued and the panels were widely regarded as a strength. Many of the business representatives were also members of the LEP Business Boards and panels were generally made up of very experienced assessors. For most of the programme, each panel reviewed applications from its own local authority area but towards the end of the programme, for efficiency reasons panels reviewed whatever applications were pending at the time, regardless of geography.

53. It was at this stage that it became apparent that there was little consistency in each panel's approaches: "There was a big disconnect between appraisal panels and it will be essential to try and minimise the difference going forward." To a large extent this related to a lack of guidance as to eligibility. Originally software was not seen as a capital investment and so was not supported, whereas some took the view that it could be a capital asset if it was a bespoke CMS system, for instance. Similarly there was disagreement as to whether mobile technology could be supported with some panels not approving Apple products because they were too high value and others supporting them. Therefore, where the applicant was based affected the outcome of the application.

54. Understandably the panels were keen to ensure that each application represented value for money, but there was a need for clearer written guidance and/or a workshop/training session for all panel members to develop consistency across the operating area. A number of panel members suggested that it would have been useful to have feedback on the outcomes of some of the projects; and details of the spend still available to inform their decision making.

55. One issue, which was in part successfully resolved during the course of the project, was that the original process involved applications going to Shropshire Council's Finance Team after the appraisal panel. This resulted in requests for further information from applicants in relation to applications that had already been appraised and approved. As a consequence, the Shropshire's Finance Team representatives were invited to join the appraisal panels to ensure that there were no further delays to the process. This helped to a certain extent, but there was still frustration at further queries being raised following panel approval.

56. Overall, the panels were seen as one of the project's strengths bringing in new skills, local knowledge and private sector expertise. Being locally based they were able to use their knowledge of the area to inform their decision-making. The panels sat regularly and were diligent in undertaking the considerable task of appraising the hundreds of applications received over the project's lifetime.

7. The BEF Project Board

57. The Project Board comprised of one member from each of the Local Authority Business Boards and one senior member of the Economic Development team from each of the Councils. The role of the Chair was taken by the main project officer. Its main role was to provide strategic direction to the project officers; to approve the recommendations of the appraisal panels; and to monitor the progress of the Fund. It met twice yearly with approvals to the appraisals undertaken by email. Where members were unable to attend, briefing papers were issued to keep individuals informed as to the fund progress.

58. From the outset there were difficulties recruiting to the Project Board and from start to finish there was no business representative from Herefordshire, since no representatives came forward to take the role. Shropshire's Board member left the LEP at the end of 2013 and although he was replaced, there is no record of his successor attending any meetings. The issue here was that there are only so many Business Board members able to devote time to additional activities and the appraisal panels took up at least 2 members from each authority.

59. As can be seen, attendance from Telford and Wrekin and Staffordshire was good, but from the perspective of The Marches the Board was not well balanced and led to the Board being dominated by officers, who were seen as '*risk averse*'.

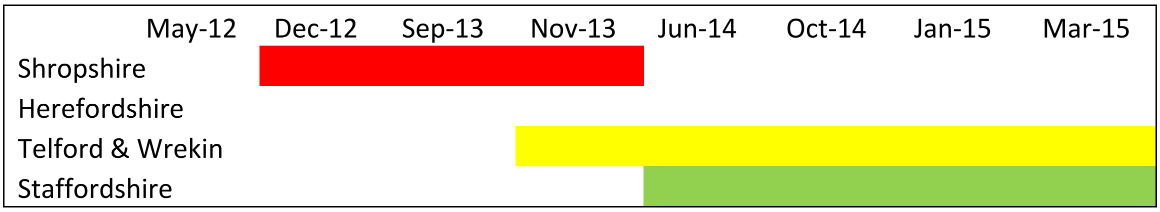


Figure 2: Attendance at Board Meetings by Business Board representatives

60. Feedback on the workings of the board suggested that there are a number of issues to address:

- Those who did attend saw it largely as a "rubber stamping" job, which did not make effective use of their skills or time, which in turn impacted on willingness to attend – *"- we have no control or influence, it's a done deal."*
- The lack of an independent chair meant that the board lacked a 'champion' or leader to drive it. Officers would tend to be solely concerned with their own 'patch' and did not have the strategic overview that an independent chair would have brought.
- Officers attending varied widely and because of the lack of a business representative from Herefordshire and latterly Shropshire, it was seen as officer dominated and "*difficult to know who did what."* In part, the changing officer representation on the Board reflected the project's operating context with staffing cuts meaning changing roles for individuals, but this also meant that the role of the chair changed a number of times over the project's lifetime.
- It was said that papers came through in an ad hoc way.
- Some said that it was not integrated with any other programmes.

61. Dissatisfaction with the Board process suggests that there is a need for a different process in the future. It was suggested that the process and the Terms of Reference for the Board of the Redundant Buildings Grant may provide a useful model. However, the significant difference between the two schemes is the large number of small grants payable by BEF which means that it may not translate exactly to fit. In addition, the stricter criteria of ERDF (BEF) compared with RBG which was funded by the Regional Growth Fund may also account for the differences in set up.

8. Partnerships

62. Partnerships at project officer level were considered to be good and useful, with good collaborative working.

63. Cross-LEP working between The Marches and Stoke-on-Trent and Staffordshire LEP was considered successful and the links were thought to have been very good.

64. There were mixed views about the effectiveness of partnership working, some considered that it had been good, others disagreed and thought that there could have been better links with start-up agencies and with the LEPs.

9. The Accountable Body role

65. Shropshire Council has held the role of accountable body from the outset. During this time it has developed its systems and processes to a high level and a Progress and Verification visit from DCLG in 2012 raised no real issues.

66. After the Project Board has approved the applications, there is a 20 day turnaround for the project Officer to draw up the Grant Funding Agreements which are sent to the Shropshire Council Finance Team to be checked and signed. It was at this stage that the Finance Team were raising additional queries with businesses waiting over a month until their Funding Agreement was issued.

67. The mid-term evaluation reported that the final checking process caused delays, with clarification needed as to whether invoices were original and assurance that projects were already set up on the accounting system. It noted that, *"Further delays are experienced when projects fail to advise the Project Officer that a claim is imminent, which can cause delays if a check has not already been undertaken on Council Tax."* All this led to more work for project officers dealing with applicants and some applications becoming ineligible as the business could not wait any longer to buy the item. The mid-term evaluation recommended that the Finance Team became part of the appraisal panels and this recommendation enabled some of these issues to be resolved, but there was some comment that officers were 'risk averse'.

68. However, some have queried whether the Finance Officers were duplicating the Project Officer's role and noted that the appraisal panels already each had a financial expert. Whilst this is acknowledged, it is clear that any financial expert did not have the same responsibility as the Finance Officers for defraying expenditure. Nevertheless, the way in which the Finance Team operates in Shropshire is very different from the way it operates in Herefordshire where more authority was delegated to the project team in relation to RBG, suggesting there could be scope to streamline processes going forward by building trust between the project team and the finance team.

69. In the Green Bridge project, a financial panel sits alongside the appraisal panel and (albeit for far larger funds) a financial check is undertaken via a credit checking agency such as Experian. This means that there are few delays once a grant is approved.

70. Towards the end of the project when there was pressure to expedite expenditure applicants were given a shorter time to claim and this was felt to be valuable in getting claims submitted in a timelier manner.

10. Project Management Systems

71. Project managers have been commended during the course of interviews as diligent and hard-working. As noted elsewhere, more than 9 out of 10 successful applicants rated them highly. The post holders have been responsible for receiving applications, liaising with applicants, monitoring progress (in terms of project development, expenditure and outputs), attending appraisal panels and ensuring adequate appraisal is undertaken, and attending the project manager steering group.

72. It was felt that at officer level there was a good partnership between the authorities and some useful sharing of good practice.

73. Paperwork to the appraisal panels was praised, although some members commented that they only had paperwork for a short time before the panel and in future the process could do with better timing/structure. Reports to the Project Board contain updates on live projects and applications, expenditure and outputs delivered. A spreadsheet system is used to record the programme as a whole and files are meticulously maintained and filed for each county for all applicants.

74. Setting up monitoring systems was slow to get off the ground with only DCLG outputs being recorded at the start. This failed to capture outcomes such as business and sales growth which was the original rationale for the project. However, comprehensive systems are now in place and monitoring is effective.

11. Impact of the financial assistance packages: project spend and outputs

75. The project had the following ERDF outputs:

	Original target	**Reprofiled target to end June 2015**
People assisted to start a business	122	50
Business assisted to improve performance	140	212
No of jobs created	39	138
Businesses created and/or attracted to the region and surviving 12 months	89	54

76. To date, the following outputs have been achieved:

ERDF Outputs 23/06/2015	**Total**	**Target**	**% target achievement**
Businesses assisted to improve performance	212	212	100%
Businesses created/attracted to the region & surviving 12 months	39	54	72%
Jobs created	196	138	142%
Individuals assisted to start a business	35	50	70%
Community Interest Companies	3	5	60%

77. It can be seen that BEF has underachieved by small amounts against targets to assist start ups; businesses surviving 12 months and assists to Community Interest Companies, but this has been counterbalanced by achievement of business assists and significant over-achievement of jobs created.

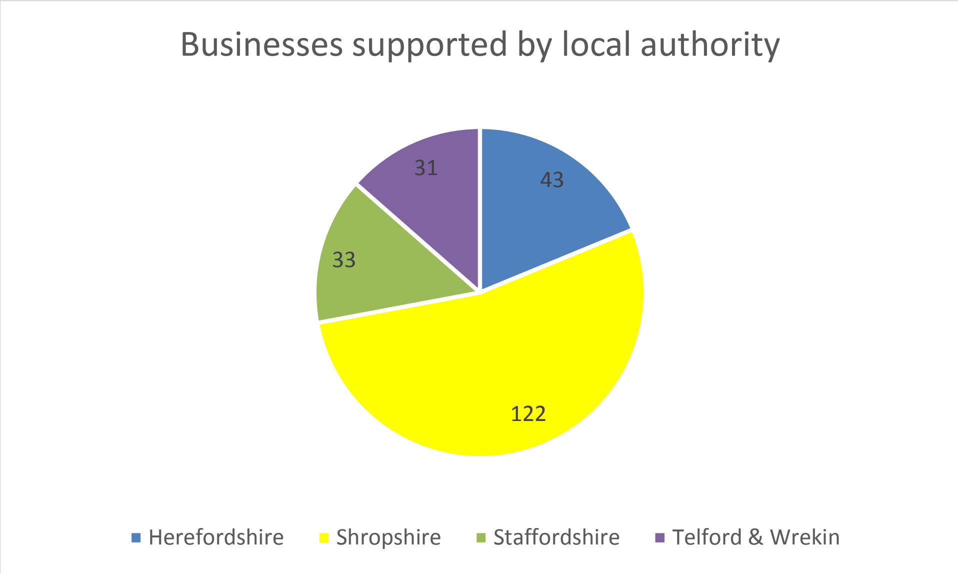
78. Analysis of the distribution of grants shows that Manufacturers and companies in the Creative and Media sectors were most likely to have received a grant. By local authority there was some variation in this pattern with, for instance, Professional Services having benefitted the most in Shropshire and Business Services in Telford and Wrekin:

	Herefordshire	**Shropshire**	**Staffordshire**	**Telford & Wrekin**	**Total**
Agriculture/land and animal	2.3	2.5			1.7
Business services	4.7	1.6	9.1	19.4	5.7
Construction and building services	9.3	4.9	9.1	9.7	7.0
Creative services and media	16.3	13.9	21.2	6.5	14.4
Education		1.6	3.0		1.3
Engineering	9.3	2.5	6.1	3.2	4.4
Entertainment and leisure	7.0	16.4			10.0
Environmental Technologies	4.7	1.6		3.2	2.2
Food and Drink Sector	7.0	12.3		6.5	8.7
Hotels catering and accommodations		0.8			0.4
Importer			3.0		0.4
Information technology and telecoms	2.3		15.2	12.9	4.4
Manufacturing - non-food	16.3	18.0	21.2	12.9	17.5
Medical Technologies		1.6			0.9
Professional services	11.6	18.0	6.1	6.5	13.5
Property and real estate		0.8			0.4
Retail - non-food				3.2	0.4
Social/Community/NFP Enterprises				3.2	0.4
Tourism	9.3	2.5			3.1
Transport		0.8		6.5	1.3
Utilities				3.2	0.4
Wholesale - non-food			6.1	3.2	1.3
	100.0	100.0	100.0	100.0	100.0

Source: Project management system

Figure 3: Businesses supported by sector

79. More than half of all awards went to Shropshire businesses, with 19% going to Herefordshire businesses and the remainder split fairly evenly between Telford and Wrekin and Staffordshire:



Source: Project management system
Figure 4: Businesses supported by area

Reasons for shortfalls in start-up support

The economic climate

80. The programme operated against the backdrop of the deepest recession since the 1930s and the impact of this was that local firms were in 'survival' mode rather than investing for growth which in turn affected the demand for grants. Since the company had to invest and then claim it was difficult for start-ups in particular to find the up-front payments necessary.

81. National statistics support this analysis. UK business investment fell 25% during the recession and has lagged significantly in the recovery. The drop in business investment was most pronounced in the manufacturing sector, where investment levels fell by 31% peak to trough. Secondly, falling demand and loss of confidence due to on-going instability and fragility in the global recovery (particularly in the Euro Area) have resulted in the postponement of investment plans until macroeconomic conditions improve. This is likely to have contributed to the widely commented upon falls in productivity measures since the start of the crisis.

ERDF eligibility criteria

82. Despite earlier successful support to local businesses across Herefordshire and Shropshire, the different eligibility criteria of ERDF meant that fewer companies were eligible for support. There was a minimum grant level of £1000, thereby meaning that investments supported were £2000+ in value, when often start-ups just wanted a computer or office desk and chair. Although variation from DCLG was sought in this respect, the application was turned down.

83. Another factor was an inability to support businesses operating a business to consumer model such as retailers and primary food producers which reduced overall eligibility significantly. Rural businesses are more likely to be in the land-based, retail and distribution, construction, and professional, scientific and technical services sectors than urban businesses (who in turn are more likely to be in sectors such as finance or public service)[1]. Professional, associate professional and administrative/clerical staff account for smaller shares of employment in rural than in urban areas, while operative and elementary staff constitute a relatively larger share of total employment. This difference in the make-up of rural businesses is likely to account for the differential take-up of support compared with urban areas.

84. Analysis undertaken in 2012 showed that only 30% of the start-ups previously supported would have been eligible for BEF and 32% of the existing businesses.

85. It should be noted that although the startup target was not met, many young businesses were supported.

The application process

86. As noted elsewhere, the application process was daunting and thought to be off-putting especially for those seeking smaller amounts of funding.

87. The mid-term evaluation reported that by June 2013, 433 start-up queries for Shropshire and Herefordshire had been received, of which 268 applicants were eligible, however 6 out of 10 of those eligible did not submit an application, adding weight to the perception that the process was deemed too difficult for the reward. It is also known that some of these companies were seeking funds of less than £1000 and were unable to raise the £1000 match funding. More recent data relating to Shropshire on the ratio of start-up enquiries to applications showed little change in this position.

Marketing

88. The lack of marketing budget was seen as a weakness. Start-ups by their very nature are not on databases of existing businesses and more innovative ways are needed to reach them.

12. Added value

89. Data from a random sample of 60 companies supported by BEF provides very positive feedback on the benefits realised through the project.

90. 95% of businesses said that their expectations had been met by the project and an additional 3% commented that their expectations had been partially met. This is excellent feedback and demonstrates that whatever initial difficulties applicants had with the process, the outcome was beneficial.

[1] "Out of the Shadows" 2014, ERC Evidence White Paper

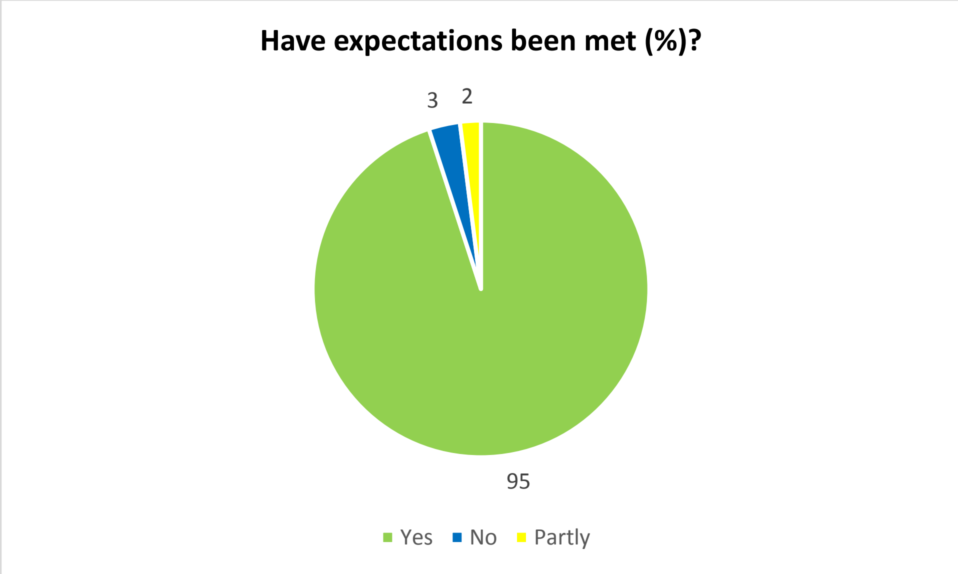


Figure 5: Beneficiaries' views on whether their expectation of BEF had been met (%)

91. It is also encouraging to note that despite the economic climate, and with company closures rising, 82% were able to achieve an increase in sales and 83% an increase in profit as a result of BEF. Furthermore, the extent of the increase was significant with 50% achieving an increase in sales of over 10% and 52% achieving a similar increase in profitability:

	Sales increased?		Profit increased?	
Extent of change	**Nos**	%	**Nos**	%
No	11	18	10	17
1-5%	7	12	12	20
6-10%	12	20	7	12
11-15%	4	7	30	50
15% or more	26	43	1	2
Total	**60**	**100**	**60**	**100**

Figure 6: Level of sales and profit change

92. 52% had increased their jobs as a result of the BEF investment, with a further 4% expecting to do so in the near future:

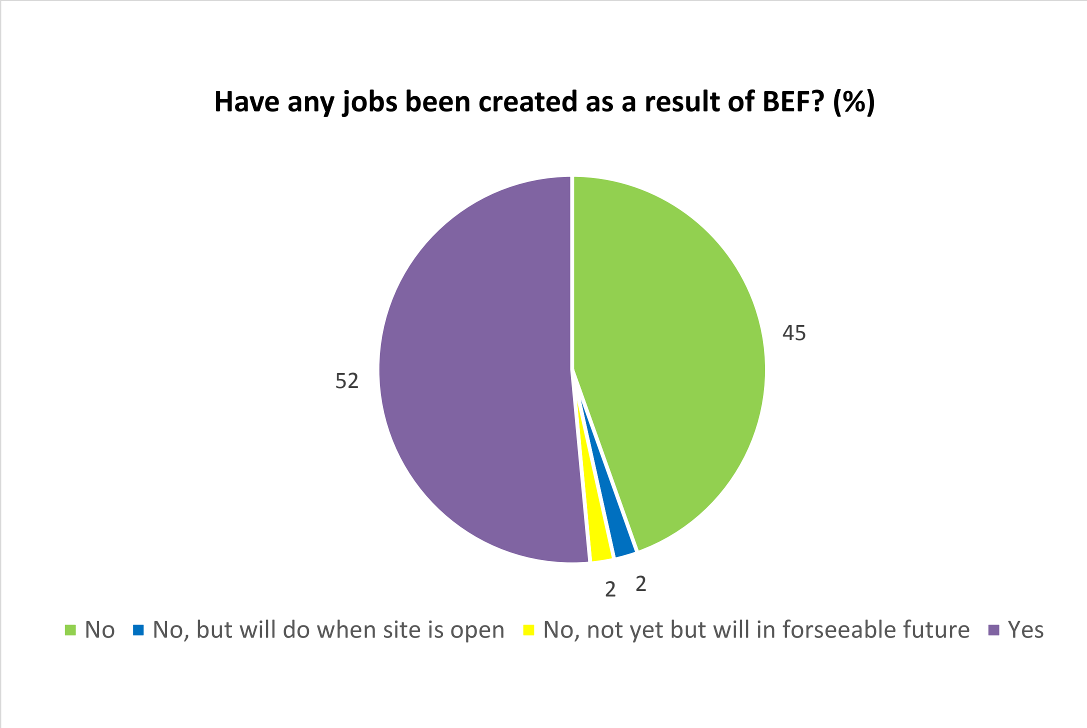


Figure 7: Percentage of beneficiaries creating jobs as a result of BEF

93. If the investment delivered through BEF is to be sustainable then it needs to deliver benefits which will ensure the continued survival and growth of SMEs in the local economy. The Monitoring Survey shows positive results in this respects and 1 in 2 had either entered new markets, developed new processes or developed new products as a result of BEF funding. As can be seen, as a result of the investment 47% of businesses had developed new processes stemming from new equipment; 38% had developed new products and 35% had entered new markets:

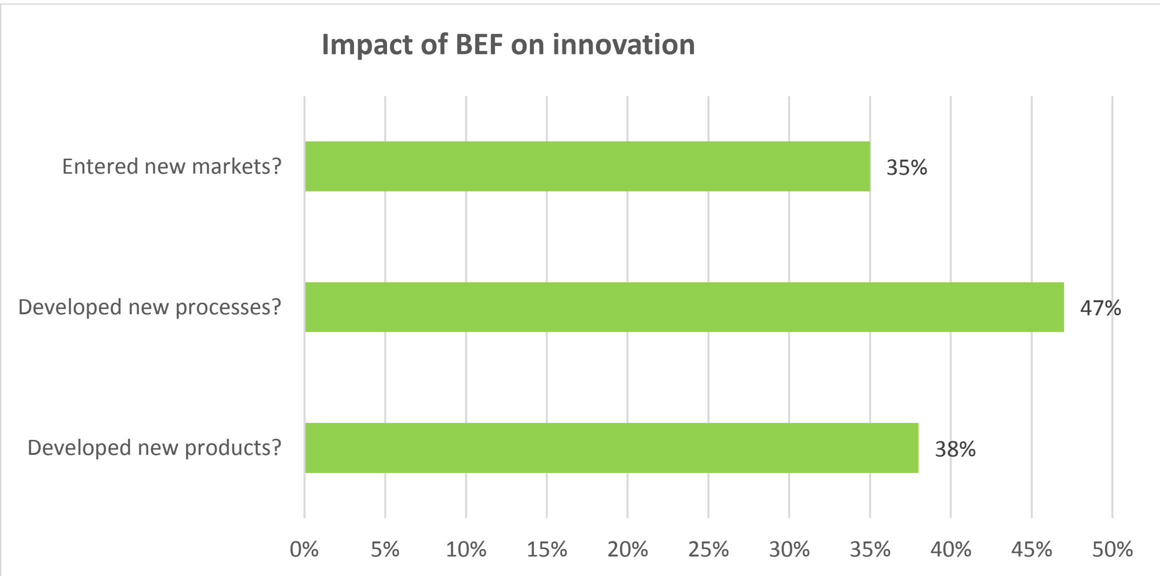


Figure 8: Percentage of beneficiaries that have entered new markets and/or developed new products and processes

94. In all, these outcomes demonstrate that aside from the ERDF outputs, BEF has had a very positive impact on the companies supported and enabled them to grow and prosper through very difficult economic circumstances.

95. Numerous case studies were collected as part of the project's publicity and the case study below exemplifies the ways in which BEF has impacted on individual businesses and provided valuable funding at a time when bank lending was at low levels.

Case study: Kidz Clothing

Kidz Clothing designs and produces a range of quality outdoor clothing. At the time of the grant application the clothes were made in China. The purchase of sewing machines and other related equipment with the assistance of a £5000 grant from BEF has meant that production now takes place in Shropshire with materials outsourced in the UK.

Case study: Coopers Gourmet Sausage Rolls

Coopers Gourmet Sausage Rolls were awarded a £10,000 grant for a walk-in freezer. The aim was to allow the business to keep up with orders by the introduction of a twilight shift and the recruitment of 2 more staff. Subsequently the success of the company meant that they had to move to a larger unit on the Shropshire Food Enterprise Centre. The business has gone from 2 employees to 9 employees in less than 2 years. In 2012, it won the Morgan Foundation's New Business of the Year award.

The firm source over 95% of their ingredients from a 40 mile radius of Shrewsbury, thus benefitting the supply chain, and the sausage rolls are currently sold to delicatessens, farmers markets and other local and national businesses.

96. Asked whether they would have proceeded with the investment without a grant, data from a sample of monitoring forms shows that 51% could not foresee that they would have been able to proceed. This is broadly in line with BIS guidance on levels of deadweight:

Investment without BEF	**Nos.**	**%**
Yes immediately	3	5
Yes within 12 months	26	44
Not in the foreseeable future	30	51
Total	**59**	**100**

Figure 9: Likelihood of beneficiaries proceeding with investment without BEF

97. Business Support Officers across the different Local Authorities asked businesses why they applied for grant aid. The responses are illuminating and show that the finance has helped speed up investment, thereby encouraging growth and better quality investments:

- Provides an incentive to invest or start up a business with less financial risk attached a loan
- Enables investment decisions to happen more quickly
- Encourages a business to innovate and grow
- Incentive to invest in products that have a longer rate of return on investment
- Incentive to invest in higher quality products or more comprehensive schemes
- Lack cash flow to fund the project and have been rejected for other financial support

98. One of the reasons driving the establishment of the project was to address the declining rate of small business growth in the local economy. However, external forces have meant that the ability to address this issue and secure growth has been compromised and that the sub-region has been hard hit by recession. ONS data on the number of active businesses in the local economy shows that numbers have only started to increase in 2013 (latest data available), having fallen through 2011 and 2012, slightly lagging behind the upturn in the West Midlands region and Great Britain. The country as a whole has seen a 5% increase in business stocks since 2011, and the West Midlands has recorded a 3% increase. This level of increase has only been matched by Telford and Wrekin, with Shropshire and Herefordshire in particular, lagging behind.

	2009	**2010**	**2011**	**2012**	**2013**	**Change 2011 - 2013**	**% change 2011 - 2013**
Great Britain	2,282,200	2,292,440	2,285,225	2,316,705	2,392,965	**107,740**	**+5%**
West Midlands Region	191,550	189,980	187,065	187,420	192,130	**5,065**	**+3%**
Herefordshire UA	8,305	8,245	8,135	8,085	8,180	**45**	**+1%**
Shropshire UA	13,020	12,970	12,775	12,665	12,790	**15**	**+0%**
Telford and Wrekin UA	4,845	4,730	4,625	4,645	4,780	**155**	**+3%**
Staffordshire County	30,525	30,105	29,620	29,510	30,100	**480**	**+2%**

Source: ONS Business Demography Statistics Nov 2014

Figure 10: Trends in business stocks by local authority area, 2009-2013

99. Closer analysis of the data on business births and deaths shows that, in fact the number of business start-ups has increased by between 25% - 35% in the local economy, a little below the national average. However, fewer firms have been going out of business in Shropshire and Staffordshire than average:

Business Births	**2009**	**2010**	**2011**	**2012**	**2013**	**Change 2011 - 2013**	**% change 2011 - 2013**
Great Britain	232,085	230,555	257,625	265,630	341,630	**84,005**	**+33%**
West Midlands Region	18,245	17,805	19,555	19,650	25,735	**6,180**	**+32%**
Herefordshire UA	625	615	645	645	810	**165**	**+26%**
Shropshire UA	1,025	1,020	1,105	1,060	1,380	**275**	**+25%**
Telford and Wrekin UA	510	430	470	505	640	**170**	**+36%**
Staffordshire County	2,680	2,590	2,915	2,865	3,760	**845**	**+29%**
Business Deaths	**2009**	**2010**	**2011**	**2012**	**2013**	**Change 2011 - 2013**	**% change 2011 - 2013**
Great Britain	272,265	243,405	224,745	247,620	232,540	**7,795**	**+3%**
West Midlands Region	23,130	20,820	18,720	19,855	18,375	**-345**	**-2%**
Herefordshire UA	800	720	670	700	690	**20**	**+3%**
Shropshire UA	1,255	1,195	1,135	1,140	1,065	**-70**	**-6%**
Telford and Wrekin UA	560	505	430	485	445	**15**	**+3%**
Staffordshire County	3,455	3,045	2,840	2,900	2,620	**-220**	**-8%**

Source: ONS Business Demography Statistics Nov 2014

Figure 11: Trends in business births and deaths by local authority area, 2009-2013

100. The lower rate of business deaths is encouraging and supports the analysis of those involved in BEF that the BEF fund has helped sustain businesses even if it has less success in securing new start-ups. Monitoring data shows that none of the businesses supported have failed within 12 months and therefore the rigourous appraisal process has secured above average business survival amongst those awarded funding. There will need to be systems in place to measure longer term impact in this respect.

101. Overall, these rises and falls in business start-ups underline the difficult backdrop against which BEF has operated and indicate that there are significant on-going difficulties in the local economy to address, with business growth lagging behind national and regional averages.

13. Financial performance

102. The ERDF capital of £1.26m allocated to the project has been defrayed with just a small underspend at March 2015 of £18,884 reprofiled to cover evaluation costs and some staff time from the Finance Team.

103. During the course of the project private firms have invested £1.54m in capital investment. 22% more than originally envisaged.

104. Shropshire has allocated just over half the funding (54.8%) and Herefordshire 17.4%. 4.6% of the remainder has gone towards Resource Efficiency Grants (REGS) schemes and the rest has been awarded evenly between Staffordshire and Telford and Wrekin:

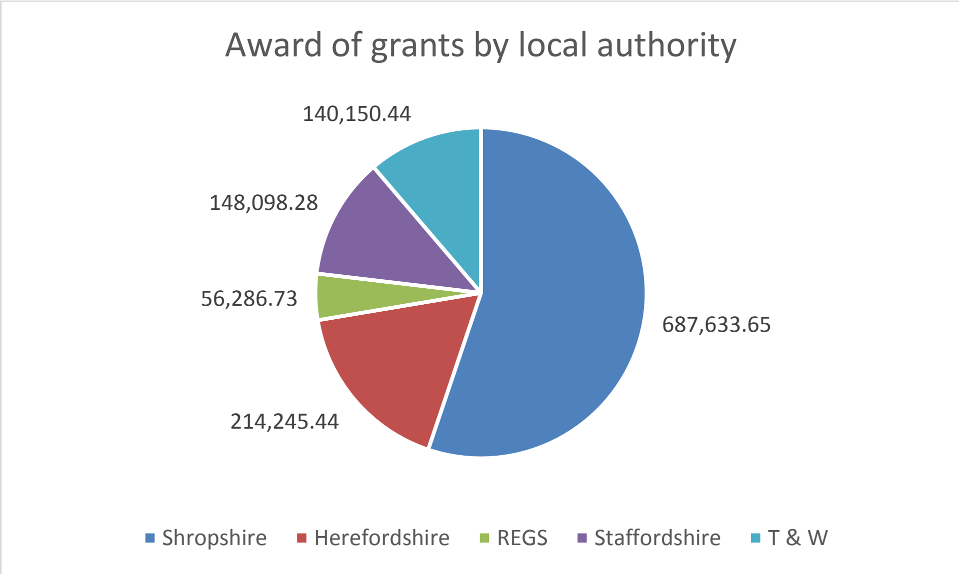


Figure 12: Geographic distribution of BEF grant awards by value

105. The average grant value was £2,800 with £5000 being the value most often awarded. As the table and chart below show, only 10% of the total fund was spent on grants of up to £3000:

Value of BEF grant	**Total value**	**% of total**
up to £1500	47,000	3.7
£1501- £3000	84,000	6.6
£3001-£5000	217,600	17.2
£5000-£7500	57,700	4.6
£7501-£10,000	857,000	67.9
Total	**1,262,700**	**100**

Figure 13: The amount of funding awarded by value

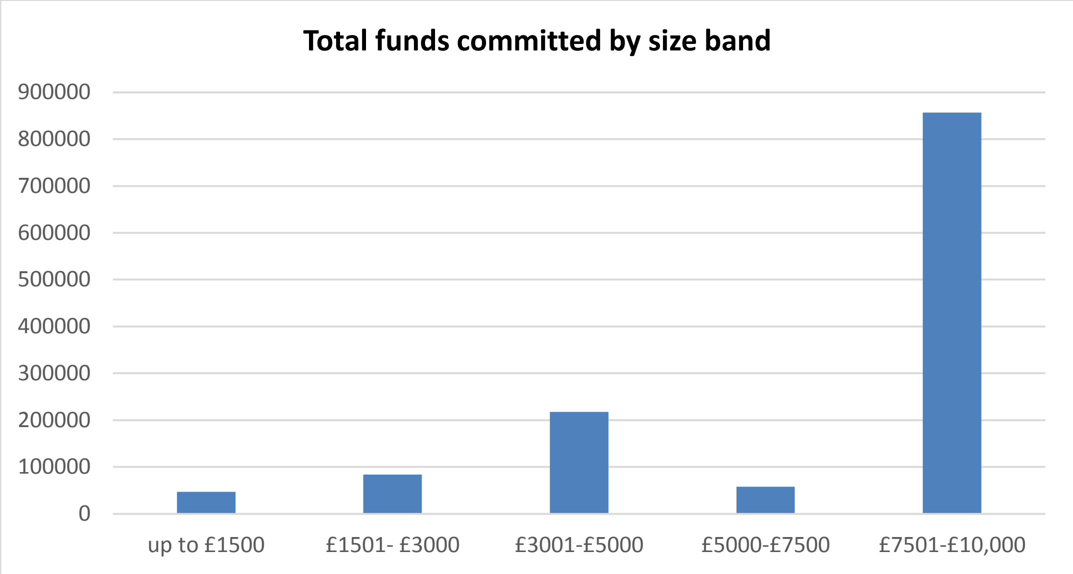


Figure 14: The amount of funding awarded by value

106. However, when the data is examined in terms of numbers of awards by value it can be seen that 34% of all approved applications were for grants of less than £3000, and 85% of awards were up to £5000. This provides some evidence that the demand for grants has been at the lower end of the scale and it is these relatively small amounts of money which have been instrumental in generating the growth in sales and profitability of the small business base.

107. This backs up views expressed in the interviews that the need for grants in the future is for the full range of funding rather than just at the higher end. Indeed the view was expressed that funds should also be available below £1000. Given the administration costs of processing a high volume of smaller applications, this indicates that rather than raise the funding threshold in any future scheme, an alternative approach involving a simplification of the process would ensure that demand could be met cost effectively.

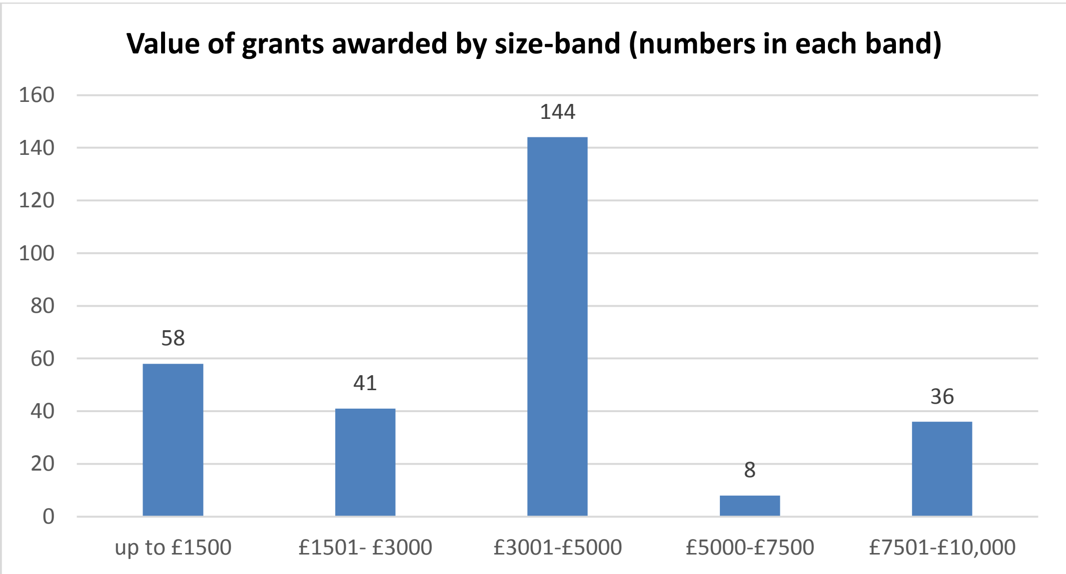


Figure 15: The numbers of grants awarded by value

108. Further analysis to assess whether the larger grants over £7500 were more effective in generating job outputs is interesting. Excluding start ups, and Resource Efficiency Grants (REGS) (where job outputs were not expected) the analysis shows that the larger grants generated an average of 1.5 jobs per project and the smaller ones 0.8 jobs per project, perhaps less difference than might have been expected and a finding that underlines this importance of small firms in job creation. In fact, the average for the larger awards is skewed by 3 companies, and if these are excluded the remainder of the larger beneficiaries average 0.87 jobs per award, on par with the smaller awards.

14. Effectiveness and value for money

109. The creation of 196 jobs provides an average cost per job of £6454. This is in the lower to mid-range of the accepted norm of between £5k and £10k per job. Combined with the ratio of private sector investment, which was some 22% above target, this suggests that the project has offered good value for money.

110. Interviews with those involved in BEF confirmed this analysis with general agreement that the project offered good value for money and met a real need in the local economy. In particular, it was felt that the project has gained real momentum in the past 12 months. It was felt that BEF:

- Enabled firms to bring forward investment which they would not have been able to fund without the grant aid.
- Supported firms at a difficult economic time, when bank lending was at an all time low.
- Became a catalyst for growth.
- Improved business survival rates

111. Overall, the results and the concept were thought to be good, especially in the last 12 months and there is real potential for the future.

15. Lessons learnt

112. Drawing together the analysis and comments made by those involved in BEF, the following lessons are useful going forward:

1. **Simplicity:** There is a need for a simplification of the application forms and application process. Similarly the claim process could be streamlined to ensure that all queries are dealt with before the grant offer. Keep the claim timescale short.
2. **Governance:** Any project board needs an independent chair and a real role. The RBG Board is seen as model of good practice in this respect.
3. **Marketing**: Ensure that there is a marketing budget. Develop targeted marketing e.g. by sector or product type rather than blanket emails. Develop staff skills in social media and ensure that any website can support this. Develop effective partnerships to reach potential start ups. Ensure that the message and branding is consistent across different geographic areas.
4. **Staffing:** Experienced project staff with a will to facilitate and a passion for business support are key to success. Consider building in to the budget more time for officer support to applicants.
5. **Appraisals**: Make the assessment criteria clearer from the outset to ensure consistency. Consider the need for one joint workshop at outset so that all appraisers interpret guidance consistently. There was a plea to keep the localism of the panels.
6. **Communications:** There is a need for a more structured timetable for sending out background papers to the appraisal panels. Improve the communications including with

partners and other support agencies to ensure that the grant is integrated in with other funds.

16. Conclusions

113. For the future, suggestions were made that BEF could be reconfigured to improve sustainability by accompanying the start-up grant with a minimum of 12 months support e.g. networking and training.

114. There is a perceived need to enable training and development to be supported as well as capital investment as well as funding for exploring new markets such as exporting and e-commerce.

115. The ERDF eligibility criteria suppressed demand for support and the LEP may wish to explore the potential for other funding to support the retail and primary sector, and to provide a lower grant threshold for start-ups.

116. The outputs show that the Business Enterprise Fund has met or exceeded its main targets, and there was a strongly held view that the project had really gained momentum in the past 12 months. As a result of BEF, 82% of employers had increased their sales and 83% had increased their profitability.

117. Case studies show that there have been some real success stories and the fund has enabled firms to enter new markets, develop new products and new processes.

118. In particular, the project has achieved this by supporting businesses with relatively low levels of funding, with more than 8 out of 10 grants below £5000. Grants have been widely distributed amongst eligible sectors with both the service and manufacturing sectors benefitting. Job outputs by grant value are higher for larger awards but not significantly so. In fact, awards of less than £7500 accounted for 89% of grants (excluding start-ups and Resource Efficiency Grants) and 81% of all job outputs, indicating the real potential of smaller awards to generate growth.

119. The costs per job output are at the lower end of the threshold and overall it is considered that BEF represented good value for money.

120. The context in which BEF has operated is likely to have affected its success, and as a consequence of the recession, firms have been in 'survival' rather than growth mode. As a result of BEF it is thought that some businesses are more likely to have survived and made investments which will enable their growth over the long term. Monitoring data shows that none of the businesses supported have failed within 12 months and it is likely that the rigourous appraisal process has secured above average business survival amongst those awarded funding.

121. The relative lack of success in supporting start-ups was thought to reflect the poor economic climate; the ERDF eligibility criteria – which meant that primary producers and business to consumer models could not be supported; the minimum grant size; the application process and lack of marketing budget.

122. In particular, going forward, it is clear that potential start-ups are not easy to reach by conventional means such as business databases/the Chamber of Commerce and any future projects will need not only good links with other start up support agencies, but also to embrace social media to reach prospective beneficiaries.

123. The application process was understandably criticised as being onerous – particularly in relation to the information required to the size of award – and it is recommended that this is reviewed to streamline and make the process easier for applicants, thereby reducing demands on staff time and on the appraisal panels.

124. The appraisal panels worked well, but there is some scope to improve consistency across the local authorities. The governance was seen as less successful, being perceived as officer-led with its role reduced to 'rubber stamping'.

125. All those interviewed considered that there was a role and need for support schemes of this nature in the future.