

Solutions for Business Portfolio – Collated Product Descriptors

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PRODUCT DESCRIPTOR: EXPORT CREDIT INSURANCE

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PRODUCT PURPOSE

To facilitate the export of UK capital equipment and project related goods and services and support the provision of associated finance.

PRODUCT DESCRIPTION

The Export Credit Guarantee Department's (ECGD's) core role is to mitigate payment risks caused by commercial and political events through the provision of guarantees, insurance and re-insurance against non-payment.

TARGET CUSTOMERS

AT THE LEVEL OF THE MARKET

Exporters, project sponsors, banks and overseas buyers to help win export business and UK firms to invest overseas.

AT THE LEVEL OF INDIVIDUAL SMES

The same facilities are available.

PRODUCT BENEFITS

To benefit the UK economy whilst operating over time at no net cost to the UK taxpayer

SPECIFICATION ENVELOPE

Range No.	Range Type	Criteria
1	Business size	Any size
2	Business Age	Any age
3	Business sector	Capital goods and services exports and overseas investments.
4	Type of Assistance	ECGD provides a mixture of financial guarantees to banks and insurance policies to exporters and investors.
5	Provider of product/service	Persons carrying on business in the UK exporting goods and services or investing overseas in capital goods and services. Commercial banks providing facilities to finance the export of goods and services.

6	Duration of assistance	Depends upon the exporting sector, type of contract and ECGD facility provided. Loans provided by commercial banks and guaranteed by ECGD can be for up to 12 years.
7	Terms/conditions of Loans	Must meet ECGD's minimum risk underwriting criteria and comply with ECGD's Business Principles. Specific terms and conditions are set out in the individual product.

FUNDING CONSTRAINTS

HMT requires ECGD to meet certain financial objectives with the aim that ECGD should operate at no net cost to the taxpayer. In its Act (the Export and Investment Guarantees Act 1991), all ECGD's liabilities are backed by the Exchequer with direct access to the Consolidated Fund to fund claims.

OPERATIONAL CONSTRAINTS

ECGD's risk management policies are designed to meet certain policy and financial objectives. In particular, that the premiums ECGD charge match the risks and cover costs, including administration costs and remunerating the costs of capital, so that ECGD does not under-price and, thereby, distort, the market.

Consistent with the WTO Agreement on Subsidies and Countervailing Measures (WTO/ASCM) and the requirements of the Organisation for Economic Cooperation and Development (OECD) that regulate the provision of officially supported export credits, ECGD seeks to ensure that its support programmes are conducted on a basis that:

- are adequate to cover its costs and losses in the long term (the so called 'break-even' requirement); and
- do not grant export credits at rates below those rates available to borrowers in the international capital market.

1.1 ECGD is also required to fulfil financial objectives agreed by HMT and to *complement*, not compete, with the private market.

The provision of ECGD support must also comply with its Business Principles.

MEASURES OF SUCCESS

1.2 Fulfilment of ECGD's financial objectives.

EXIT STRATEGY

ECGD's product seeks to supplement the market where insufficient risk capacity exists to support the export of capital/semi capital goods and services. Future trends will depend upon global risk conditions, the ability of the private market to provide support medium/long term risks without state intervention and upon the future supply capability of UK companies.

BSSP PRODUCT DESCRIPTOR: GRANT FOR BUSINESS INVESTMENT (GBI)

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Product Purpose

GBI supports sustainable investment and job creation projects, and promotes the expansion, rationalisation, modernisation and diversification of economic activities of businesses located in the Assisted Areas¹., in particular by encouraging firms to set up new establishments there.

GBI is also used to facilitate the economic activities of SMEs in disadvantaged areas outside of the Assisted Areas. This support reflects both the key role SMEs play in job creation and generating economic activity and the inherent difficulties they face in the market place.

Product Description

GBI provides a capital grant to support investment or job creation projects by a business that help it expand, rationalise, modernise or diversify. Typically, a grant is offered to support the acquisition of key assets, such as buildings, plant and machinery and to support the creation of new jobs or to safeguard existing ones.

Newly-formed small enterprises in the Assisted Areas can also be awarded grants to help with the legal, advisory, consultancy and administrative costs of forming a business and to help meet some operating costs for the early years of their operation. Similar support for the formation of a new small business can be provided in other disadvantaged areas where the enterprises are owned and managed by female entrepreneurs.

The maximum amount of support that can be provided depends upon the size and location of the company, the size of the project, and the quality (in terms of factors such as skill level of staff and expected productivity improvement) of the project. There is a minimum grant level of £10k; there is no maximum, though under EU State Aid legislation the levels of support for larger projects are lower.

EC State Aid law applies complex limits on aid ceilings and intervention rates, depending on the nature of the project, the applicant and the location of the project.

Target customers

GBI is open to companies of all sizes operating within the Assisted Areas and to SMEs operating outside the Assisted Areas in areas designated as Tier 3 regions by the RDAs.

Most businesses can apply for GBI, including businesses in the service sector that supply a national rather than local market.

GBI can be given to companies that operate in most sectors of the economy. EC State Aid law prevents support being given to certain industries (e.g. agriculture, the steel industry, shipbuilding, the coal industry and synthetic fibres), while as a matter of national policy, support is not normally given to companies that operate in sectors that are considered to be fully supplied by public sector bodies such as the defense and health sectors.

The following criteria must also be satisfied before support can be offered:

- a) the company undertaking the investment project must be viable and the project must have a good chance of being self-sustaining by the completion of the investment;

¹ Assisted Areas are defined by the EU

- b) the investment project must deliver an improvement in productivity, based on the value of gross value added per full-time equivalent employee measured against the sector and national averages;
- c) the project should contribute positive benefits to both the regional and national economy; and
- d) larger projects must create or safeguard skilled employment.

Product Benefits

GBI aims to embed sustainable improvements in the economies of the English regions by supporting investment projects by companies currently operating in disadvantaged areas and by encouraging companies to set up new establishments in these areas;

Supported projects should deliver a positive contribution to the regional and national economy, deliver an improvement in the applicant's productivity and good quality jobs.

Rationale

GBI directly supports Government policy related to small businesses and regional development, as articulated in the cross Government Public Sector Agreements (PSA) 6 and 7:

- PSA 6: Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.
- PSA 7: Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.

Specification

- Type of assistance: grants, starting from £10k
- Duration of support: initial investment or job creation projects only, though payment may be phased over a period of several years. Project monitoring continues for at least 5 years (3 years for SMEs).
- Geographic scope: Assisted Areas in England for large companies, Assisted Areas and Tier 3 areas in England for SMEs.
- Performance characteristics: projects must deliver net benefits to the regional and national economy, productivity gains and create or safeguard skilled jobs.

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Product Name: Maximising foreign direct investment [Back to top](#)

What? The support to Business

Provides a mechanism for gaining understanding of inward investors' perceptions and concerns about the UK as a place to do business, and gives inward investors a Voice in Government on policy issues affecting their business.

The product provides information, advice, and tailored help for potential and existing inward investors, to help them with the decision to invest in the UK and, once invested, to develop their UK based business. There is no financial assistance specific to inward investment. The types of assistance to be provided are as follows:

- Provision of persuasive value propositions tailored to the overseas headquartered company's own development plans seeking to persuade the company of the benefit of locating in and growing from a UK base internationally, including visits overseas to make business case for investing;
- Provision of general or tailored information specific to influencing a favourable investment decision – including detailed property searches
- Facilitating access to the huge R&D resources present in the UK, as well as technology best practice schemes, to bring added value to both UK and international operations;
- Brokering links between inward investors and UK university and FE colleges to facilitate more effective partnerships in developing demand-led training courses and work placement schemes, and opportunities for graduate recruitment;
- Ongoing strategic discussion with companies to help existing inward investors businesses develop and grow, including soft landing zones. Advice on the regulatory framework in the UK, and how best to work with legislative bodies; as well as a selective 'trouble-shooting' to help investors with specific UK regulatory or legislative concerns that are impacting adversely on their competitiveness.
- Assistance with immigration issues; i.e. assisting client transit through UK borders and occasional selective direct intervention with immigration authorities.
- Introduction to national and regional process improvement initiatives and innovation production techniques to help clients remain internationally competitive (to be consistent with the support provided under the Business Expertise product);
- Provision of advice to identify available labour with appropriate skills, achieve successful recruitment and develop and retain client's workforce, including assistance with relocating of staff
- Provision of information and signposting to services that contribute positively to perception of the UK as a place in which to grow an inward investor's business, addressing information market failures;

- Provision of advice to attract overseas based entrepreneurs and early stage technology businesses to the UK.
- Organisation and hosting of tours/visits to regions/UK by potential inward investors and overseas multipliers to demonstrate location strengths
- Understanding of inward investors' perceptions and concerns about the UK as a place to do business, and providing inward investors with a voice in Government on policy issues affecting their business.
- Help and assistance to overcoming language and cultural barriers to investing in the UK
- Liaison with private sector companies including property and construction firms and financial and professional services to help inward investors to start successfully
- Provision of information and advice on financial assistance, funding or support grants and access to private venture capital - and assistance in applying for these
- Developing exports – market information and introductions to potential partners
- Supply chain development and manufacturing efficiency (to be consistent with the support provided under the Business Expertise product); Connecting and communicating with Government and its Departments.

Who is it for? Main target audience

The prime focus by UKTI is selection of target companies that UKTI staff then approach overseas or in the UK (if expansions are involved). There is some advertising of UKTI's FDI role, overseas and on UKTI's website. Where this takes place, potential clients are signposted to UKTI staff in overseas diplomatic missions.

Where aftercare of inward investors is concerned, again, the aftercare network (BERR/BR, RDAs, DAs and UKTI) that UKTI facilitates, selects target companies. There is a brochure about the aftercare network's offer - which directs companies to UKTI and RDAs (and Devolved Administrations). This is given to target companies; and used for internal network training purposes. UKTI and RDAs carry stocks (and it's on UKTI's website).

All types of assistance are potentially available to any potential inward investor, from any part of the world. But the service is tailored to the client, and there is a high degree of identification of the client by service providers.-

Why? (Purpose/Rationale - what is trying to do for the UK and business?)

Knowledge spillovers from inward investment contribute productivity benefits to the UK which are not fully internalised. Inward investment, in the UK, would also be hindered by network and intermediation failures which act as barriers to entry for overseas firms.

Product Name: **Accessing international markets** [Back to top](#)

What? The support to Business

Tailored information and other help in specific markets, for individual companies and for sectors or other groups of UK business for collective benefit, drawing on the commercial sections in UK Consulates, Embassies, and High Commissions overseas. Tailored support is normally charged, for all sizes of firm. Limited financial support towards the cost of participating in overseas visits and trade shows is available to eligible SMEs.

Support will comprise:

- Tailored help from the UKTI overseas network: Charged services can include tailored information or help in gaining access to key contacts, either for individual firms or through group events. Services provide individual or groups of companies with information on local market conditions, market entry strategies, or help in gaining access to key contacts, or in overcoming barriers to market access
- Grant packages to cover part costs of participating in overseas missions.
- Grants exhibiting at Overseas Trade Shows: Eligible businesses can receive grants towards eligible costs of exhibiting at overseas exhibitions.

Specific services are described below.

Overseas Market Introduction Service (OMIS)

OMIS is an on-line workflow system. It allows UK businesses, which are eligible for UKTI services, to commission bespoke research, face to face advice, contacts and other forms of assistance from Trade Officers in overseas posts depending on, and tailored to, the client's needs and the conditions in the chosen market. OMIS is a chargeable service and the charges seek to recoup Trade Officers' time based on a schedule of price bands for hours worked. The price bands are currently:

- £250 - up to 6 hours' work
- £500 - up to 12 hours' work
- £1000 - up to 25 hours' work
- £1500 - up to 37 hours' work
- £2000 - up to 50 hours' work

OMIS is UKTI's main source of revenue.

The UKTI strategy includes a short-term target of doubling revenue year on year, committing UKTI to doubling revenue from its services by December 2007. In addition to the short-term target, UKTI is also committed to doubling revenue again over the CSR07 period.

All UK companies who are eligible for UKTI services are eligible for OMIS. UKTI eligibility rules are based on companies having an active UK address. OMIS is available for all overseas markets where UKTI has a presence.

Market Visit Support (MVS)

Market Visit Support provides guidance and financial support to assist SMEs visit overseas markets as part of their trade development process. It is aimed at SMEs in England, Wales and Scotland who are new exporters or SMEs who are new to the high growth markets outlined in the UKTI Strategy. Grant packages range from approximately £200-£825 and are classed as de minimis State Aid by the European Commission. The subvention can be used to cover no more than 50% of the cost of a market visit. A maximum of three grants may be given to the same company, for 3 different visits, subject to funds being available. The facility is managed and delivered regionally through UKTI's International Trade Teams and equivalents in Scotland and Wales. Northern Ireland does not participate by choice.

To be eligible for support companies must be:

- SMEs in a developmental relationship with an adviser. (Most English participants are on the Passport programme).
- New to export or new to the high growth markets outlined in UKTI' strategy.

Trade show Access Programme (TAP)

Eligible businesses can receive up to a maximum of **three grants** towards eligible costs of exhibiting at overseas exhibitions as part of their longer-term export strategy. Eligible businesses can choose to exhibit at exhibitions that are either in the TAP main programme, which consists of a UKTI supported "group", or they can attend an exhibition not in the TAP programme under a "solo" application. Grant levels for exhibiting at these overseas exhibitions are set at **£1,800** for attending a "group" supported event or **£1,500** if attending under a "solo" application. The **three grants** level covers both types of participation and is not for each.

For a limited number of "key" overseas exhibitions, agreed by UKTI and identified on the UKTI web site, TAP also provides financial support to Accredited Trade Organisations (usually trade associations or Chambers of Commerce) to cover part of the cost of central promotional activity on behalf of the UK delegation.

Who is it for? Main target audience

Support for market introductions is open to all UK registered companies.

Support for market visits or for exhibiting at overseas trade shows – businesses falling within the EU definition of an SME and working with one of UKTI's International Trade Advisors or equivalent and engaged in a trade development activity.

Support for sector events and for group delegations to overseas exhibitions is prioritised in accordance with high level strategic priorities identified, and in accordance with strategic marketing plans for individual sectors.

Why? (Purpose/Rationale - what is trying to do for the UK and business?)

Access to potential opportunities in markets for differentiated products and services depends significantly on information flows mediated through social networks, and in some sectors also through government to government networks. Firms or sectors seeking to enter a new

market face barriers in gaining access to the relevant networks and information if they do not have support from a trusted intermediary who can facilitate access to appropriate contacts. Reputation benefits of promoting and showcasing UK capability are not fully internalised by individual firms, and warrant public subsidy.

Product Name: [Developing your international trade potential](#) [Back to top](#)

What? The support to Business

Information and advice to businesses who are considering exporting or entering new overseas markets, or who have limited experience in exporting or other aspects of international business development, and need help to develop the requisite knowledge and capabilities, such as Meet the Buyers and regional schemes such as the West Midlands "SME Internationalisation Project" and the North West's International Supply Chain project". Information and advice, either directly or through referrals is also available to companies seeking to develop international business through other mechanisms, such as international partnerships, licensing, or direct foreign investment. Tailored advice to individual businesses includes diagnostic support to help the company understand its export capabilities, or its export readiness if not yet exporting, and to identify priorities for further support and potential business development. UKTI offers this under the Passport to Export Scheme. Referrals to support services for other aspects of the business are also offered as appropriate. More specialised advice is also available from a network of expert advisers, relating to target fast growing markets, some priority sectors, and internationalization of R&D. Group training workshops are offered to help companies interested in bidding for development aid contracts, who find it difficult to approach multilateral aid agencies and to understand their tendering systems. The specific services currently offered are:

- Advice and referrals provided free through a network of International Trade Advisers (ITAs) in the 9 English regions. The ITAs also deliver advice and support under UKTI's Passport to Export Scheme, which also provides limited part funding for investment in training and other capability building projects (detail below). The ITAs are not UKTI employees, but in each of the 9 regions are employed by a third party, such as a chamber of commerce, under contract to UKTI. Arrangements for each region have been put in place through a separate process, with some but not all involving a competitive bidding process;

- Advice and referrals provided free by specialist expert advisers relating to target fast growing markets, some priority sectors, and internationalization of R&D. The advisers are employed by an external contractor (PERA) who was appointed by UKTI to deliver these services through a competitive (EJ) tender process;

- Free advice on how to conduct export marketing research provided by Export Marketing Research Advisers (EMRAs) under the Export Marketing Research Scheme, which also offers part funding for eligible research projects (detail below). The EMRAs are employed by the British Chambers of Commerce, who were appointed by UKTI through competitive tender to deliver this service;

- Charged advice on export communications issues, under UKTI's Export Communications Review scheme, which is also delivered by the BCC. The advice is provided by private sector third parties, at a fixed rate, with part of the cost met by UKTI subsidy (detail below).

Limited match funding is also provided to eligible SMEs to cover part of the costs of investment in capability building, as follows

•General export capability: Under UKTI's Passport to Export scheme, match funding can be up to £1,500 for projects agreed with an International Trade Adviser as part of an export capability development plan. To be eligible, SMEs must either be "new to export", defined as deriving less than 10% of turnover from proactive exports and no more than 25% of turnover from a combination of proactive and reactive export activity within the previous 12 months, or an innovative company between 1 and 5 years old. The latter criteria recognise the fact that innovative companies are often 'born global', in that they internationalise very early in the company's life, so often exceed 25% of turnover from overseas sales while still very inexperienced;

•Export communications capability: Under UKTI's Export Communications Review scheme UK registered SMEs can receive a subsidised in-depth review of their language and culture needs relating to entry of a new export market. The subsidy currently amounts to £350 per SME for a one day review costing £500 + VAT, for which the SME is required to pay £150 + VAT. If needed, a second day can also be offered, for which the SME would be required to pay £250 + VAT, leaving a £250 subsidy to be paid by UKTI;

•Export marketing research capability: Under UKTI's Export Marketing Research Scheme, UK registered SMEs can receive advice and match funding up to £20k for eligible costs of undertaking an in-depth export marketing research project, using a sound methodology, under the guidance of an Export Marketing Research Adviser. Payment of grants requires verification that the research has been conducted to a robust standard. Up to one third of the costs of purchasing an existing marketing research report, or commissioning a desk research project, can also be available. Trade Associations are also eligible for support, and can receive reimbursement of up to 75% of the costs of commissioning research.

TARGET CUSTOMERS:

UK registered companies, especially innovative and R&D intensive companies, who are considering exporting or entering new overseas markets, or who have limited overseas experience, and need help to develop the requisite knowledge and capabilities. Current UKTI corporate targets for international trade services include a target to assist 20,000 businesses (across all trade services), of which at least 12,000 should be innovative.

This product is for all companies who are eligible for UKTI services who need help in the UK and who can benefit from assistance. This is effectively companies that have an active UK trading address and whose activities benefit the UK economy. Clearly individual activities by regions or sectoral operations in UKTI will be for companies for whom the assistance will be relevant. Some aspects of the service where there is grant or subsidy i.e. Export Market Research and Export Communications Review are only open to SMEs (EU definition). The Passport to Export element is only available to SMEs who are new to export i.e. as agreed with Treasury, less than 25% of turnover achieved from exports and only 10% of turnover from active exports or who are innovative – see above. High Growth Market advisers are employed to provide specialist help for mid-corporate firms with a turnover of £20m+ who require specialist help to access the High-Growth Markets. These companies are targeted by UKTI – this is not a demand led service.

Since the range of knowledge and capabilities required by individual companies will vary according to the characteristics of the target overseas markets, the target customer group

includes companies who have already been exporting for some years, but are seeking to enter new markets. Target customers also include innovative SMEs and 'born globals', for whom other modes of overseas business development may be as important, or even more relevant, than more traditional forms of exporting. For example, in niche high technology sectors, it may be necessary for a company to develop a multinational presence at a very early age, while still very small. The target customer group also includes companies who may have become aware of their need for help as the result of difficulties or failures in previous export experience.

Innovative and high growth SMEs, including 'born globals', are a priority target customer group, but eligibility for support from information and advisory services is not restricted to this group. Eligibility for financial support is restricted to those meeting the criteria described above for UKTI's Passport to Export programme.

Advisers across the network influence the profile of service take up, to focus on targeted categories of companies, through their choice of communications channels and other outreach mechanisms.

Who is it for? Main target audience

- Information and advice on beginning to export or seeking to do business in new overseas markets – UK registered companies of all sizes
- Co-funding for agreed export capability development projects - : for small-medium sized enterprises seeking to enter new markets. Support for general export capability development is restricted to SMEs who are either 'new to export' or innovative and between 1 and 5 years old.

Why? (Purpose/Rationale - what is trying to do for the UK and business?)

Public sector intervention is justified by the wider benefits from the dissemination of knowledge about exporting that are not necessarily internalised by companies, and hence warrant some subsidised public support to ensure these accrue to wider business community and the UK economy.

Product Name: **Train to Gain** [Back to top](#)

Purpose

Improve productivity, business performance and individual achievement through investment in the skills and competencies of the workforce and potential entrepreneurs, helping the UK become a world leader in skills by 2020.

How will this be achieved?

Through high quality, responsive public, private and third sector provision delivered across England.

Why offer public sector support?

The UK's workforce is poorly skilled compared to major competitor countries. This contributes to our relatively poor productivity, the underperformance of many businesses and poor outcomes for low-skilled individuals in terms of social inclusion, employment and earnings.

Businesses do not invest enough in skills to overcome this problem and ensure that the UK workforce has world class skills. There is a lack of demand for skills from business, with a substantial proportion of employers not training their staff at all, citing barriers around finding and organising suitable training and cost as contributing causes. When they do train the length of courses compares unfavourably to other EU countries and tends to focus on the more highly skilled.

The principal argument for government intervention in supporting businesses train their staff is that some of the benefits of employer investment in training are captured by others, particularly when investing in the training of the least skilled and qualified. Part of the solution is for employers to be supported in realising the business benefits in investing in skills solutions, but also in being supported to the right solution through brokerage.

UK entrepreneurial activity is also low in the UK compared to that in other countries in part due to lack of practical skills for business, particularly amongst certain social groups resulting in the under-performance of many businesses and poor outcomes for low-skilled individuals in terms of social inclusion, employment and earnings. There is, therefore, a strong equity case to improve the skill levels of those who are economically inactive or from disadvantaged groups – and for whom a lack of basic skills acts as a barrier to start up.

What will be offered?

Train to Gain is the Government's service to support employers in England to improve the skills of their employees, unlock talent and drive improved business performance.

Through Train to Gain, employers can access:

- Government funding, to sit alongside their own financial contribution, including a subsidy of up to 100% for certain training;

- Train to Gain supports employers to upskill all their workers and provides full funding for any workers who need Skills for Life or a first full level 2 and subsidises training at Level 3 (subsidy in 08/09 57.5%).
- Employers with between 10-250 employees can access the leadership and management programme for themselves or for appropriate senior directors. Brokers will also help employers find appropriate provision for higher skill levels, subsidy will be dependent on Higher Education Institutes funding.
- Quality-assured, impartial advice from skills brokers with expertise in their sector, to help them identify their skills needs at all levels;
- Help from the brokerage service to identify and source the training and qualifications that will best address those needs;
- High-quality, vocational skills training, delivered at a time and place to suit them, from a wide range of further education and other training providers.

The Train to Gain brokerage service will be integrated with the Business Link from April 2009 to create a new brokerage service providing a single point of access to all Government business support.

Who will be eligible?

All employers of all sizes and in all sectors, are eligible across England.

Name of parent offer: **Business Collaboration Networks** [Back to top](#)

What?

Funding will be provided to procure intermediaries to establish and operate business collaboration networks. The intermediaries will facilitate access to a range of collaborative support activities.

Businesses will be able to participate in collaborations to address opportunities which they would not be able to address effectively alone.

The exact range of support provided via the intermediaries to the businesses participating in the networks will depend on the focus of the collaboration network and the size and attractiveness of the opportunity but may include the following:

- Awareness campaigns about the direct and non-direct economic benefits of collaboration;
- Collaborative work groups and consortia working on developing and exploiting specific opportunities such as:
 - Market exploitation;
 - Supply chain development;
 - Commercial exploitation of processes, technologies and products;
 - Sharing of best practice;
 - Marketing and distribution channels;
 - Image;
 - Environmental impact and sustainability;
 - Encouraging start-ups, spin-outs and other means of strengthening the network; and
 - Bespoke higher level, technician, leaderships and specialist skills needs and challenges.

These opportunities need to be effectively linked together to produce solutions which meet the needs of businesses in the network.

- Meeting based discussion forums on specific topics such as future proofing the businesses within the network;
- Disseminating the discussions and conclusions of the forum and other network specific information;
- Facilitating inter-linking of similar collaborative groups in other parts of Europe; and
- Facilitating cross-sector collaborations by inter-linking with collaborative groups in related sectors within the same region or elsewhere in Europe.

Support available via the intermediaries is received collaboratively by the businesses that are members of the network rather than on a one-to-one basis.

Funding for the support is not provided directly to the business but to the intermediary that provides the support on behalf of all the members of the network.

Selection of intermediaries will be undertaken regionally through competitive procurement or through processes compliant with procurement and state aid legislation.

The spatial aspect of the collaborative network will be determined by the needs of the sector and where appropriate may span more than one region (e.g. Midlands Aerospace Alliance which covers aerospace businesses in the East and West Midlands). There may be circumstances, for example, where there is market demand for a network yet one region does not really have critical mass, but where two regions do, where it may be in the interests of two or more RDAs to co-invest in a network.

The funding provided to the intermediaries to establish and operate the network will vary depending on the size, potential benefit and scope of the activities provided by the network. Funding will need to demonstrate that it is commensurate to the activities provided and represents value for money. Experience suggests that funding provided to intermediaries is likely (but not exclusively) to fall within the range of £10,000 to £10 million over the lifetime of the project.

Interventions will be restricted to collaborations where:

- The focus is on priority sectors highlighted in the relevant regional economic strategy;
- Market failure and difficulty in achieving collaboration is identified at the project level;
- Collaboration is necessary to develop and commercialise a business proposition that is outside the scope of supported activities elsewhere (e.g. under the 'Innovation Collaboration' product);
- The business case demonstrates the absence of subsidy to participating large companies; and
- Such networks will not support anti-competitive behaviour but will encourage co-operation between businesses.

Public sector investment in individual collaboration networks will be on a time-limited basis with a clear evaluation and exit strategy defined from the outset. The length of the intervention should however reflect the fact that network development is a long term process² and the time given for the intervention to become self-sustaining should reflect this. Public investment is typically used for pump-priming the network over 3 to 4 years in order to allow it to establish a presence amongst constituent businesses, develop a clear action plan and become self-sustaining.

Each network will be reviewed on an annual basis as part of the yearly business planning round of the funding organisation. Each network will also be reviewed as part of the normal 3 year planning cycle of the Regional Development Agencies. This review will be linked to the key monitoring and evaluation criteria assigned to this product. This transparent recording of outcomes will be necessary if, in particular circumstances, RDAs need to go beyond the typical period for pump-priming of 3-4 years.

Extensions to public funding might occur in exceptional circumstances subject to stringent evaluation and where market requirements show that continued investment is justified.

² Best practice suggests that it takes a minimum of three years to build up momentum.

Typically business collaboration networks will move from a project based organisation to a more membership based organisation as reliance on government funding decreases.

The exit strategies will establish how the benefits of collaboration will become apparent and, where continuity is required, how the networks will be able to become self sustaining.

Where benefits are not apparent then public funding to the networks will cease. Networks can be expected to have a limited time in which public sector funding is necessary.

Timing of exit for public funding would be determined by clear exit criteria and monitoring results which will be defined at the outset and written into the funding agreement. Exit criteria and monitoring results will be taken into account at the annual and three yearly reviews.

Business collaboration networks are most likely to be managed and organised at the regional and local levels and therefore will primarily be funded by Regional Development Agencies and Local Authorities.

Funding applications for business collaboration networks will be subject to scrutiny through the funder's rigorous project appraisal process.

The intermediaries that will establish and operate the business collaboration network will be selected through compliant procurement processes which will ensure that the most credible and economically advantageous service providers are selected.

Who is it for? Main target audience

Intermediaries who have a proven track record of successful facilitation of business collaboration, or could demonstrate the ability to undertake the facilitation of business collaboration, and who will be private or public sector firms or organisations led by individuals with relevant experience.

Network participants will primarily centre around small and medium sized firms. The definition of a small and medium sized firm adopted is the European definition of a firm having <250 employees, a turnover of up to €50 million or balance sheet total of €43 million.

For businesses to participate in a business collaboration network they must also meet the following criteria:

- Be in a priority sector, market, technology or other area identified as critical to the successful delivery of the relevant regional or local economic strategy;
- Looking to diversify into a priority sector market, technology or other area identified as critical to the successful delivery of the relevant regional or local economic strategy;
- Face opportunities that are more effectively addressed through collaboration
- Be willing and able to collaborate with related businesses

The exact composition of the network will depend upon the sector(s) it is representing. Some business collaboration networks will have more large firm participants than others.

Why? (Purpose/Rationale - what is trying to do for the UK and business?)

The purpose of this product is to encourage collaboration between businesses operating in key regional sectors and markets so businesses are able to come together to exploit opportunities that stimulate and accelerate economic growth.

Business collaboration networks provide participants with the opportunity to work collaboratively to develop and pursue opportunities that they are unable or unwilling to exploit alone. These opportunities are likely to have positive impacts on the longevity, productivity and turnover of participating businesses.

There are a series of barriers faced by businesses wishing to participate in collaboration which can be summarised as follows:

- Participants may be unaware of the benefits of collaboration;
- There may be problems internalising the benefits of the collaboration;
- Participants may not know or be able to agree how benefits will be divided up, because they are not clear in which part of the value chain the benefits will occur, or what the benefits will be; and
- There are issues of timeliness – some market opportunities require fast response to win early-mover advantage. But this is the time when knowledge is lowest and risk may appear highest for businesses. Public pump priming can help to build early momentum and reputation for the industry.

Business collaboration networks provide the following benefits to the public sector:

- They build and grow effective industries and economies through collaboration;
- They increase tacit knowledge and the size of the skills base for the sector and / or locality in which they are based;
- A cost effective way of engaging and supporting a large number of businesses, intermediaries and public agencies;
- They provide a conduit for establishing industries' needs for feeding into policy formation at the local, regional and national levels; and
- They provide information, evidence and support for public sector agencies to ensure that investment programmes are demand led and meeting the needs of business.

Product Name: **Business premises** [Back to top](#)

What is the support on offer to business?

Funding will be provided to intermediaries to establish and operate cost-effective, managed workspaces and business parks in priority localities where such facilities are not provided by the private sector.

Business premises could be provided as a part of local/regional economic strategy to regenerate a deprived area as the locality and types of business it would provide services to would be particularly unattractive to the private sector if located in such areas.

Managed workspace and business parks focus mainly on providing property solutions to selected businesses that have the potential to grow into locally significant employers. They might also offer grow on space for those businesses that have started in knowledge based or more specialist shared support environments (e.g. incubators).

Managed workspaces and business parks provide businesses with a managed working environment and a gateway to business support, but do not actively develop their clients except by means of overt linkages with and / or on-site support from Business Link and other business support providers, for example local Incubation Environments.

Providing a physical space in which a business can operate is the primary purpose of the business premises. However, collaboration may be encouraged, although anti-competitive behaviour will not be tolerated.

Tenants may also have access to a range of basic business facilities such as operating floor-space, meeting rooms and shared utilities. Typically, managed workspaces and business parks will not provide business with direct access to specialist knowledge or equipment.

Property deals with tenants should be flexible, but at commercial rent levels and generally be time limited in order to encourage churn. Over the lifetime of their tenancy businesses will pay market rates for the facilities provided. More ambitious clients may wish to move on to Incubation Environments or Science Parks for their next phase of growth.

This product should not attract public investment except where the private sector will not invest, which is typically in areas requiring regeneration.

Managed workspaces and business parks will not duplicate the business support offered through Business Link. Rather, they will work in partnership with Business Link to offer integrated access to the full range of private and public business support.

Funding will be provided to procure intermediaries to purchase and maintain the physical environment and to support the management and facilitation of access to IDB support through Business Link and support and facilities as appropriate.

Managed workspace and business parks are designed explicitly to meet the needs of the regional and local economies they are located within. As such, the funding given to the intermediaries selected to deliver this product will be primarily from Regional Development Agencies and Local Authorities and subject to the relevant project appraisal process. Intermediaries will be selected to deliver the service through a compliant procurement process.

Public support should only be provided to projects that will demonstrate best practice, are capable of being sustainable in impact and commercially and are appropriate to their socio-

economic context. Funding will not be provided directly to businesses located within the shared business support environments.

This product covers a range of long-term interventions: The property developed for this product often has a fifty year life. However, public support is normally provided in the form of capital grants to aid land assembly and the development of physical infrastructure. Therefore, the public sector *financial* exit is usually within three to five years from start-up. However, experience shows that the public sector often needs to maintain an active role in monitoring and evaluation post-funding exit to *safeguard* its, sometimes very significant, investment. This includes participating in project governance and long-term monitoring of contracts with intermediaries.

Funding will not be provided directly to businesses located within the shared business support environments. Support to businesses will be time-limited by a well defined set of exit criteria, for example limitations on tenancy lengths or assistance with exit when the business no longer meets key criteria (e.g. no longer growing).

The exact level of funding provided to intermediaries to build and manage business premises will be wide given the fact that the product includes a variety of built environments.

The scale of public sector funding for interventions of this nature could range from £50k to £10 million over the lifetime of the project. The funding will be a mixture of capital funding to build and equip the facility and revenue funding for its operation.

To be considered for funding for business premises projects must show:

- Demonstrable lack of sufficient similar facilities with the local and/or regional economy it is designed to serve for the foreseeable future;
- Adherence to nationally agreed best practice principles and quality standards;
- Seamless working with Business Link;
- Value for money; and
- An appropriate and sustainable business model with a clear exit strategy for reliance on public funding.

Who is it for?

The target customers for business premises are potentially wide and will include:

- New businesses looking to start-up within the local area;
- Small and medium sized firms. The definition of a small and medium sized firm adopted is the European definition of a firm having <250 employees, a turnover of up to €50 million or balance sheet total of €43 million; and
- Large companies will be able to act as an anchor tenants within limitations determined when the project is initially approved. Business parks which operate as mixed use sites will only attract funding for those elements occupied by new and/or small and medium sized firms.

Businesses that could benefit from shared business support environments will also need to meet some of the following criteria:-

- Be willing and able to collaborate with related businesses
- Demonstrate the need for access to such facilities in order to start or grow their business

- Businesses that have the potential to be significant local employers, and
- Be in a priority sector or area as set out in the relevant regional or local economic strategy.
- Show that it will be able to benefit from collaboration in a shared business support environment

Commercial terms should be defined by the operator and be dependent upon the types of companies they are trying to support and the environment they are located within.

Name of parent offer: Shared Business Support Environments

Product Name: Business Growth: Specialist Facilities and Environments

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What is the support on offer to business?

Funding will be provided to intermediaries to establish and operate cost-effective, supportive shared premises which include a range of specialist facilities such as access to specialist knowledge, equipment and technologies.

These premises will be targeted at businesses from within the priority sectors as set out in regional and local economic strategies.

This product differs from the property based shared business support environment in that it offers access to specialist support, knowledge and equipment as well as a physical environment for businesses to operate.

The exact range of specialist facilities available to businesses will depend on the purpose of the specialist shared environment; the complexity of the services to be offered and local business needs.

Business Growth: Specialist Facilities and Environments will not duplicate the business support offered through Business Link. Rather, they will work in partnership with Business Link to offer integrated access to the full range of private and public business support.

Businesses benefiting from the Business Growth: Specialist Facilities and Environments will typically be either tenants or customers accessing specialist equipment and / or knowledge for short-term usage. Over the lifetime of their tenancy or during the period of their usage businesses will pay market rates for the services provided.

Funding will be provided to procure intermediaries to acquire and operate a range of fixed assets, including property, providing specialist facilities and related specialist support and facilitation of access to IDB support through Business Link as appropriate. Procurement will be state aid compliant. Specialist facilities and environments will not duplicate the business support on offered through Business Link. Rather they will work in partnership with Business Link to offer integrated access to the full range of private and public business support.

Overall, a business will be provided with a tailored package of specialist support services to enable it to achieve its growth potential. Businesses will be able to select what is appropriate for them.

Effective shared business support environments act as hubs for enterprise and innovation, working in partnership with other business support providers, in particular Business Link. A deep relationship between the intermediary and Business Link is encouraged, for example ensuring that Managers are integrated into the wider Business Link team, perhaps able to deliver Information Diagnostic and Brokerage (in a Business Link guise) and are trained to Business Link standards. As a minimum, the intermediary should have formal partnership arrangements with Business Link, covering the on-site presence of Business Link and common customer relations management protocols. This is beginning to happen in some parts of the country (e.g. SWRDA).

Specialist business growth facilities are designed explicitly to meet the needs of priority businesses set out in regional and local economic strategies. As such, the funding given to the

intermediaries selected to deliver this product will be primarily from Regional Development Agencies and Local Authorities and subject to the relevant project appraisal processes. Intermediaries will be selected to deliver the service through state aid compliant procurement processes.

The product brings together a range of well-established interventions, from which to draw best-practice lessons.

This product covers a range of very long-term interventions: in practice the original rationale still exists for specialist shared support environments developed in the early 1980s.

Property developed as part of this product has a 50 year life; operator contracts with intermediaries typically are for 15 to 30 years. However, public support is provided in the form of capital grants to aid land assembly and the development of physical infrastructure. Often this is the limit of public sector financial support – the property generates revenue, in turn used to support the high-value added management capability. In some cases, particularly in development areas in receipt of European Structural funds, time limited revenue support is provided to ensure that the full range of management capability can be provided before the intervention becomes financially sustainable. Therefore, the public sector *financial exit* is usually within three to five years from start-up. However, experience shows that the public sector needs to maintain an active long-term role in monitoring, evaluation and strategic direction post-funding exit to *safeguard* its, usually very significant, investment. This includes participating in project governance and long-term monitoring of contracts with intermediaries.

Public support should only be provided to projects that:

- demonstrate best practice
- are demonstrably capable of being sustainable in impact and commercially,
- have a clear financial exit strategy for the public sector
- appropriate governance arrangements
- and are appropriate to their socio-economic context.

Funding will not be provided directly to businesses located within the shared business support environments. Support to businesses will be time-limited by a well defined set of exit criteria, for example limitations on tenancy lengths or assistance with exit when the business no longer meets key criteria (e.g. no longer growing).

The exact level of funding provided to intermediaries establishing and operating specialist shared business support environments will be extremely wide depending on the scale and type of the intervention. The funding will be a mixture of capital funding to build and equip the facility and revenue funding for its operation over a period of time. The scale of public sector funding for interventions of this nature could range from £50k to £50 million over the lifetime of the project.

Businesses wanting to access specialist business support environment projects will do so through the marketing activity of the intermediary and Business Link both of which they will be able contact to apply for support.

To be considered for funding shared business support environment projects must show:

- they are aimed at priority businesses as set out in the relevant regional and local economic strategies;
- Demonstrable lack of sufficient facilities within the local and/or regional economy it is designed to serve for the foreseeable future;
- Adherence to nationally agreed best practice principles and quality standards;
- Seamless working with Business Link;
- Value for money; and
- An appropriate and sustainable business model with a clear exit strategy for reliance on public funding.

There are a variety of specialist business growth facilities. Business incubation environments and science parks are part of a continuum of location options which a business needs for the various stages of its growth. Failure to provide the right portfolio will either result in businesses staying in the business incubation environment or Science Park for too long and blocking access to other growth businesses, or in them relocating to another area or country.

The different types of specialist shared support environment are set out in turn below.

1 Business Incubation Environments

Business Incubation Environments typically have explicit objectives to grow business activity and GVA in their sub-region by selecting clients according to specific criteria and actively working with them to become ready to exit the support environment into the wider economy. They also often have an objective to increase aspirations within their local community.

Most business incubation environments provide a high quality flexible, managed property solution for their clients, normally charging market rents for space. There are few successful incubation environments that do not have a property component.

Business Incubation Environments' core purpose is to encourage selected entrepreneurs to start new businesses, help them acquire necessary skills and resources, actively help them avoid common mistakes and find new opportunities so that their businesses survive, thrive and grow. Although collaboration is encouraged, anti-competitive behaviour is not tolerated.

The end result is that clients become "bankable" businesses that can fulfil their full potential and exit the environment.

A non-exhaustive list of support that will be available to businesses within incubation environments (drawing on Business Links and other products within the BSSP portfolio) includes:

- Providing the business leader with a "critical friend", a knowledgeable sounding board, peer-peer counselling and mentoring and pastoral support at times of crisis.
- Working in partnership with Business Link and other support providers, providing their clients with seamless and integrated access to the most appropriate resources, people and know-how needed to make their business a success.
- Direct access to specialist knowledge, eg technology, through a HEI or KBI or a group of them, can be particularly important.

- Helping clients develop their businesses into attractive investment propositions and find appropriate investors and sources of finance.
- Actively developing a community of entrepreneurs, who offer peer-peer support, trade with one another and develop partnerships to develop new services or exploit new opportunities, including retaining active linkages with ex-clients.
- Developing networks in their sub-region and links outside and ensuring that their clients become active participants in appropriate networks.
- Responding flexibly to client needs and providing access to shared infrastructure, technical facilities and support where appropriate.

A key ingredient of all successful business incubation environments is their employment of entrepreneurial dynamic staff, in particular the “Director”, able to work successfully with a wide range of communities (e.g. STEM, research, academic, creative, investment, advisor and large and small businesses) and create active partnerships. Seen as a peer by their entrepreneur clients, they work closely with local, regional and national business support providers and networks.

To be eligible for public investment, proposed Business Incubation Environments should demonstrate:

- That they will work with and not compete with existing accredited business incubation environments in their sub-region (say in a travel to work area) and are supported by a relevant local partnership, probably including HEI/FEI providers, local councils and Business Link provider;
- A business model and intervention strategy appropriate to the objectives of the business incubation environment and the socio-economic context in which it will operate;
- Financial and long-term impact sustainability; in practice this means that the facility must be of sufficient scale to create a critical mass of clients and that sufficient surplus income after costs of operating the property element can be generated to at least pay for a high-calibre incubator director with administrative support ;
- Seamless working with Business Link and other business support providers; this may include the management acquiring relevant Business Link accreditation, acting as case office for clients in the wider Business Link team and operating IDB under the Business Link brand (as a minimum Business Link should have an on-site presence and the intermediary and Business Link should share client management data);
- Operation to the highest quality standards, demonstrating and maintaining business incubation best practice as accredited by the appropriate body UK Business Incubation (UKBI), with UKSPA or EBN, including submitting to periodic external review, impact measurement and monitoring client survival and growth, including for a substantial period after clients have left the business incubation environment;
- Suitable selection and exit policies with the provision of tailored hand-on business mentoring and access to networks with flexible access to support and facilities for potentially excluded groups.

Whilst not all business incubation environments will be sector specific, it is likely that they will provide support for businesses in the priority sectors, or the key emerging sectors, in the region where they are located.

2 Science Parks, Technology Parks and Innovation Campuses

Science Parks, Technology Parks and Innovation Campuses have an explicit economic development objective to develop a focus for a substantial cluster of knowledge-based businesses within a sub-region, usually linked with a University, or public or private research institute. Their scale means that they are able to become a strong hub for innovation and enterprise in their region.

Successful science parks recognise that they have a wider mission than developing and filling property on their park. In many respects, these science parks are very large business incubation environments with a much larger property element which allows a much larger and more diverse “ecology” of businesses and technical resources to co-locate. This provides a greater critical mass to attract intermediaries, investors and other businesses to the sub-region. They are also able to offer specialist facilities (e.g. wet-labs, clean-rooms) that many incubation environments would not be able to offer. Collaboration is encouraged, but anti-competitive behaviour is not tolerated.

Often connected to international partners, the best science parks operate as a gateway to and from the sub-region, rather than a destination. This means that they can offer a very effective “soft-landing” to inward investors and a means for clients to access the global economy.

To be eligible for public support, science and technology parks must demonstrate and maintain best practice on business incubation as accredited by UK Business Incubation (UKBI), and to UKSPA best practice guidelines, for example operating a strict gateway policy. They should also demonstrate that they have a strategy to ensure that they operate as a gateway rather than a destination with wider economic development objectives than developing buildings on their park.

3 Business Technology Centres

Business Technology Centres will generally be associated with an Incubation Environment (e.g. OpTIC Technium) or on a Science Park. There are many advantages to co-location. Stand-alone Business Technology Centres need to make a strong case for public investment and may provide a focal point for future business growth environments. They will also have to demonstrate how they will achieve commercial sustainability.

Business Technology Centres allow industry and businesses to access excellent commercially focused shared scientific, technical and research resources, usually building on and enhancing an existing cluster’s strengths. Although collaboration is actively encouraged, anti-competitive behaviour is not tolerated.

Typically, this intervention actively promotes and / or provides services that may include:

- Active linkages with other sources of business support, available through Business Link consistent with the BSSP product portfolio, in particular innovation support products, and Incubation Environments
- Access to fully serviced specialist equipment (e.g. pilot plants, analysis equipment, clean-rooms, laboratories, rendering studios, super-computers etc.);
- Access to technical know-how and consultancy support in particular technical fields;
- Development of collaborative research programmes between businesses and the research community;

- Active linkages with innovation networks, HEIs, KBIs, KTNs and national and international sources of expertise; and
- Active linkages with other sources of business support, in particular innovation support products, Business Link and Incubation Environments

Business Technology Centres do not provide space for the business to locate but focus on the provision of a range of services for a business to access on a short or long-term basis as appropriate.

Who is it for?

Business Growth: Specialist Facilities and Environments will be available for businesses who will draw benefits from collaboration through shared facilities and environments and who are at various stages of development. Indeed, the portfolio of shared business support environments provides support to businesses throughout the growth cycle.

To be eligible for support by a shared business support environment or to access specialist equipment businesses must display entrepreneurial and growth potential and match the purpose and entry criteria of the facility.

The target customers for specialist business growth facilities are potentially wide and will include:

- New businesses looking to start-up in a local area which have specialist needs or display growth potential;
- Small and medium sized firms. The definition of a small and medium sized firm adopted is the European definition of a firm having <250 employees, a turnover of up to €50 million or balance sheet total of €43 million.
- Large companies will be able to act as an anchor tenant on a large business/science park but these companies within limitations determined when the project is initially approved.
- Inward investors which are likely to be existing firms of various sizes looking to enter a particular local market and must be a priority business for the regional and/or local economic strategy.
- Spin-outs or spin-in businesses needing specialist help.

Businesses that could benefit from specialist business growth facilities will also need to meet some of the following criteria:-

- Demonstrate growth potential;
- Be willing and able to collaborate with related businesses;
- Be in a priority sector or other area which is explicitly set out in the relevant regional or national economic strategy; and
- Demonstrate the need for specialist equipment or personnel to develop products, processes or services.
- Show that it will be able to benefit from collaboration in a shared business support environment

Commercial terms for the shared support environments should be defined by the operator and be dependent upon types of companies they are trying to support and the environment they are located within

The main target audience for specialist business growth facilities will differ slightly by example and these are set out in turn below:

- **Business Incubation Environments**

- These are typically targeted at businesses ranging from pre-incorporation to those with up to twenty employees; client growth aspirations normally are greater than 30% per annum;
- Innovative businesses (SMEs) and clusters;
- Business creation and growth in disadvantaged groups and communities;
- Start-ups businesses;
- Spin outs from universities;
- Overseas Inward investment businesses;
- Knowledge base.

- **Science Parks, Technology Parks, Innovation Campuses**

These typically offer accommodation and support to a number of client groups including:

- Business Incubation environment client businesses;
- Innovative businesses with 20 to 40 employees in a larger shared environment with less pro-active business support;
- Innovative businesses with 40+ employees who wish to collocate with similar knowledge based business and access wider networking opportunities via the Science Park operator;
- Large research or development operations for multi-national companies who wish to interact with a local supply chain;
- Specialist technical or scientific facilities; and
- Knowledge base

- **Business Technology Centres**

Typical business technology centres do not offer accommodation but support a wide range of client groups appropriate to the services provided.

These groups include

- Business Incubation environment client businesses,
- Innovative businesses (SMEs),
- Large research or development operations for multi-national companies. Large firms can also provide technology and expertise, and make specialist equipment available
- High growth start-up businesses
- Spin outs from universities
- Inward investors (it is particularly important to locate value added activities in the UK)
- Knowledge base

Why?

Specialist business growth facilities will be provided on a regional or local level where there is an identified market failure in that the market will not provide this type of facility, or where there is an equity rationale for this type of business support intervention.

Direct access to facilities will enable businesses to benefit from a mix of specialist equipment, facilities, knowledge and support which they would not be able to access in the market place. The mix of physical and specialist business support will allow businesses to improve and accelerate business growth and improve business survival rates.

Specialist business growth facilities provide a supportive environment in which to nurture and grow sustainable businesses (including through access to new ideas and technologies) within the highest priority sectors and areas of the relevant economic strategy.

Product Name: **Starting A Business**

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Summary

The Starting A Business (SAB) product is information and expertise to start a business. It is universal in that it can be accessed by all business start ups and is part of the Business Link core offer.

What is the purpose of the product?

The purpose of the product is to overcome informational failures in order to achieve a higher rate of business start up and survival. Dynamic business creation is a key driver of economic prosperity.

What are the main elements of the product?

The SAB offer provides the information and expertise that a business needs to be able to start trading by:

- Web based information - the Business Link website
- Telephone information and support - Business Link
- Self help materials-guides, diagnostic tools, skills development
- Standardised one to many workshop programmes
- In certain, limited, circumstances, one to one diagnostic support from Business Link.

The information and expertise includes the core required for all new businesses including:

- Compliance and regulatory reform
- Business strategy and business planning
- Finance (including getting paid)
- Business idea development, market research and market understanding
- Employing people
- Managing and running a small business
- Advice on premises, Health & Safety
- Information Communication Technology (ICT).

By way of illustration:

- The aim of giving Finance advice would be to inform as to balance sheets, financial and management accounts, cash flow problems etc.
- The aim of giving Employment advice would be to inform as to what is involved in recruiting and paying staff, pensions, equal opportunities, employer relations etc.
- The aim of giving IT advice would be to inform on subjects such as IT suppliers, data protection, risk management, IT security, business applications etc.

The objective of giving the kind of advice which would be made available would be to impart sound, impartial advice in an economical way, thus filling the information gaps which are commonly experienced by those starting new businesses.

Who is the product targeted at?

The product is a universal product which anyone at the point of starting a business can access. The 'filter' will be that those coming forward for support are committed to active exploration of starting a business. To some extent this will involve a judgement on the part of the Business Link and will have

to do with discerning entrepreneurial aspiration. The support will be blind to the type of business, sector etc.

Who will deliver the product and how will it be delivered?

SAB will part of the Business Link core offer. The website, written materials/tools and telephone support can be accessed via Business Link and Business Link will manage or sub contract the workshop programmes.

Detailed Description

Offer Purpose (What is it seeking to do for business?)

The purpose of this product is to enable those with an interest in starting up in business to take the necessary steps to do so. SAB provides individuals and new businesses with support necessary for a successful business start at a uniquely high risk point in the business lifecycle.

Offer Description (What does it offer to business?)

SAB provides the mix of information and guidance that a business needs to be able to start trading. It is not a re-package or pre-presentation of other support as the point of start up is unique in the business lifecycle:

- A range of issues have to be tackled all at the same time
- It is the point at which the entrepreneur is likely to be least developed
- It is a unique point of high risk.

The product will be offered to all types of new business. For example:

- Self employment entry
- Single person start ups
- Team start ups
- High growth starts
- High technology start ups
- Social enterprise start ups.

The product forms part of the Business Link core offer and comprises the information, diagnostic and skills required for all new businesses.

It will be delivered via low unit cost methods:

- Web based information via the Business Link website, including downloadable fact sheets
- Telephone information and support - provided via regional Business Link providers and accessed through the national Business Link telephone number
- Self help materials including self diagnosis, business planning formats and skills development based on the Business Link “No Nonsense “ guides to starting a business, available to download and in some instances in hard copy
- Business planning via self completion formats
- One to many workshops covering the main aspects of business start up, usually based on development of a business plan
- Other methods including DVD and web based services

- In some, limited, circumstances, one to one diagnostic support from Business Link.

Further details on each element of the product are set out in the following sections:

Web based support

Support through the national www.businesslink.gov.uk website with access to:

Online guides covering a comprehensive range of information, interactive tools, case studies, events and workshops, news and information. The client is able to link through to their regional Business Link website which provides local information in addition to the core-regional and local workshops and events, information on local sectors, local contacts. Where appropriate, reciprocal arrangements will be established between the Business Link national and regional websites to accommodate direct linkage to other providers of support - which add to the Business Creation offer. For example, reciprocal arrangements with the Local Authority to access information and support on business premises.

Telephone Support

Support through the Business Link helpline for general information and guidance, help to access the wealth of information on the website, to request hard copy information, DVDs etc. Additional support through the regional Business Link telephone service, where an Adviser will action a telephone based diagnostic with an individual where appropriate, and signpost and refer to appropriate sources of support - which could be in the private, not for profit or public sector.

Self Help Materials including Business Planning

Support through self help materials, both on line and hard copy, including self assessment diagnostic of the new business and business planning toolkits.

One-to Many Workshops

The one to many workshops will be modular programmes built around a core content with capacity for regional variation according to need. The core content will cover the key elements of starting a business and the outcome will be an action plan and or a business plan. The modular programmes are managed at a regional level with delivery often at a local level using a range of venues and times. This will maximise the reach to new business starts and to individuals who may not otherwise access BL services.

The objective of any workshops will be to work through more complex, but nevertheless common, issues/problems/informational needs - so as to offer advice effectively/economically. A 'teach in' may sometimes be the best means of imparting advice/information.

Further diagnosis

In some, limited, circumstances, there may be some further diagnosis and support on a one to one basis as part of the Business Link core offer. For example, it may very occasionally be unclear, in the case of a particular client, as to quite what the next step should be – in some, instances it might be that there is doubt as to whether a client needs the 'Intensive Start-Up Support product or should instead be referred to Job Centre Plus or some other agency. Likewise, and equally exceptionally, it might be unclear whether a client needs to receive the Starting A High Growth Business product or something else. In such - albeit highly infrequent cases - a one to one diagnosis session would be required.

Additionally, one to one advice might be used to help a customer to organise their thoughts and ideas, something which can not always be done in a group/workshop environment and which is essential for client confidentiality. One to one advice can be a personal opportunity for the customer to test their thinking before they press the button to start their business. People can be very reluctant to open up in group situation and workshops; so face to face with a trained and trusted advisor can sometimes be the only way of achieving this. This is sometimes not possible with banks or accountants due to, in some cases, conflicts of interest and confidentiality.

Who is it for? (Main target audience; eligibility; conditions and limitations)

The SAB offer will be available to **all** business starts and people interested in starting-up.

Geographical scope - England

All sizes of business and all business formation types.

How much?

All web based information and self help materials can be accessed as often and whenever the customer needs them.

There may be some limits to the supply of printed self help materials to individual clients.

Monetary value of support up to £500 per client.

Newly forming businesses will normally access each type of workshop once, although repeat access is at the discretion of the Business Link provider.

How long?

Access to information, diagnostic materials and short workshops will be typically short in each individual instance.

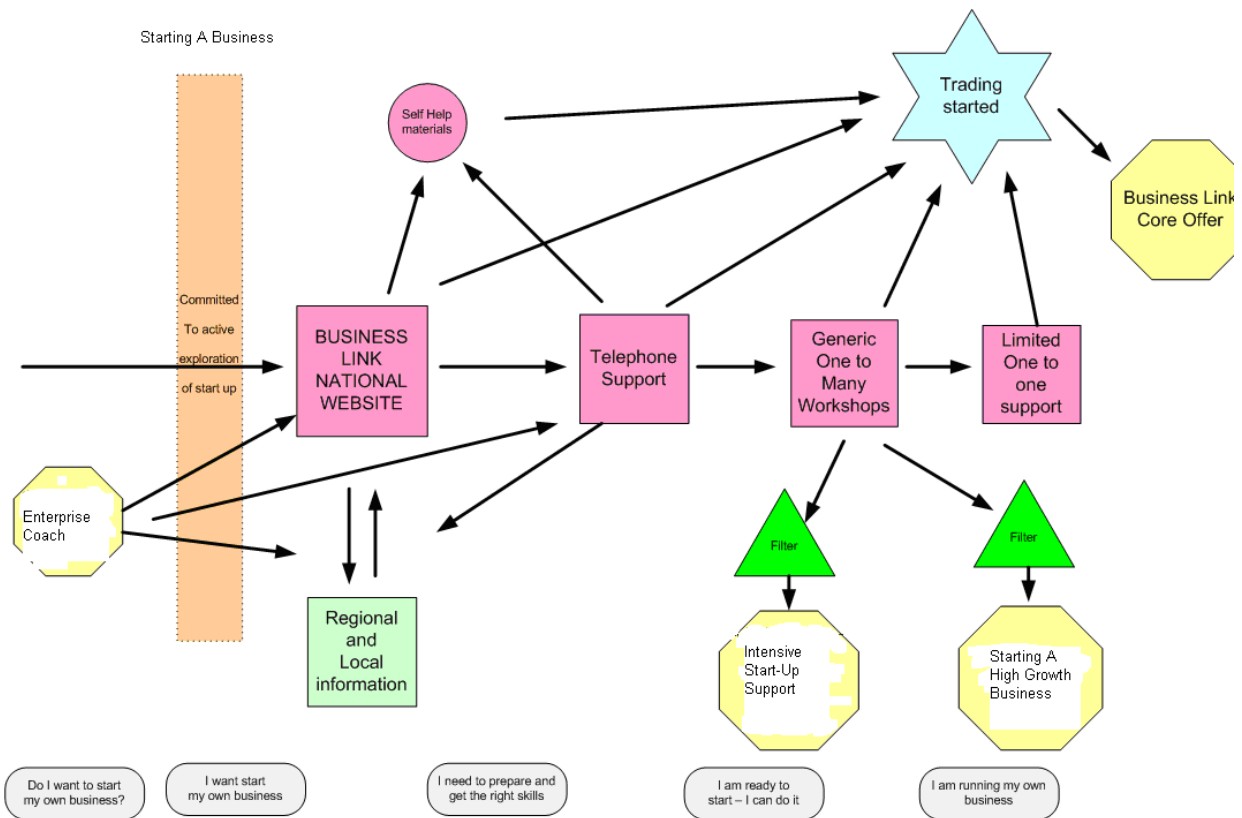
Duration of support for each client may be stretched over whatever period the customer is exploring and starting their business. This will not be regulated and will be determined by each customer.

Delivery & Access

Access to the SAB product will be via Business Link. The Business Link core offer will include an offer to start up businesses, which will therefore be available, free of charge to all clients in all regions.

There may be further flexible elements depending on the needs of the business that may be delivered by referral to other BSSP business support products, for example one of the products under the Business Expertise offer or by referral to the market. The flexible elements will also meet the specific needs of particular target groups

The typical customer journey is shown in the diagram below. This diagram is for the benefit of funders and practitioners, and should not be shown to clients.



Linkage to other BSSP Offers/Products

To be explicit about how SAB links with other offers/products and in particular Enterprise Coaching:

- The Enterprise Coaches provide intensified local support to potential entrepreneurs in deprived communities and amongst underrepresented groups.
- Their role is to promote and signpost enterprise and self employment.
- They help new entrepreneurs prepare for and engage with the core Business Creation offer and the 3 products which sit within this - whichever is most appropriate for the entrepreneur.
- Enterprise Coaching is therefore an essential precursor for certain entrepreneurs to order to utilise the Business Creation Offer to maximum effect.
- Historically, potential entrepreneurs in deprived communities and underrepresented groups have not used Business Link services and greater access will be a key measure of success.
- Where clients are referred to the SAB product, particularly careful handling will be required so as to ensure that the client is not confused by the handover process or left at a cliff edge in front of Business Link.

Product Name: **Intensive Start-Up Support**

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Summary

The Intensive Start-Up Support (ISUS) product builds on the Starting A Business (SAB) product in that it provides additional support to those groups identified as underrepresented. The rationale for support under ISUS appears on page 14 of this descriptor.

What is the purpose of the product?

The purpose of the product is to provide additional support to those individuals and groups underrepresented in self employment and business ownership, who are actively exploring setting up in business. Additional businesses will be created that otherwise would not have started and survival rates will be increased. The additional support is intended to overcome specific barriers and address current inequities.

What are the main elements of the product?

The additional elements to the SAB product are:

- Additional one-to-many workshops and sessions covering the range of business issues encountered at start up. These workshops may be delivered in appropriate settings and with suitable methodologies to meet the needs of the client group
- Personalised support from an adviser, coach or mentor who can work with the individual or business to overcome particular barriers
- Support from up to 6 months before start up to 18-36 months after start up and continuity from any pre-start support through the Enterprise Coaches (see section on page 3 covering handover to Business Link from Enterprise Coach).
- Small grants to overcome specific barriers.

Who is the product targeted at?

The product is targeted according to regional and sub regional/local priorities at groups that are underrepresented in enterprise such as women, certain ethnic groups and disabled people, considering each case on its merits.

Who will deliver the product and how will it be delivered?

ISUS will be accessed primarily via Business Link and organisations who are working closely with those who are targeted. The additional support will be delivered by a range of organisations/individuals that understand the specific needs of the target groups and are best placed to provide the ongoing mentoring support. Close liaison will be required between RDAs/Business Link and Job Centre Plus.

DETAILED DESCRIPTION

The purpose of the product is to provide additional support to those individuals and groups underrepresented in self-employment and business ownership, who are actively exploring setting up in business. Additional businesses will be created that otherwise would not have started and survival rates will be increased. The additional support is intended to overcome specific barriers and address current inequalities. The product will also address issues relating to the entrepreneur's ability to start and run a business.

Offer Description (What does it offer to business?)

Business Creation provides the mix of information and expertise that a business needs to be able to start trading. It is not a re-package or pre-presentation of other support as the point of start-up is unique in the business lifecycle:

- A range of issues have to be tackled all at the same time
- It is the point at which the entrepreneur is likely to be least developed
- It is a unique point of high risk.

INTENSIVE SUPPORT

A range of more intensive support will be delivered to start up businesses in certain categories. These categories will be determined at regional or sub regional/local level (see below).

It adds to the SAB product in the following ways:

- Longer – pre-start and after start
- Generic elements delivered with appropriate methods or locations
- Specific support for groups or areas
- One to one support
- Financial support.

In each case, business issues essential to any successful business start will be addressed:

- Compliance, governance, appropriate business model, regulatory information
- Business strategy and 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
- Customers and selling
- Managing and running a small business at start-up
- Employing people (where necessary).

Pre-start and after start support

The offer recognises that start-up is not a single event but a transition from interest to start-up and trading. The support is therefore not exclusively limited to the moment of start-up. There will be early stage support for those businesses that need it or those in target groups to improve the chances of their businesses surviving. (Socio-economic issues mean that for certain groups surviving this early stage is made more difficult. This is about compensating for wider disadvantages not propping up poor businesses and/or bad management).

Early stage support for some will consist of on-going contact in the form of mentoring or pro-active 'account management', on-going business review and access to further business support. All new starts which are identified for support will be encouraged to regularly seek ongoing external help and support. One person or agency will be designated as lead contact for each client and will provide proactive account management, bringing into play all the other support required.

Appropriate methods and location of delivery

How and where the support is delivered is important and this will reflect the target group. For example, the evidence points to the fact that women value the support of a network of other women and a more relational model of support. Similarly, the recent White Paper, Enterprise: unlocking the UK's talent" cites the example of piloting Women Business Centres and through Children's Centres making enterprise support and advice more women friendly (pages 43 and 44).

Specific support for groups

The support will be tailored to the underrepresented group and delivered in a way that overcomes any particular circumstances which would otherwise make it difficult to access provision. For example, to support business creation among more disadvantaged communities and underrepresented groups, the support will be delivered using appropriate outlets, eg Children's Centres, and Community Centres and addressing the specific needs of the group. It will be necessary to link to providers of specialist support to address the requirements of individual clients.

One to Many

One to many workshops will often be possible in this segment.

One to One Mentoring Support

One to one support may be required. Indeed, the clients in this segment may often need a hand holding approach owing to the need to build confidence in taking important business steps.

Mentoring support provides the individual with valuable advice, knowledge and skills development. Again, using women as an example, the plan is to establish a national women's mentoring network ('Enterprise: unlocking the UK's talent', page 44).

The mentoring support within this product is assisting individuals to start up and run the business better. It is distinct from the Enterprise Coaching product which supports and mentors individuals to overcome barriers which may otherwise prevent them from getting to the point of starting a business. However in some instances it will make sense that there is continuity between the two and the provider of the Enterprise Coaching also provides the mentoring for starting up.

In addition to one to one mentoring, other approaches may be deployed where appropriate, such as peer based mentoring and on line mentoring.

Handover to Business Link from Enterprise Coach

The Enterprise Coach will help identify and inspire people from deprived communities with entrepreneurial potential to engage with mainstream business support interventions via Business Link (BL). Having 'walked the client to the door of business link' the coach may need to be contactable for a short period to provide ongoing reassurance until the client is comfortable with the support they are receiving from BL and mainstream products. The role of the Enterprise coach is not, however, to offer business mentoring or advice on the business proposal itself. Some Enterprise Coach clients will be eligible for Intensive Start-Up Support (ISUS). This is additional to the SAB support and includes additional workshops, a mentor and small grants to overcome specific barriers. As ISUS business support commences and the client's relationship with Business Link develops, engagement with their former Enterprise Coach will fall away (although it is possible that an Enterprise Coach also has a separate role as an ISUS mentor).

Financial support

There will be a micro grant/loan available to people from disadvantaged backgrounds. Highly targeted, the purpose of this is to overcome specific barriers which would otherwise prevent them from taking the step to becoming self employed or starting a business.

Who is it for? (Main target audience; eligibility; conditions and limitations)

The more intensive offer will be limited in availability according to regional, and sub regional/local needs.

Geographical coverage - according to regional sub-regional/local priorities.

The target groups for this product are individuals with the potential to start their own business in England who come from social groups that are under-represented in enterprise.

The table below demonstrates how this exercise might work. This table reflects the key underrepresented people/places – women, underrepresented ethnic minorities and deprived areas and those thinking about running a business. In the final columns the table captures the number (in 000s) and the percentage of the working population for each region which is 'in scope' for this of this product. This is not a cap or a target for delivery but a guideline for the extent to which it can be 'promoted'. A cash cap on the level of support by each RDA will be separately agreed by BERR with each RDA. The RDA will then, using its Regional Economic Strategy, determine which groups it should support.

	Female and/or under-represented EM and/or deprived areas				Target population	
	Total working age population <i>Millions</i>	Total working age population <i>Millions</i>	As a proportion of working age population <i>Percentages</i>	Proportion thinking of starting a business in next 3 years <i>Percentages</i>	Total working age population <i>Thousands</i>	As a proportion of working age population <i>Percentages</i>
North East	1.6	1.0	61.2%	3.9%	38	2.4%
North West (inc Merseyside)	4.2	2.6	62.5%	5.0%	132	3.1%
Yorkshire and the Humber	3.2	1.9	59.2%	5.5%	104	3.2%
East Midlands	2.7	1.5	55.0%	5.1%	76	2.8%
West Midlands	3.3	2.0	59.8%	5.6%	110	3.4%
East of England	3.4	1.8	52.3%	4.7%	84	2.4%
London	5.1	3.3	65.3%	10.1%	336	6.6%
South East	5.0	2.6	52.0%	5.5%	144	2.9%
South West	3.1	1.6	51.8%	5.8%	92	3.0%
England	31.6	18.3	57.8%	5.3%	977	3.1%

Source:

Working age populations (males aged 16-64; females aged 16-59) are taken from the ONS Quarter 1 2008 Labour Force Survey
Proportion thinking of starting a business in the next 3 years is from GEM 2007 data (people aged 18-64)

Definitions:

Under-represented ethnic minority groups are those identified in SR2004 PSA 10: All mixed groups, all Black/Black British groups, Bangladeshi, 'other' Asian, and 'other'

Deprived areas in the working age population data are based on the 15 per cent most deprived lower super output areas in England, according to the IMD2007

Deprived areas in the proportion thinking of starting a business in the next 3 years are based on the 20 per cent most deprived wards in England, according to the IMD2004 (used in GEM 2007)

Target population is achieved by applying the proportion thinking of starting a business to the total female/ under-represented EM/ deprived areas population

How much

Monetary value: £2,000 to £8,000 per client. The upper limit recognises that some clients will need a longer period of after care support up to 36 months. A longer period of after care is preferable to clients using the support on a repeat basis. The cost per client is on the basis of a basket of one to one intensive support, mentoring and workshops. As a guide, The Learning and Skills Council's New Enterprise Scholarship Scheme (which recently ended) addressed the same target audience through the Enterprise Agencies and cost around £6,500 per client over 6 months.

Micro grant/loan: £3,000 maximum. This is something Local Authorities sometimes make available, for assistance in enabling individuals to start/do business. For example, help might be given with purchasing tools of the trades, travelling to work etc. (Note, it is not possible to detail each and every scenario under which such grants are offered).

How long

Intensive offer - typically from 6 months of active preparation pre start to 6 months after, with additional support for certain groups for up to 36 months after, determined by local and regional needs.

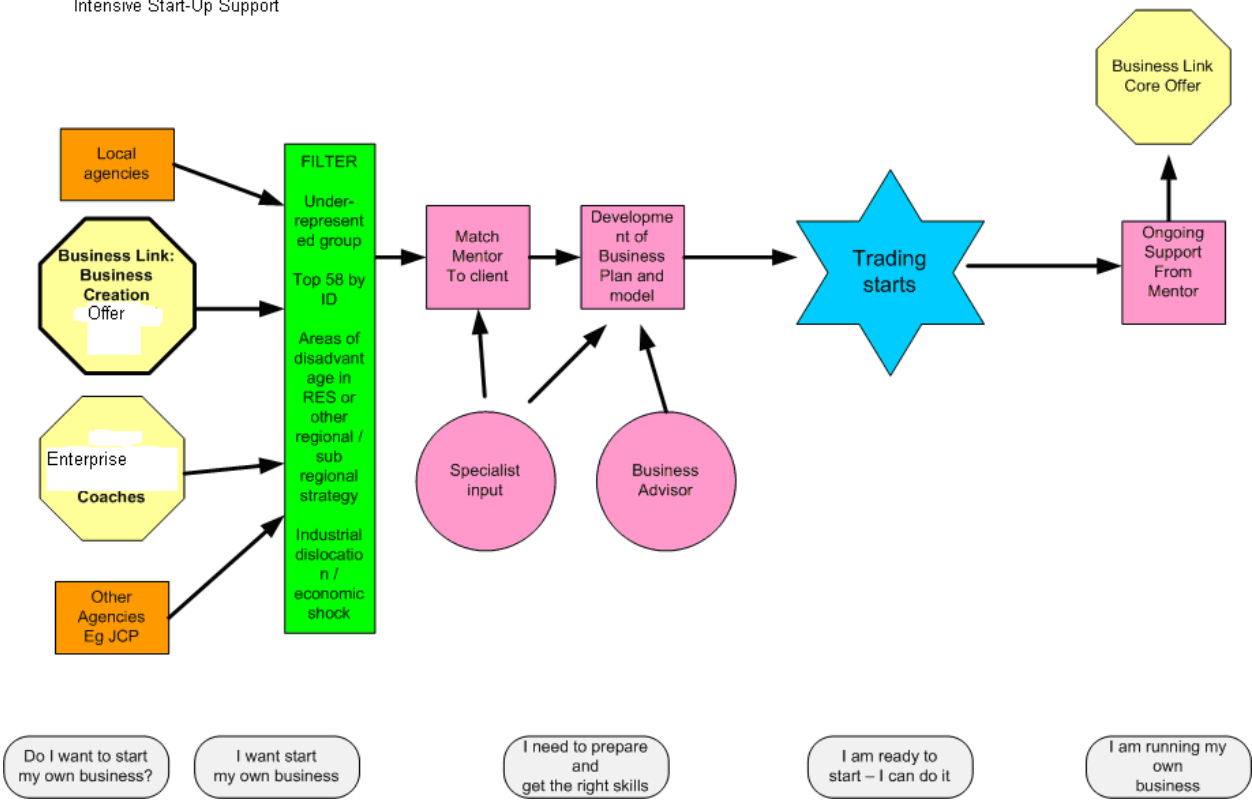
Access

Access to ISUS will be commonly via Business Link. However, where Business Creation offer is targeting areas of low business formation or groups exhibiting low rates of self employment and business ownership, access may be via locally based organisations, or organisations that specialise in making links to certain groups. In this instance the ISUS product will link closely with and follow on from the Enterprise Coaching product which prepares people to start a business and overcomes potential barriers. It may be that locally based organisations are best placed to deliver both the pre start product and ISUS.

For target groups and in locally targeted areas, access may be appropriate via specialist organisations or locally based bodies which have closer contact with the target groups. Close liaison will be required between RDAs/Business Link and Job Centre Plus.

The typical customer journey is shown in the diagram below. This diagram is for the benefit of funders and practitioners, and should not be shown to clients.

BUSINESS CREATION:
Intensive Start-Up Support



Summary

The Starting A High Growth Business (SHGB) product builds on the Starting A Business (SAB) product by providing *additional* support for businesses with high growth potential. The additional support is a package tailored to the specific needs of new growth businesses. The rationale is summarised on page 2 and is detailed on pages 12-17 of this descriptor.

What is the purpose of the product?

These businesses will potentially have an above average impact on productivity, employment and economic growth. The product ensures these businesses have access to the support packages needed to enable them to navigate the above average lead - in time and the increased complexity of business issues experienced by these businesses.

In addition, when specifically applied to the low carbon technologies sector, this product aims to:

- Help deliver climate goals, notably reduced carbon emissions.
- Accelerate commercialisation of low-carbon technologies through support of low-carbon new growth businesses

What are the main elements of the product?

The additional elements to the SAB product will be company specific and will include mentoring support around:

- The appropriate business model
- Identifying the funding requirements and funding sources
- Raising raise finance for getting the business started and thriving
- Putting together the business plan
- Customers and supplier contacts (advice on)
- Putting a team together with complimentary skills
- Managing the growth of the business
- Intellectual property and protection
- Maximising international opportunities
- Access to external expertise

A mentor/coach will work with the business to bring the package of support together and support the entrepreneurial individual or team. The duration of support is from business concept to launch and for a period of 18-36 months after the start of trading.

Who is the product targeted at?

The product is targeted at start up businesses with high growth potential. The criteria to identify these businesses include the following. These criteria are designed to spot growth potential and not “pick winners”

- Aspiration and ambition for the business
- Capacity and capability of the owner/manager or start up team
- Markets (size, characteristics, competition, disruption, identifiable need/gap, barriers to entry)
- Products and Services
- Financial projections and indicators- (the potential to achieve turnover of £500k - £1m or higher within 3 years of starting trading)

Who will deliver the product and how will it be delivered?

Business Link will be the primary access route, with referral to specialist mentoring expertise for high growth start up businesses.

Detailed Description

What?

The purpose of this product is to enable those with an interest in starting up in business to take the necessary steps to do so and for those who have taken the first steps to accelerate the time taken to get to market. This product will provide support in addition to the SAB product for businesses with high growth potential. These businesses, targeted for their high growth potential, will potentially have an above average impact on productivity, employment and economic growth. The support is required to ensure they have access to the sophisticated and multi-faceted support packages needed to enable many potential high growth start-ups to navigate the above average get to market time often experienced by such businesses. Without this support, some of these businesses will not be created, and others will achieve growth rates which are sub-optimal from society's perspective.

The offer

High Growth potential start ups will have access to the SAB element of business support just the same as any other start up business. However, high growth potential starts will be offered additional expert mentoring/coaching support because their needs are over and above those of other businesses start ups:

- The complexity of the business will require more sophisticated business planning and market research;
- The need for higher levels of external finance, including potentially a mix of debt and equity finance;
- The likelihood of needing to employ staff from day one;
- Support for complex product and service research and development and proof of concept issues, including intellectual property;
- Longer lead in times during which there will be no trading income and longer periods before profits are returned;
- For low carbon technology businesses, the nature of the market means that their technology will not be developed, at all or within the timescales necessary to reduce the risks of climate change, without Government support as highlighted in the Stern Report. There are various reasons for the failure of the market to do this, but unique to this sector is the need to represent the real cost of carbon compared to the least-cost options businesses prefer.

The offer will provide a package of mentoring/coaching support, tailored to the specific needs of new growth businesses. Without this support, there is a risk that some start-ups with the potential to bring significant economic benefits will not materialise. There is also a risk that others which do start up will not achieve their full growth potential (or will do so over a longer time period) because, for example, they do not have either the range of skills or depth of technical knowledge required to successfully overcome barriers to innovation, selling into complex environments and internationalisation. The package will be company specific. However, firms will be able to access mentoring/coaching support focusing on a range of issues such as:

- The appropriate business model
- Identifying the funding requirements and funding sources
- Help to raise finance for getting the business started and thriving
- Putting together the Business Plan
- Sourcing resources and developing an initial supply chain
- Customers and supplier contacts (advice on)
- Putting a management team together with complimentary skills
- Managing the growth of the business
- Intellectual property and protection and commercial contract development
- Maximising international opportunities

- Advice on where to access to, subsidised, external expertise including:
 - ICT
 - Regulatory compliance
 - Selling in complex environments
 - Developing sound business processes
 - Building value into the business
 - Marketing and market research
 - HR and people policies
 - Sectorally specific expertise
 - Skills assessment and training
 - Advanced leadership and management development

To help bring the package together and to support the start up team, the high growth offer will include a mentor/coach who will work with the individual or team.

Who is it for? Main target audience; eligibility; conditions and limitations

The product is highly rationed and likely to be only for the top 10% of business start-ups. Recent ONS figures show that this means the businesses should have the potential to achieve £500,000 to £1m turnover within three years of starting trading. (See the evidence concerning the cohort of businesses in question on pages 14 -17). Low or moderate growth potential firms will be specifically excluded from support under this product. The product will address national market failures. This may include start-ups and spin-outs in the low-carbon sector who have developed innovative carbon-saving technologies and who demonstrate significant commercial potential, though the timeframe for achievement may be longer due to the early-stage nature of the low-carbon market.

Identifying growth potential

Identifying clients is based on spotting growth potential, **not** on picking winners. The key differentiation between the two is that picking winners is based on assessing historic trend data and applying it indiscriminately to businesses that share the same broad characteristics (eg the rush to invest in dotcom businesses). In contrast, spotting growth potential is based on an individual assessment of each business. Further detail on the differences between the two approaches is set out in the table below:

Spotting Growth potential	Picking winners
No sectoral constraints	Tries to identify “growth sectors”
Based on assessment at individual enterprise level, not aggregate data	Always looking backwards based on historic aggregate data
Uses filter criteria to assess desire and potential for growth	Looks at broad sector and technology characteristics
Emphasis on management team capability and aspiration	Emphasis on use of technology and products

Considerable evidence has built up on the filter criteria that can be used to spot growth potential in early stage businesses. Evidence gathered from RDAs and the national high growth programme indicates that the criteria group under a number of headings:

Aspiration and ambition for the business

- Prepared and able to invest money and time to achieve significant growth
- Clearly focused on growing the business to employ staff and have formal management structures within a short time frame (two years or less typically)

Capacity and capability of the owner/manager and start up team

- Able to think strategically about the business, and lift themselves away from day to day fire fighting

Markets

- Clearly identified markets
- Good market research, or clear plan for how it will be obtained

Financial indicators

- Having the potential to achieve between £500,000 and £1m turnover or higher within 3 years of starting to trade
- Requiring external finance in addition to owner/start up team investment

Product and services

- Use of innovative methods or approaches to products and services, and/or business processes and/or markets
- In some cases, use of emergent technology and new techniques requiring prolonged lead-in times.

The SHGB product will normally be accessed via Business Link, which will conduct the initial analysis and evaluation using the balanced business scorecard to assess whether a business has the required potential:

Balanced Business-High Growth Indicators

<p>Customers/Markets Is there a clear market? Is it market proven? What market research had been actioned? Does it have global applications?</p>	<p>Financial Estimated sales? Estimated profit? Total funding requirement for the project? How scalable is the project?</p>
<p>Vision Goals Targets</p>	
<p>Internal Processes What is the status of IPR? What physical resources are required?</p>	<p>Learning & Innovation What is the management capability? What is the management aspiration to grow the business? New technology?</p>

How much

£3000- £45,000 per client throughout the period of support.

Note: EMDA’s experience with its own High Growth Coaching support is that a firm can absorb support up to a value of £25,000 pa. This includes workshops, residential training and consultancy. A high growth coach currently costs around £550 per day.

For low-carbon technology clients the nature of the market means that they face exceptional risks and challenges to achieving investment, as highlighted in the Stern Review, and as a result the level of

support may be increased on an exceptional basis to a maximum of £70,000 per client throughout the period of support.

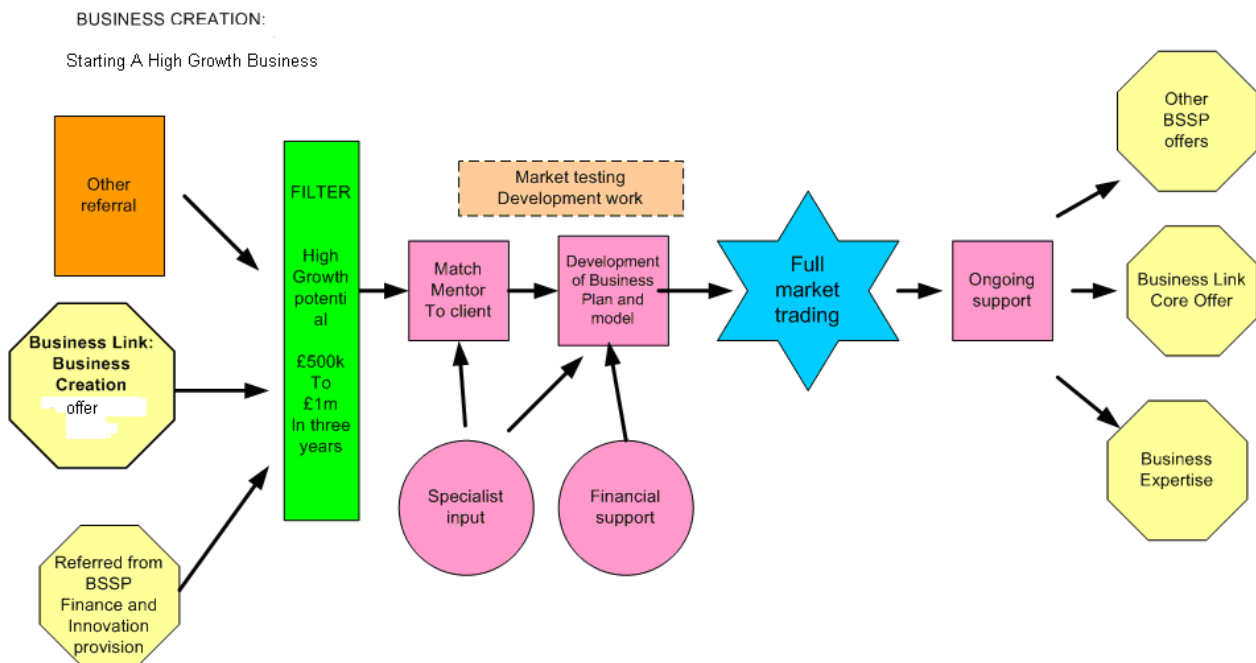
How long

The duration of support is from business concept to business launch and for a period of up to 36 months after starting to trade.

Access

Access will mainly be via Business Link, but referrals will also come from other agencies, the private sector and higher education institutions.

The typical customer journey is shown in the diagram below. This diagram is for the benefit of funders and practitioners, and should not be shown to clients.



Product Name: **Manufacturing Advisory Service** [Back to top](#)

SUMMARY

What is the product?

- Manufacturing Advisory Service (MAS)

What is the purpose of the product?

The purpose of the product is to rectify 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; and
- 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.

What is the aim of the product?

BERR Manufacturing Advisory Service (MAS) is a business support programme for manufacturing companies. The aim of MAS is to deliver a service that results in increased productivity and competitiveness for manufacturing businesses, particularly SMEs, using a modern definition of manufacturing. (The definition is that used by the Institute for Manufacturing, Cambridge University, it covers the full cycle of activities from research, design and development, production, logistics, and service provision to end of life management).

What are the main elements of the product?

Following the recommendations of the 2004 Manufacturing Strategy Review and the MAS Development Board (November 2006), the programme will build on its success in introducing lean manufacturing practices to client businesses by introducing more strategic and in-depth advice and support that will improve their product offer and market position.

Who is the product targeted at?

UK manufacturing firms, focusing on (but not exclusively) those employing 250 or fewer people. Any dealings with non SMEs will only be provided at full market rate.

Who will deliver the product and how will it be accessed?

The service is delivered through Regional Centres, contracted by Regional Development Agencies (and Devolved Administrations), using manufacturing experts with consistent, practical, applied manufacturing experience who have strong credibility with client companies. Advisors should be aware of alternative sources of help and advice and give access to other regional activities/programmes and national networks/programmes.

DETAILED DESCRIPTION

What?

The product is the provision of specialist manufacturing advice which business would otherwise not have. The expertise is provided by an external person or organisation.

This offer is designed to respond to individual business circumstances. Businesses may have specific manufacturing problems, be facing a declining market share or be experiencing difficulties in maximising their potential to grow. Evidence suggest that there are a number of recurring business issues which businesses will need to address (in particular in order to achieve growth) and these are addressed by support focusing on the kinds of business support comprising the elements under this product.

From time to time, national guidelines may be published by BERR to which funders should refer in the procurement and delivery of this product in addition to this product descriptor. RDAs will appraise delivery of MAS to ensure that there is a local market failure - ie the knowledge is not available from consultants or other parties, and that this absence does not owe to crowding out through Government provision.

As at September 2008, the guidelines currently published are the Manufacturing Advisory Service (October 2007). The publication of any additional guidelines will be disseminated to the RDAs by BERR, subject to the approval of the Transition Management Board. MAS will be reviewed in Autumn 2009 and then in three year phases. In particular, an assessment will be made of the whether there remains a "missing market" justification for provision of lean manufacturing.

Product purpose (what is it seeking to do for business?)

There are four principal objectives of MAS:

- Economic – To improve the efficiency and profitability of UK manufacturing firms.
- Technical – To improve awareness and adoption of innovative techniques and technological solutions for all aspects of manufacturing operations *appropriate to the needs and abilities of the client firm*.
- Management – Working with other programmes to improve the capabilities of manufacturing management in target firms.
- Productivity – As part of a planned growth strategy, to increase the 'value added' aspect of client firms. This should be achieved by improving the efficiency of the firm's existing operations and helping firms to produce higher value added goods.

The purpose of this product is to provide businesses with expert knowledge and highly specialised, technical and advanced skills which are needed to improve the performance of the business and which they do not have themselves. Many businesses, particularly small and medium sized businesses, lack in house expertise and resources and this product is designed to bridge that gap for targeted businesses. Funding is given to a range of intermediaries to provide this expertise, making it more affordable for businesses.

Business growth, performance and productivity will be increased with a cumulative impact on economic growth overall.

Product Description (what does it offer to business?)

Following the recommendations of the 2004 Manufacturing Strategy Review and the MAS Development Board (November 2006), the programme will build on its success in introducing lean manufacturing practices to client businesses by introducing more strategic and in-depth advice and support that will improve their product offer and market position.

Core Lean manufacturing topics available to all manufacturing companies	Additional topic areas for selected companies that are ready and able to accept more strategic and in-depth advice to help them on their journey to world class
<ul style="list-style-type: none"> • Lean thinking -understanding the concepts • Value stream and process mapping • 5 S (workspace organisation) and 6 Sigma (process capability) tools • Team building • Improving layouts and space utilisation • Reducing Work In Progress • Improving quality and delivery • Materials and production innovation 	<ul style="list-style-type: none"> • assistance in finding supplies, services or equipment • assistance to companies who want to improve their resource efficiency • assistance to companies developing and/or introducing new products • assistance to companies for working within a supply base or with supply chains • assistance in developing a medium to long term manufacturing strategy • assistance in applying lean techniques across their whole enterprise

The specific support offers are:

Level 1 Initial contact and specialist enquiries

All generic information and diagnosis will be delivered as part of the Business Link core offer and is not included in this product. Where a customer accesses the product via a route outside Business Link, the specialist provider will arrange for a holistic business diagnosis, either through the Business Link or via other regionally agreed arrangements, in a way that is convenient to the client. The outcome of this generic diagnosis will be shared with the Business Link, to prevent a repeat process when the client is picked up by Business Link on completion of this product.

The activity includes all the initial contacts and enquiries received by the Regional Centre from potential and current clients as well as client referrals from other business support programmes or third parties, e.g. Business Link. It also provides specialist helpline support to manufacturers enquiries which may include assistance in finding supplies, services or equipment that requires research and call back within one day. Generic business enquiries may be referred to Business Link.

Level 2 Specialist review and problem analysis

A review of a company's manufacturing-related operations carried out by one or more MAS Advisors with the aim of identifying a desired 'future state' of the client company and encapsulating this in an action plan. A review to identify lean manufacturing improvements would normally be one day which is free of charge to SMEs. In around 20% of cases, selected companies that are ready and able to accept more strategic and in-depth advice to help them on their journey to world class may require a more in depth review and up to four days is permitted. Topics for an extended review may include medium to long term manufacturing strategy, lean enterprise, supply chain development, sourcing supplies, new product development processes, resource efficiency.

Level 3 Access to general awareness training and networks

- Raise awareness and understanding of the need to adopt best practice among manufacturing companies
- To train them in best practice techniques
- To encourage companies to share best practice, e.g. through local networks or best practice visits

Example of Level 4 – Manufacturing Advisory Service (MAS)

To implement an action plan developed during a Level 2 review of a company's manufacturing-related operations with the aim of moving to a desired 'future state' of the client company. Topics may include increased production productivity or efficiency, medium to long term manufacturing strategy, lean enterprise, supply chain development, sourcing supplies, new product development processes, resource efficiency.

Level 4 Access to longer term consultancy assistance

An assignment to implement an action plan that will achieve real and quantifiable improvements in a manufacturing company's operations. Under EU General Block Exemption Regulations, the assignment can be subsidised up to 50% for up to 10 days in most circumstances but for selected more complex projects, around 20% of clients, a further 10 days may be offered. The extended support will be in line with the services set out in Level 2.

Level 5 Signposting and referral

Managed referrals to appropriate services outside the MAS offer.

There may be further additional expert support for businesses owned and/or managed by people from target groups who are under represented in business ownership or self employment. The support might need to be delivered in a culturally or otherwise appropriate manner, or through locally based organisations.

MODE OF DELIVERY

This product will generally be provided face to face, mostly one to one but also including one to many delivery. The level of input from the external expert may vary in intensity and duration.

Quality assurance is managed by the Regional Centre as part of the product. Matching expert to client is part of the service. On-going client account management will form part of the offer, but will link to the core account management function of Business Link.

The cost of the expertise is funded or partly funded, as this makes it accessible and affordable to the target customers.

The expertise can be delivered by a range of organisations or individuals who are of high quality and accredited in the area of expertise. Funding will be given to intermediaries who either provide the

expertise directly or who contract with other delivery agents to provide the expertise, and who exercise quality control over the people delivering the expertise to the business.

A market making role is part of the product in provoking demand from SMEs for external expertise and in stimulating supply from the market. SMEs need to be convinced that there is an economic return and the credibility and sensitivity of the external person will impact not only on the business objectives in hand but also the likelihood of future use of external support and expertise.

Who is it for? Main target audience; eligibility; conditions and limitations

Clients will be eligible for programmes in 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; and
- 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.

This product is only available to manufacturing firms. It is available in particular to manufacturing firms:

- who are primarily SMEs;
- Large businesses (employing over 250 people) may apply, but are expected to pay the full cost of the service;
- Businesses owned or controlled by people from groups who are under-represented in business ownership;
- Social enterprises are also eligible.

How much

Monetary value of the support

The figures shown by level are indicative only. The actual levels may vary and will be determined by RDAs. However, the total level of public funding is capped at £45,000 for the duration of the intervention. The cost is driven by the cost of the external expertise – market rates vary from £450 per day to £1,500 per day. The highest level of monetary value would only be achieved by those growth businesses that are subject to multiple interventions.

Level 1 – Information

Telephone help - £35 typically for 30 minutes question and response

Level 2 – Specialist review

Diagnostic - £600 per day. Maximum value £2,400 for an extended review.

Level 3 – Specialist expertise delivered via one-to-many settings

Typically £150 per business per session – up to £300 per business for highly specialised expertise.

Level 4 – Specialist expertise for individual businesses

Value is determined by the cost of the expertise. This will vary from £500 per day to £600 per day. In certain circumstances, highly specialised expertise might be deployed for short inputs at a cost of up to £1500 per day. Value will range from £500 to a maximum of £6,000. The subsidy is restricted to 50% of the cost.

Extended specialist expertise for individual businesses in limited cases

Value is determined by the cost of the expertise. This will vary from £500 per day to £800 per day. In certain circumstances, highly specialised expertise might be deployed for short inputs at a cost of up to £1500 per day. Value will range from £500 to a maximum of £15,000. 50% subsidy, as above.

Level 5 – Signposting and referral
Negligible.

Amount of top up paid by client

Customers may be required to make a financial contribution. This is an important part of the market making aspect of the product. The level of the contribution will be for RDA determination within a band of 0% to 50% of the cost.

Any dealings with larger businesses (over 250 employees), beyond answering enquiries, will only be provided at full market rate.

Clients in target areas of regeneration, or those in target groups (women, DP, BAME) may be required to pay a smaller proportion of the total cost, or to receive a free service. Examples include LEGI programmes.

How long

Level 1 – Specialist diagnosis, self-help and information

Information and self help materials freely available as required by the business.

Level 2 Specialist diagnostics normally one day in duration, but may be up to 4 days if more strategic in nature.

Level 3.– Specialist expertise delivered via one-to-many settings

Sessions of half a day or one day in duration.

Level 4 – Specialist expertise for individual businesses

Up to ten days in short periods, normally one to two months

Extended specialist expertise for individual businesses in limited cases

Maximum of 20 days over a period of 12 months.

Level 5 – Less than 1 day

Access

MAS will work in close alignment with Business Link and other support programmes, in particular Skills programmes, Designing Demand, Advice and Guidance and High Growth Coaching products.

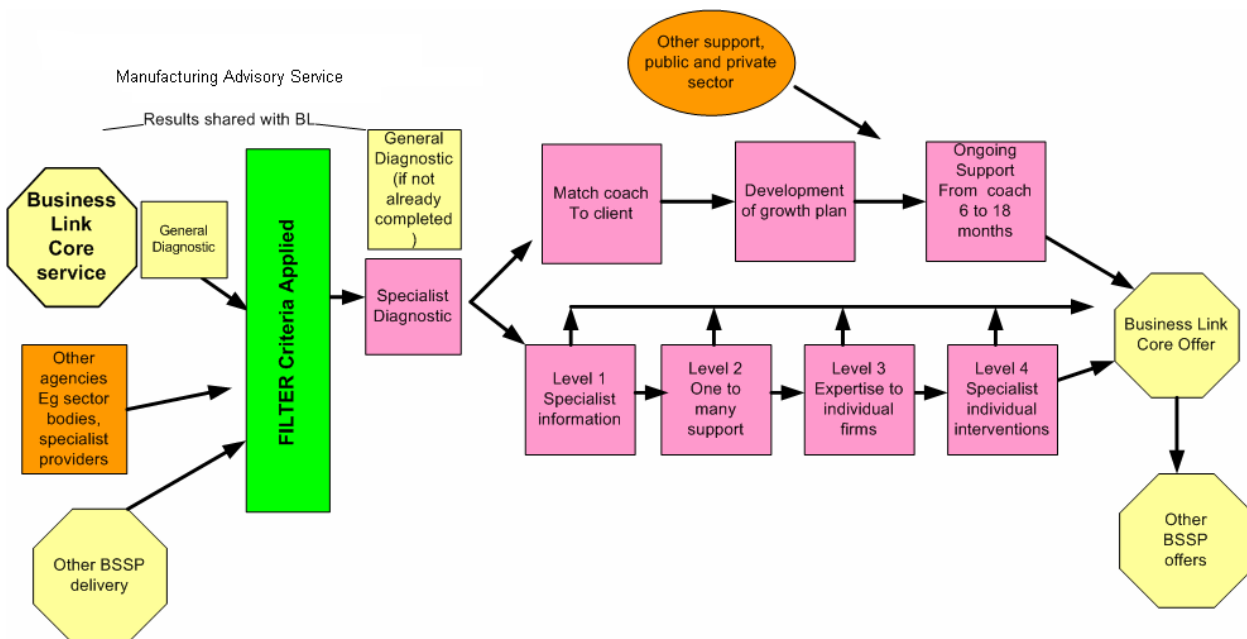
The 10 Regional Centres in England and Wales are the first point of contact for users of MAS services. MAS advisors based in the Regional Centres are able to help manufacturers by providing information, advice and follow up support on all manufacturing related issues. Firms can also make

contact via the MAS website www.mas.berr.gov.uk. Where access takes place via non Business Link route, the client will not be artificially forced to go to Business Link in order to complete a generic business diagnostic. The outcome of any general diagnosis that is then performed with the client by a specialist provider will be shared with Business Link

Where access is via Business Link, the client will undergo the core Business Link diagnostic service and through this objective process the relevance of MAS for the client will be determined. This will help ensure that clients are not referred to products which are not right for them.

Account management while the client is receiving this product may be performed either by Business Link or the specialist provider. In all cases, there will be liaison with Business Link. At the end of the intervention, it is expected that clients will be picked up by the Business Link account management process.

The typical customer journey is shown in the diagram below. This diagram is for the benefit of funders and practitioners, and should not be shown to clients.



Note: the intention with the above diagram is not to indicate that the customer journey is a binary process.

Product Name: **Designing Demand** [Back to top](#)

SUMMARY

What is the product?

Designing Demand is a national support programme developed by the Design Council to help businesses use design to improve performance.

What is the purpose of the product?

The purpose of the product is to support SMEs in overcoming significant challenges 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; and
- 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.

What is the aim of the product?

The aim of Designing Demand is to improve the performance of UK businesses by helping them to use design as a key driver of growth and competitiveness. The programme helps businesses to become more competitive, increase their profits and boost their performance through the strategic, effective use of design.

Design Council research shows that design is a proven business tool, but that not enough SMEs are using it as well as they could. More than four out of ten businesses don't invest in design at all and more than six out of ten who do invest give it only a limited role. The Cox Review, commissioned by Gordon Brown and published in 2005, said this must change for the UK to cope with growing overseas competition by launching innovative new products and services that trigger more customer demand.

The programme consists of a selection of one-day workshops for businesses, followed by a set of intensive growth services offering practical support in using design to improve business performance. Workshops for Business Advisors and Intermediaries are also run as part of raising awareness and understanding of design-related business issues, this supports effective channel management and recruitment of appropriate clients onto the programme.

Workshops – fast-paced and practical one-day workshops showing businesses what design investment could do for them.

Designing Demand Generate – a service to help businesses identify one design project to overcome specific business challenges and get it moving.

Designing Demand Immerse – the most intensive service, aimed at mature businesses with the appetite for strategic change. Services provide a mixture of workshops and one-to-one mentoring from Design Associates experienced in managing design and tackling business issues.

Designing Demand Innovate - the product also contains service for technology ventures providing intensive support for technology start-ups helping them use design to reduce time to market and attract investment.

What is the expertise behind the product?

Design Associates are a vital asset of Designing Demand. They are a group of experienced design managers approved to deliver 'Generate', 'Immerse' and the technology service 'Innovate'.

A Design Associate will typically have a design qualification and experience of working as a designer and leading creative teams. They will often have formal business management training, and experience of delivering business advice or consultancy.

Design Associates are recruited on a region-by-region basis and are only added to the Design Associate roster following a rigorous recruitment, interview and induction process.

Who is the product targeted at?

Designing Demand is for businesses with ambition to grow, appetite for change and the resources and management time to invest in running strategic design projects. Businesses served range from micro through to 249 employees.

Who will deliver the product and how will it be accessed?

The RDAs contract delivery agents in each region to project manage, marketing, client recruitment, production of materials and tools supporting the services, contracting the expertise (Workshop Associates and Design Associates) from the Design Council roster and evaluating and reporting impact. In the majority of instances the delivery agent will ultimately be Business Link.

Delivery of the Designing Demand programme is funded by the Regional Development Agencies. Investing in this programme gives the RDAs a tried and tested range of products and services that help businesses understand design as a driver of growth and use it to improve their own and the region's prosperity. It also provides them with Design Council quality assurance, including skilled experts from a national roster and a framework for guiding the region to ensure a high level of quality and integrity is achieved.

DETAILED DESCRIPTION

What?

Designing Demand is a national programme developed by the Design Council to help businesses use design to improve performance, through the provision of specialist design support and guidance.

Product purpose (what is it seeking to do for business?)

The purpose of this product is to provide businesses with expert knowledge and highly specialised design skills which are needed to improve the performance of the business and which they do not have themselves. Many businesses, particularly small and medium sized businesses, lack in house expertise and resources and this product is designed to bridge that gap for targeted businesses. Funding is given to a range of intermediaries to provide this expertise, making it more affordable for businesses.

Business growth, performance and productivity will be increased with a cumulative impact on economic growth overall.

Product Description (what does it offer to business?)

The programme consists of a selection of workshops for businesses, business advisors and a set of intensive growth services offering practical support in using design to improve business performance.

This offer is demand led. It is designed to respond to individual business circumstances. However, evidence suggest that there are a number of recurring business issues which businesses will need to address in particular (in order to achieve growth) and these are addressed by support focusing on the kinds of business support comprising the elements under this product.

Level 1 Initial contact and specialist enquiries

Activity includes taking all the initial contacts and enquiries received by the regional delivery agent from potential and current clients as well as client referrals from other business support programmes or third parties and signposting the client in the right direction. There is a Designing Demand/Design Council website which contributes to the filtering process and helps client to research their needs. Web information and printed materials will be highly specific and will not duplicate generic information available through Business Link or the Business Link website.

Building on the generic business diagnosis delivered by Business Link, an optional specialist diagnosis can be performed relating to specific business issue. The diagnosis will generally be performed by external experts – either on a one-to-one or one-to-many basis.

Where a customer accesses the product via a route outside Business Link, the specialist provider will arrange for a holistic business diagnosis, either through the Business Link or via other regionally agreed arrangements, in a way that is convenient to the client. The outcome of this generic diagnosis will be shared with the Business Link, to prevent a repeat process when the client is picked up by Business Link on completion of this product.

Level 2 One to many awareness raising

Workshops helping companies to discover the benefits of design and identify their own design opportunities. They include an introduction to the unique 'Matchbox' tool, which shows how design can become part of business decision making. Delegates receive their own Matchbox set. They are also introduced to the Designing Demand services, which could help them to realise these opportunities, and they are given the chance to apply.

Level 3 Specialist review, problem analysis and project focus

A support service helping both high-growth start-ups and established businesses to spot design opportunities, set up or enhance design management processes and run design projects.

Generate provides up to five days of support from a Design Associate, an experienced design manager appointed from a Design Council-approved roster.

With the Design Associate, the business explores potential design opportunities and devises a design project to exploit one or more of them. The Design Associate advises the business on how to choose, brief and work with designers, and supports them in keeping the project on-track. Projects can take between three and 12 months.

Designing Demand Innovate is an intensive, sector-specific service helping early-stage technology ventures use design to commercialise new technology. Through diagnostic workshops, followed by direct support and guidance from a Design Associate drawn from a Design Council roster, entrepreneurs identify new opportunities to commercialise their technology and realise them by creating and implementing design projects.

Innovate begins with the one-day Technology Venture Workshop, run by a Design Associate, which - through case studies and interactive exercises - shows how using design can turn new businesses into stronger investment prospects.

Level 4 Access to longer term consultancy assistance

One of the core aims of the programme is to provide businesses with long-term strategic design capabilities. In this way it is hoped businesses will use designer and design consultancy support beyond the life-time of the programme. Designing Demand Immerse is the most intensive strategic service for mature businesses, which team up with Design Associates to investigate how using design can tackle core business issues and make a lasting impact on performance.

Immerse starts with a high-impact Immersion Day, held at each company's premises and run by a Design Associate. Management teams work with design experts to examine key aspects of the business in depth, from its strategy, offerings and markets to its objectives, challenges and working

culture. The design team submits a report highlighting a range of design opportunities. The company then decides which it will follow up and all participating businesses come together to share their plans and objectives. Over the next 12 to 18 months, businesses implement design projects with close support from the Design Associate. During this phase, a series of NetWorkshops™ cover key design themes such as brand, new product development and user-centred design.

Participants can then apply for a more intensive stage of the service. This starts with a three-day workshop, in which they work with other entrepreneurs and a Design Associate to explore potential design opportunities and prepare 'innovation roadmaps' for short, medium and long-term projects. Businesses then implement design projects for 12 months, with guidance from the Design Associate on choosing and briefing designers and keeping the project on track.

Level 5 - Signposting and referral

Managed referrals to appropriate services outside the Designing Demand core offer.

Who is it for? *Main target audience: eligibility conditions and limitations*

The product is targeted at businesses experiencing problems and issues that relate to design, although they may also have other concerns which are manufacturing innovation and/or growth related. The level one filtering will need to be accurate in admitting the right firms to the programme and in referring others elsewhere. Business Link will be key in ensuring that the referral process works properly.

How much

Monetary value of the support (Note: all amounts shown are per client)

The figures shown by level are indicative only. The actual levels may vary and will be determined by RDAs. However, the total level of public funding is capped at £45,000 for the duration of the intervention. The cost is driven by the cost of the external expertise – market rates vary from £450 per day to £1500 per day. The highest level of monetary value would only be achieved by those growth businesses that are subject to multiple interventions.

Level 1 Initial contact and specialist enquiries

Telephone help - £35 typically for 30 minutes question and response.

An optional design diagnostic - £600 per day per business. Maximum £1,200 value per business.

Level 2 One to many awareness raising

Typically £150 per business per session – up to £379 per business for highly specialised expertise. Maximum £4,500 value per year.

Level 3 – Specialist review, problem analysis and project focus

Value is determined by the cost of the expertise. This will vary from £600 (+ VAT) per day to £800 (+ VAT) per day. In certain circumstances, highly specialised expertise might be deployed for short inputs at a cost of up to £1500 per day. Value will range from £500 to a maximum of £4,700.

Level 4 – Access to longer term consultancy assistance

Value is determined by the cost of the expertise. This will vary from £600 (+VAT) per day to £800 (+VAT) per day. In certain circumstances, highly specialised expertise might be deployed for short inputs at a cost of up to £1500 per day. Value will range from £500 to a maximum of £19,500.

Level 5 - Signposting and referral

No cost to business. Advisers/intermediaries will carry out this function.

Amount of top up paid by client

Under the programme firms receive advice, guidance/coaching. Any consultancy happens afterwards under an ensuing project, the costs of which (or at least a proportion of which) the client will cover as a condition of receiving support.

This is an important part of the market making aspect of the product. The level of the contribution will be for RDA determination within a band of 0% to 50% of the cost.

How long

Level 1 Initial contact and specialist enquiries

Information and self help materials freely available as required by the business.

Specialist diagnostics normally one day in duration.

Information events and sessions from 2 hours to one day.

Level 2 One to many awareness raising

Sessions of half a day or one day in duration. Maximum of 15 days in a year.

Level 3 – Specialist review, problem analysis and project focus

Between 5 and 8 days in short periods over six to twelve months.

Level 4 – Access to longer term consultancy assistance

Up to 15 days over a period of up to 18 months.

Level 5 - Signposting and referral

Access

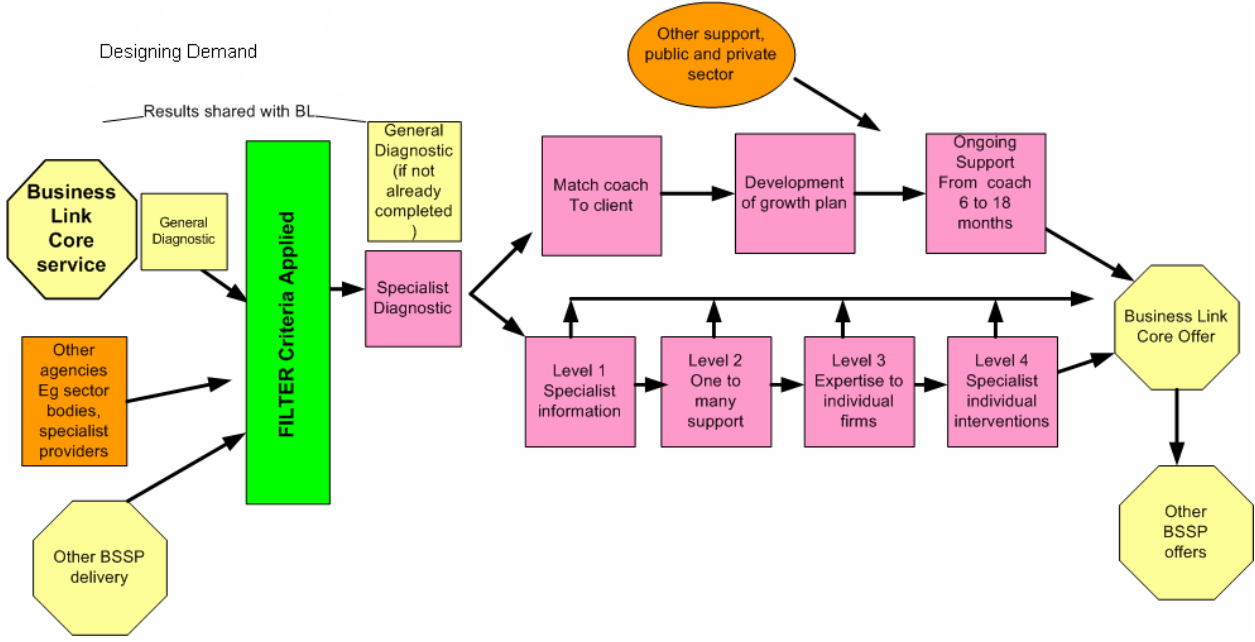
Access will normally be via Business Link. Some access will be via specialist or sectoral organisations, or via linked organisations such as Higher Education Institutions.

Where access is via Business Link, the client will undergo the core Business Link diagnostic service and through this objective process the relevance of this product for the client will be determined. This will help ensure both that clients are not referred to products which are not right for them, and that only clients with growth potential are referred to the product.

Where access takes place via another route, the clients will not be artificially forced to go to Business Link in order to complete a generic business diagnostic. The outcome of any general diagnosis that is then performed with the client by a specialist provider will be shared with Business Link.

Account management while the client is receiving this product may be performed either by Business Link or the specialist provider, or by the coach/mentor. In all cases, there will be liaison with Business Link. At the end of the intervention, it is expected that clients will be picked up by the Business Link account management process.

The typical customer journey is shown in the diagram below. This diagram is for the benefit of funders and practitioners, and should not be shown to clients.



Product Name: **Innovation Advice and Guidance** [Back to top](#)

SUMMARY

What is the product?

The product is the provision of innovation advice and guidance. For the purposes of this document innovation will be defined widely, and will use the definition in the Government's Innovation Strategy – 'Innovation Nation' (March 2008).

"Innovation is the successful exploitation of new ideas. This recognises the importance of the creative spark, new knowledge and new ways of thinking. "New" in this context can be new to the sector or the organisation, taking an idea from another context and adapting it to another.

Improvements in products, services and quality often come from innovations in business processes, models, marketing and enabling technologies. Innovation happens in all service and manufacturing sectors and in the public and third sectors."

What is the purpose of the product?

The purpose of this product is to provide businesses with expert knowledge and highly specialised, technical and advanced skills which they do not have themselves, enabling them to to innovate and hence improve the performance of the business.

The rationale for this product is to rectify instances where:

- there are major advances in business technologies and processes which radically alter the competitiveness of companies, e.g. open innovation;
- 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; and
- 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.

What are the main elements of the product?

The offer to business is high quality business expertise and specialist/technical and advanced skills which they would otherwise not have. The expertise is provided by an external person or organisation.

This offer is demand led. It is designed to respond to individual business circumstances. The expertise needed will vary. It may be highly technical or specialist or it may be generic and related to managing the totality of the business in a drive to innovate and grow.

There are varying levels of intensity of support:

- Level 1 – Specialist diagnosis, self-help and information
- Level 2 – Specialist expertise delivered via one-to-many settings
- Level 3 – Specialist expertise for individual businesses
- Level 4 – Extended specialist expertise for individual businesses in limited cases.

Who is the product targeted at?

The product is targeted at businesses (including social enterprises) experiencing challenges that are holding back the potential to grow significantly and which are open to seeking innovative approaches to surmounting those barriers to growth. Eligibility will by no means be limited to technological firms, rather, support will be available across all sectors.

Who will deliver the product and how will it be accessed?

Business Link will be the primary access route. The product will be delivered by quality assured individuals and organisations that have expertise in a particular area, whether this is functional expertise, technical expertise or expertise in coaching and mentoring.

DETAILED DESCRIPTION

What?

The product is the provision of innovation advice and guidance. For the purposes of this document innovation will be defined widely, and will use the definition in the Government's Innovation Strategy – 'Innovation Nation' (March 2008).

"Innovation is the successful exploitation of new ideas. This recognises the importance of the creative spark, new knowledge and new ways of thinking. "New" in this context can be new to the sector or the organisation, taking an idea from another context and adapting it to another.

Improvements in products, services and quality often come from innovations in business processes, models, marketing and enabling technologies. Innovation happens in all service and manufacturing sectors and in the public and third sectors."

Product Purpose (What is it seeking to do for business?)

The purpose of this product is to provide businesses with expert knowledge and highly specialised, technical and advanced skills which they do not have themselves, enabling them to to innovate and hence improve the performance of the business.

Many businesses, particularly small and medium sized businesses, lack in house expertise and resources and this product is designed to bridge that gap for targeted businesses. Funding is given to a range of intermediaries to provide this expertise, making it more affordable for businesses.

Business growth, performance and productivity will be increased with a cumulative impact on economic growth overall.

Product Description (What does it offer to business?)

The offer to business is high quality business expertise and specialist and advanced skills which they would otherwise not have. The expertise is provided by an external person or organisation.

This offer is demand led. It is designed to respond to individual business circumstances. However, evidence suggest that there are a number of recurring business issues which will need to be addressed in particular (in order to achieve growth) by delivering support focusing on developing innovative solutions to address and overcome these issues. The aim of the intervention is to open up the thinking within the business and use innovation in its broad sense as a platform for continuing growth.

Through the offer firms will be able to access support focusing on issues such as:

- Help with testing new ideas/viability
- Looking for analogies in other business sectors
- Information concerning new technologies and processes
- Information on new markets
- How to source particular technical expertise
- Investigating innovative marketing strategies and methods

- Identifying funding requirements and funding sources to bring new ideas to market
- Introduction to other support under the Business Support Simplification programme portfolio
- Use of tools to encourage new ways of problem solving or ideas generation
- Intellectual property and know-how protection/ legal advice
- Where to access other external expertise including: regulatory compliance; sectorally specific expertise.
- Accessing the knowledge base (HE, FE and Research Institutes)
- Help with collaborative ventures under Open Innovation arrangements

Specialised technical help to assist the introduction and take up of new technologies, techniques and processes is also included in the product.

From time to time, national guidelines may be published to which funders should refer in the procurement and delivery of this product in addition to this product descriptor.

The publication of additional guidelines will be disseminated to the RDAs by national departments and organisations, subject to the approval of the Transition Management Board.

The expertise needed will vary. It may be highly technical or specialist in nature or it may be generic and related to managing the totality of the business in the context of innovation. Key to the delivery will be the credibility with the business of the experts providing the advice and guidance.

The business issues will vary but specifically exclude issues and problems covered elsewhere in the business support portfolio. The wide ranging nature of the issues for which businesses might seek assistance requires the response to be flexible. Evidence shows that improvements in products, services and quality often come from innovations in business processes, models, marketing and enabling technologies and it is in these areas that the expertise available under this product will be focused.

There may be specialist support which is required for businesses owned or controlled by people from groups underrepresented in business ownership.

There will be varying levels of intensity of support. These levels are for guidance only and are described in order to allow funders and practitioners to understand the product. They will not be visible to the client. They are also not sequential – the client need not progress through one to access another. Clearly where a number of firms present with the same issues these will be capable of being tackled via the web or on a one to many basis. In many instances the level of support will be determined by the particular problem encountered by the firm.

Level 1: Specialist diagnosis, self-help and information

All generic information and diagnosis will be delivered as part of the Business Link core offer and is not included in this product.

Specialist Diagnostic:

Building on the generic business diagnosis delivered by Business Link, a specialist diagnosis will be performed relating to specific business issue.

The diagnosis will generally be performed by external experts – either on a one-to-one or one-to-many basis. Self-help specialist diagnostic tools may also be included as part of the offer.

Where a customer accesses the product via a route outside Business Link, the specialist provider will arrange for a holistic business diagnosis, either through the Business Link or via other regionally agreed arrangements, in a way that is convenient to the client. The outcome of this generic diagnosis

will be shared with the Business Link, to prevent a repeat process when the client is picked up by Business Link on completion of this product.

Specialist Information:

This will comprise relevant specialist information and may be delivered by telephone, web pages and printed materials. Information events and seminars may also be included.

It will also provide specialist information support to enquiries from business which may include assistance in finding further information, for example on supplies, services or equipment, that require research and call back within one day.

Web information and printed materials will be highly specific and will not duplicate generic information available through Business Link or the Business Link website.

Level 2 – Specialist expertise delivered via one-to-many settings

One-to-many sessions in which experts will address issues specific to the business issue. The objectives of the sessions will be:

- To raise awareness and understanding of the business issue
- To train businesses in best practice techniques
- To transfer knowledge of new innovations, techniques, technology, processes
- To develop specific skills and expertise

The sessions may be one-off or form a series. Level 2 of this product may be linked to the Business Collaboration Networks product, but will not duplicate the networking offer of that product.

Level 3 – Specialist expertise for individual businesses

Support from an external expert or experts provided to an individual business. The input of the expert(s) will not be confined to just work with the senior management team, but may span the full range of the business' staff and operations.

The issues to be addressed will be relevant and specific. Generic business strategy and business planning are covered by other products in the BSSP portfolio or via the Business Link core offer.

The form of input from the external expert(s) can include:

- In depth reviews of operations and processes
- Assessment of applicability of new techniques and technologies and best practice, and recommendations for implementation
- Developing action plans for business change and improvement
- Hands-on support for implementation of action plans
- On site sector skills development and knowledge transfer

Example of Level 3 –

During a Level1 review or a Level 2 workshop a client may have identified that there is a market that their product or service currently cannot reach but that could be addressed with some significant change to a process or the product. However the client does not currently have the knowledge required to adapt the process or the product. An in depth review of the options available would include identifying external expertise or knowledge that could be applied to adapting the process or product and setting out an action plan

to achieve and implement the changes. It might also identify and assist with sourcing funds to support the introduction of the innovation.

Level 4 – Extended specialist expertise for individual businesses in limited cases

In limited cases some businesses will receive further support from external experts. This will be limited to those businesses who have the greatest potential for making the greatest increases in productivity and business performance. It is expected that Level 4 will be available to around 30% of customers.

A range of support will be offered, innovation advice is likely to be around an introduction to innovation, facilitating Open Innovation; connecting SMEs to the knowledge base and to large firms; helping SMEs find their way to large volume markets etc.

There may be further additional mentoring and expert support for businesses owned and/or managed by people from target groups who are under represented in business ownership or self employment. The support might need to be delivered in a culturally or otherwise appropriate manner, or through locally based organisations.

MODE OF DELIVERY

This product will generally be provided face to face, mostly one to one but also including one to many delivery. The level of input from the external expert may vary in intensity and duration.

Quality assurance via external market based accreditation is part of the product. On-going client account management will form part of the offer, but will link to the core account management function of Business Link.

The cost of the expertise is funded or partly funded as this makes it accessible and affordable to the target customers.

The expertise can be delivered by a range of organisations or individuals who are of high quality and accredited in the area of expertise. Funding will be given to intermediaries who either provide the expertise directly or who contract with other delivery agents to provide the expertise, and who exercise quality control over the people delivering the expertise to the business. In some instances, vouchers to purchase approved expertise may be used as a delivery mechanism.

A market making role is part of the product in provoking demand from SMEs for external expertise and in stimulating supply from the market. SMEs need to be convinced that there is an economic return and the credibility and sensitivity of the external person will impact not only on the business objectives in hand but also the likelihood of future use of external support and expertise.

Who is it for? Main target audience; eligibility; conditions and limitations

Clients will be eligible for programmes in instances where:

- there are major advances in business technologies and processes which radically alter the competitiveness of companies, e.g. open innovation;
- 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; and
- 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.

This product is available to:

- SMEs
- Large companies (ie, firms employing 250 employees or more) but who are expected to pay the full cost of the service.
- Businesses owned or controlled by people from groups who are under-represented in business ownership.

Social enterprises will also be able to benefit from innovation advice and guidance where this can assist their sustainability and ability to reach a significantly larger audience or market for their activity, eg they could receive expert input on conducting social audits

How much

Monetary value of the support

The figures shown by level are indicative only. The actual levels may vary and will be determined by RDAs. However, the total level of public funding is capped at £45,000 for the duration of the intervention. The cost is driven by the cost of the external expertise – market rates vary from £450 per day to £1,500 per day. The highest level of monetary value would only be achieved by those growth businesses that are subject to multiple interventions.

Level 1 – Specialist diagnosis, self-help and information

Telephone help - £35 typically for 30 minutes question and response

Diagnostic - £600 per day. Maximum £1,200 value.

Level 2 – Specialist expertise delivered via one-to-many settings

Typically £150 per business per session – up to £300 per business for highly specialised expertise. Maximum £4,500 value per year. State Aid rules for SME Consultancy advice restrict subsidy rules to 50%.

Level 3 – Specialist expertise for individual businesses

Value is determined by the cost of the expertise. This will vary from £500 per day to £800 per day. In certain circumstances, highly specialised expertise might be deployed for short inputs at a cost of up to £1500 per day. Value will range from £500 to a maximum of £4,700. 50%subsidy as above.

Level 4 – Extended specialist expertise for individual businesses in limited cases

Value is determined by the cost of the expertise. This will vary from £500 per day to £800 per day. In certain circumstances, highly specialised expertise might be deployed for short inputs at a cost of up to £1500 per day. Value will range from £500 to a maximum of £19,500. 50% subsidy as above.

Clients in target areas of regeneration, or those in target groups (women, DP, BAME) may be required to pay a smaller proportion of the total cost, or to receive a free service. Examples include LEGI programmes.

How long

Level 1 – Specialist diagnosis, self-help and information

Information and self help materials freely available as required by the business.

Specialist diagnostics normally one day in duration, possibly up to 2 days.

Information events and sessions from 2 hours to one day.

Level 2 – Specialist expertise delivered via one-to-many settings

Sessions of half a day or one day in duration. Possibly two days in some circumstances.
Maximum of 15 days in a year.

Level 3 – Specialist expertise for individual businesses

Up to ten days in short periods, normally one to two months.

Level 4 – Extended specialist expertise for individual businesses in limited cases

Maximum of 20 days over a period of up to 12 months.

Access

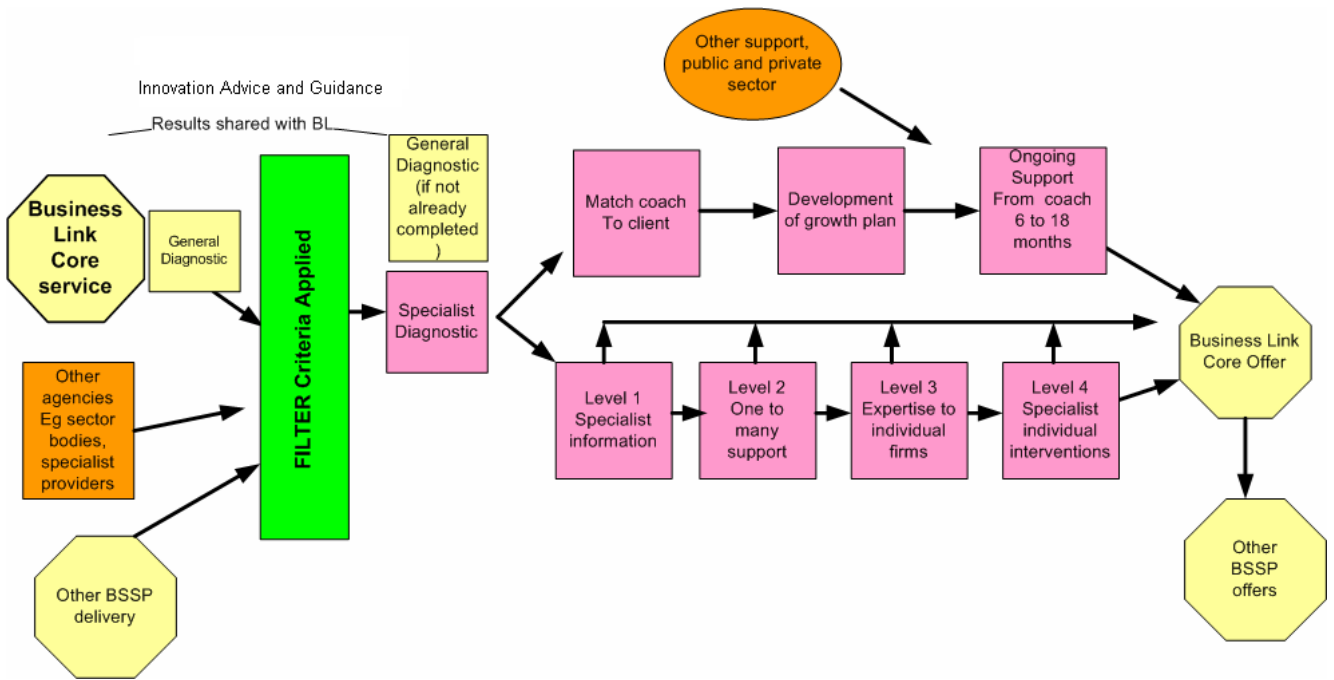
Access will normally be via Business Link. Some access will be via specialist or sectoral organisations, or via linked organisations such as Higher Education Institutions. Those working directly with firms will be experts in their fields, eg ex Chief Technology Officers or former R&D directors.

Where access is via Business Link, the client will undergo the core Business Link diagnostic service and through this objective process the relevance of this product for the client will be determined. This will help ensure that clients are not referred to products which are not right for them.

Where access takes place via another route, the clients will not be artificially forced to go to Business Link in order to complete a generic business diagnostic. The outcome of any general diagnosis that is then performed with the client by a specialist provider will be shared with Business Link.

Account management while the client is receiving this product may be performed either by Business Link or the specialist provider. In all cases, there will be liaison with Business Link. At the end of the intervention, it is expected that clients will be picked up by the Business Link account management process.

The typical customer journey is shown in the diagram below. This diagram is for the benefit of funders and practitioners, and should not be shown to clients.



Product Name: **Coaching for High Growth** [Back to top](#)

SUMMARY

What is the product?

The product is coaching for high growth.

What is the purpose of the product?

The purpose of the product is to assist firms through a structured coaching programme to build their inherent capabilities and achieve accelerated growth, meeting short and medium term business goals within a strategic context

The rationale for this product is to rectify instances where:

- there are major advances in business technologies and processes which radically alter the competitiveness of companies, e.g. lean manufacturing, e-marketing and open innovation;
- 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; and
- 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.

What is the aim of the product?

The aim is to increase the stock of strongly growing SMEs in each region through the provision of a structured programme of intensive coaching and assistance. It should be underlined that this high growth coaching is not just for those companies who are technically innovative and are focused on bringing a new idea to market. An independent coach or mentor will support organisation development and management capability with the objective of enhancing the business readiness for growth.

What are the main elements of the product?

The High Growth Coaching offer includes three stages - goal orientated action planning (developing a strategic growth plan), coaching and leadership development.

The national guidelines for High Growth Coaching set out that the intervention is structured and is organisational in its approach, rather than focussed on the personal development of the senior manager(s). Performance coaching involves working alongside the management team within a business, helping them to put things in place, perhaps showing them or even telling them. This is different from mentoring, whereby the mentor works alongside individuals inside a business to get things done in a supportive role.

High Growth Coaching involves the coach or mentor helping businesses to assess their performance against and then set action plans against 7 core themes as part of the growth process. These core themes include:

- Performance Benchmarking
- Market Understanding
- Innovation

- Intellectual Property
- Investment Readiness
- Skills of the Workforce
- Leadership and Management

The expertise is provided by an external person or organisation.

This offer is demand led. It is designed to respond to individual business circumstances. The range of expertise needed will vary but will be advanced business management input related to managing the totality of the business in a drive for growth.

Who is the product targeted at?

The product is targeted at businesses with the potential to achieve high growth and an interest in doing so and that would NOT otherwise achieve HIGH growth. It is not for those businesses that will achieve high growth without intervention.

Who will deliver the product and how will it be accessed?

Business Link will be the primary access route. The product will be delivered by quality assured individuals and organisations that have expertise in coaching and mentoring focused on business growth.

DETAILED DESCRIPTION

What?

The product is the provision of business High Growth Coaching.

Product Purpose (What is it seeking to do for business?)

The purpose of the product is to assist firms through a structured coaching programme to build their inherent capabilities and achieve accelerated growth, meeting short and medium term business goals within a strategic context. Many businesses, particularly small and medium sized businesses, lack in house expertise and resources and this product is designed to bridge that gap for targeted businesses. Funding is given to a range of intermediaries to provide this expertise, making it more affordable for businesses.

Business growth, performance and productivity will be increased with a cumulative impact on economic growth overall.

Product Description (What does it offer to business?)

The offer is advanced business development, typically in the form of coaching and mentoring (defined below). The external expert will have a successful track record in business growth and managing challenging business issues and business change. The types of expertise might be customised appropriately to meet the needs and types of client business.

Businesses will receive input from an independent, high calibre coach or mentor who will support organisation development and management capability with the objective of enhancing the business readiness for growth, drawing on business expertise, experience and specialist and advanced skills which they would otherwise not have. The expertise is provided by an external person or organisation.

Firms who are experiencing particularly rapid growth or who have high growth potential will be offered more in-depth and longer duration support by high calibre coaches who have experience of managing strongly growing small businesses.

This offer is demand led. It is designed to respond to individual business circumstances. However, evidence suggests that there are a number of recurring business issues which businesses will need to address in order to achieve growth.

Performance coaching involves working alongside the management team within a business, helping them to put things in place, perhaps showing them or even telling them. This is different from mentoring, whereby the mentor works alongside individuals inside a business to get things done in a supportive role.

The offer involves the coach or mentor helping businesses to assess their performance and then set action plans against 7 core themes within a strategic context and as part of the growth process. These core themes include:

- Performance Benchmarking
- Market Understanding
- Innovation
- Intellectual Property
- Investment Readiness
- Skills of the Workforce
- Leadership and Management

In the light of this, coaching will focus on a range of issues, for example:

- Developing an appropriate business model
- Developing a business strategy and articulating it through a business plan
- Helping firms to develop ideas, test potential/viability and markets
- Identifying business expansion funding requirements and funding sources
- Product and process development
- Ensuring business processes and corporate governance are fit for purpose
- Customer and supplier contracts
- Helping to access other support under the Business Support Simplification programme portfolio.

The emphasis will be on transferring expertise and knowledge and making sure that it is absorbed. Coaches will be drawn from those with hands on experience at growing firms (as opposed to consultants whose interest may lie more in introducing/selling further consultancy). The coach will set goals with the organisation and senior manager(s), working with individuals and teams on tasks and programmes with a view to raising overall business performance.

From time to time, national guidelines may be published to which funders should refer in the procurement and delivery of this product in addition to this product descriptor.

As at September 2008, the guidelines currently published are High Growth Coaching programme (March 2006).

The publication of any additional guidelines will be disseminated to the Regional Development Agencies (RDAs) by BERR subject to the approval from the Transition Management Board.

The expertise needed will vary but will be within the domain of advanced business development expertise related to managing the totality of the business in a drive for growth.

There may be further additional mentoring and expert support for businesses owned and/or managed by people from target groups who are under represented in business ownership or self employment. The support might need to be delivered in a culturally or otherwise appropriate manner, or through locally based organisations.

Examples of this element of the offer:

- High Growth Coaching and mentoring for businesses with particular growth potential;
- Women running a business having the support of a mentor over a prolonged period of time.

MODE OF DELIVERY

This product will generally be provided face to face, mostly one to one but also including one to many delivery. The level of input from the external expert may vary in intensity and duration.

Quality assurance via external market based accreditation is part of the product. Matching expert/mentor/coach to client is part of the service. On-going client account management will form part of the offer, but will link to the core account management function of Business Link.

The cost of the expertise is funded or partly funded as this makes it accessible and affordable to the target customers.

The expertise can be delivered by a range of organisations or individuals who are of high quality and accredited in the area of expertise. Funding will be given to intermediaries who either provide the expertise directly or who contract with other delivery agents to provide the expertise, and who exercise quality control over the people delivering the expertise to the business. In some instances, vouchers to purchase approved expertise may be used as a delivery mechanism.

A market making role is part of the product in provoking demand from SMEs for external expertise and in stimulating supply from the market. SMEs need to be convinced that there is an economic return and the credibility and sensitivity of the external person will impact not only on the business objectives in hand but also on the likelihood of future use of external support and expertise.

COACHING AND MENTORING

A distinction is drawn between mentoring to develop management and leadership skills per se and support to address business issues and growth. Development of management and leadership skills is included in the Skills offer.

The terms coaching, mentoring and personal coaching/mentoring are used widely and interchangeably in many walks of life. For purposes of clarity, in this document the following table shows how these terms are used.

	Coaching	Mentoring	Executive coaching	Personal mentor
Purpose	To drive the performance of the organisation working with the senior management. May work with more than one	To improve the ability of senior staff to deal with business issues Usually directed at one person	Achieving personal career and skills goals	Achievement of personal life goals

	person in the organisation			
Relation to BSSP	Business Expertise	Business Expertise	Part of the Skills offer if aimed at managers and leaders	Not business support

Coaching and mentoring in this product is business performance oriented, and is not personal mentoring. It will involve:

- Transferring specific expertise and knowledge to the client business
- Structured content for the support
- Setting targets, goals and milestones
- Increasing performance
- Being directive and pressing the client
- Being task related
- Working with the client to achieve a specific programme.
- Coaching the organisation and the senior manager(s)
- Improving the business plan of the client.

Who is it for? Main target audience; eligibility; conditions and limitations

Clients will be eligible for programmes in instances where:

- there are major advances in business technologies and processes which radically alter the competitiveness of companies, e.g. lean manufacturing; e-marketing, open innovation;
- 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; and
- 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.

This product is available to SMEs and large businesses (employing over 250 people). Large companies are expected to pay the full cost of the service.

IDENTIFYING GROWTH POTENTIAL

The purpose is not to try and “pick winners”, but to identify growth potential. The distinction between the two is shown in the table below:

Spotting Growth potential	Picking winners
<i>No sectoral constraints</i>	<i>Tries to identify “growth sectors”</i>
<i>Based on assessment at individual enterprise level, not aggregate data</i>	<i>Always looking backwards based on historic aggregate data</i>
<i>Uses filter criteria to assess desire and potential for growth</i>	<i>Looks at broad sector and technology characteristics</i>
<i>Emphasis on management team capability and aspiration</i>	<i>Emphasis on use of technology and products</i>

A recent report on business growth is the EMDA report ,”High Growth Business Coaching” March 2005, which reviewed research and evidence on business growth and looked at examples of programmes to support growth from around the world.

The major conclusion was that growth potential cannot be exclusively predicted by industrial sector or cluster, or by the utilisation and adoption of particular technologies. Growth is just as likely, indeed more likely, to be found in older industries and among those firms who are not early adopters of new technologies.

Growth potential is more likely to be predicted by looking at a range of indicators. The National Task and Finish Group set up in 2005 to take forward the work on High Growth as a result of the EMDA report concluded that the indicators of growth were likely to include:

- ⇒ Aspiration and attitude of the entrepreneur, owner/manager and senior management team
- ⇒ Ability and capacity of the leadership team
- ⇒ Seeking external finance
- ⇒ The amount of external finance sought (suggested £50,000 plus)
- ⇒ Evidence of a strong order book
- ⇒ Sound industry and sector knowledge
- ⇒ Willingness to invest time and to pay in part for the programme
- ⇒ Firms already growing who lack structures and processes
- ⇒ Evidence of willingness and capacity to innovate
- ⇒ Growth for a purpose – ie linked to an exit strategy; need to fight off strong competition

To the above list should be added export potential, which has been linked to turnover and productivity growth. All growth companies will exhibit one or more of these indicators. High growth potential companies will exhibit multiple indicators.

Defining high growth

The OECD definition of high growth is determinative here - average annualised growth of 20% per annum over a three year period, equivalent to total growth of at least 73% over the 3 years. The OECD have preliminary estimated that 5.8% of UK firms (15-250 employees) achieved 'high growth' over the three years from 2001.

It is worth noting that firms with fewer than 15 employees are excluded from the OECD's estimate and as they are starting from a lower base it may be easier for them to grow at the required rate - e.g. moving from 1 to 2 employees. ONS are investigating the OECD definition. Any changes considered necessary following this will be fed into this descriptor later.

Client firms will be contacted via marketing (where the RDA so decides), otherwise via www.BusinessLink.gov.uk and the Business Link (the reputation of which should rise as efforts to enhance the organisation begin to bite).

How much

Monetary value of the support

£5,000 to £45,000 (based on recent evaluation of the High Growth Coaching Programme) over the duration of support.

The figures shown by level are indicative only. The actual levels may vary and will be determined by RDAs. However, the total level of public funding is capped at £45,000 for the duration of the intervention. The cost is driven by the cost of the external expertise – market rates vary from £450 per day to £1500 per day. The highest level of monetary value would only be achieved by those growth businesses that are subject to multiple interventions.

Amount of top up paid by client

Customers may be required to make a financial contribution. This is an important part of the market making aspect of the product. The level of the contribution will be for RDA determination within a band of 0% to 50% of the cost. The ability to pay will be determined with the client; ie, if the firm has enjoyed average annualised growth of 20% over the last three years they will be outside the criteria for support. Otherwise, the RDA will use its discretion and experience in weighing eligibility.

Any dealings with larger businesses (over 250 employees), beyond answering simple enquiries, will only be provided at full market rate.

Clients in target areas of regeneration, or those in target groups (women, DP, BAME) may be required to pay a smaller proportion of the total cost, or to receive a free service. Examples include LEGI programmes.

How long

Typically medium to long term advanced business management - up to 30 days over the duration of support. The intervention may continue for up to 2 years.

Access

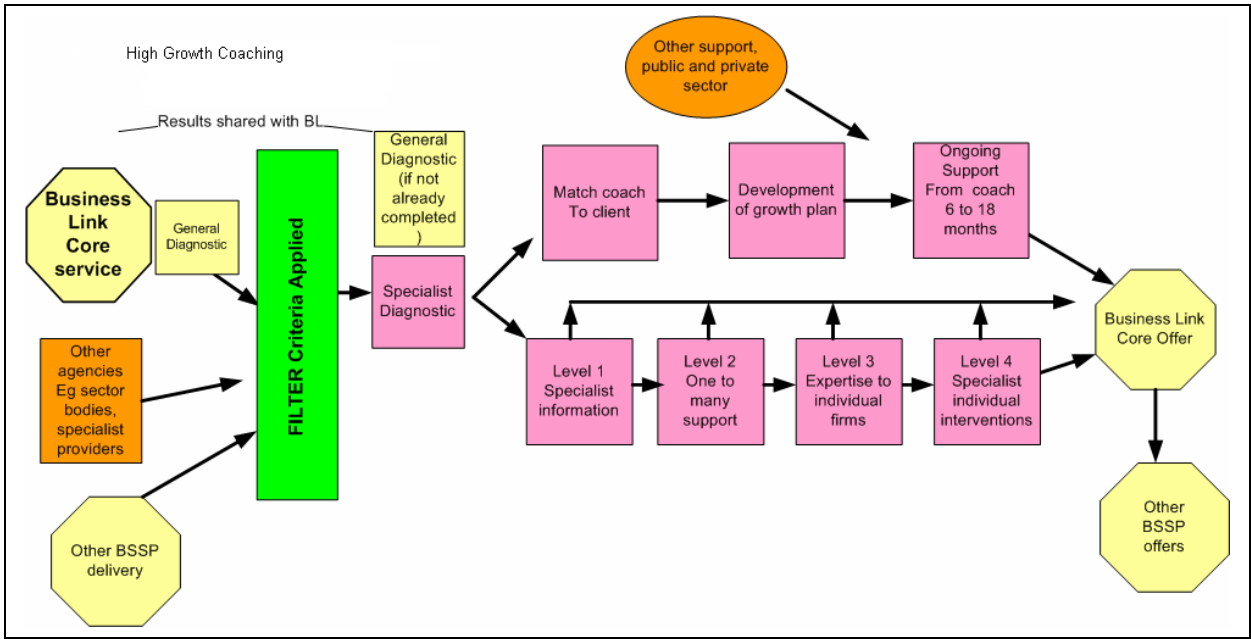
Access will normally be via Business Link. Some access will be via specialist or sectoral organisations, or via linked organisations such as Higher Education Institutions.

Where access is via Business Link, the client will undergo the core Business Link diagnostic service and through this objective process the relevance of this product for the client will be determined. This will help ensure both that clients are not referred to products which are not right for them, and that only clients with growth potential are referred to the product.

Where access takes place via another route, the clients will not be artificially forced to go to Business Link in order to complete a generic business diagnostic. The outcome of any general diagnosis that is then performed with the client by a specialist provider will be shared with Business Link.

Account management while the client is receiving this product may be performed either by Business Link or the specialist provider, or by the coach/mentor. In all cases, there will be liaison with Business Link. At the end of the intervention, it is expected that clients will be picked up by the Business Link account management process.

The typical customer journey is shown in the diagram below. This diagram is for the benefit of funders and practitioners, and should not be shown to clients.



Product Name: Enterprise Coaching [Back to top](#)

Product Purpose ('Why')

To raise overall enterprise in deprived and under-represented communities by finding and targeting people with the potential to start a business. To do this by providing them with hands-on help to develop their confidence, skills and success in accessing mainstream business support or other suitable progression routes into economic activity.

Levels of enterprise are significantly and persistently lower than average amongst some ethnic minority groups, women facing barriers to participation, the disabled, and generally amongst residents of deprived areas. The economic costs of this enterprise gap are significant, with less businesses being formed, less consequent wealth and employment generation, and less tax receipts than would otherwise be the case. It is also socially and economically inequitable, with a lack of enterprise being a contributing factor to inter-generational cycles of deprivation in some communities.

Government strategy for deprived communities is multi-stranded, involving interventions to stimulate improvements in economic activity, work, training, enterprise and in health, housing and life chances. As regards the enterprise gap, policy aims to build an enterprise culture in deprived communities where this is absent, and this requires more people to become self-employed and start their own businesses and – in effect - become trailblazers in their communities. Certain social and demographic groups have such a low level take up of business support and business creation it is clear that the market itself is failing to operate inclusively to meet the government's equity objectives. The reasons for this are varied and often directly related the multiple barriers faced by individuals according to their social grouping and circumstances. The incentive for the market to rectify these multiple barriers (which might include poor understanding of what business entails or risk aversion, to lack of capital assets or ability to manage responsibilities such as childcare and run a business) groups is limited because they are relatively expensive to provide and are unlikely to deliver a good return. Particular barriers to business creation faced within certain groups and deprived areas that are addressed by this product include:

- low entrepreneurial culture;
- lack of business support penetration;
- lack of awareness of business support services;
- lack of trust or acceptance of existing business support services;
- lack of knowledge about how low skill levels can be addressed;
- lack of knowledge about where capital and resources can be accessed;
- lack of confidence;
- lack of private sector involvement and role models;
- lack of contact with existing businesses and networking capabilities.

Product Offer ('What')

Enterprise Coaching is a one-to-one service for those with the interest and potential to develop a career in enterprise, be it through self-employment or starting a small business. Coaching is:

- **a proactive service** that stimulates interest and take-up by members of communities and groups who otherwise tend not to get involved in enterprise or present a need to

enterprise support bodies. It serves a latent rather than expressed need, and involves outreach that is tailored to the area or group of people being targeted. Outreach will involve talks, visits, presentations in local community centres, youth groups, churches, neighbourhood centres etc, where people are approached and given basic information about who is eligible for coaching and what it can offer them.

- **a relationship between coach and client**, centred on the individual needs of the client. The relationship will vary from individual to individual, involving counselling and coaching, to help identify the potential and prospects of the client progressing into enterprise. The coach will uncover and unpack barriers that may have prevented such progression, and working through the options for how to proceed.

In some cases this process will be relatively short and simple, with people who are confident and for whom there is a ready-match in terms of an available service elsewhere, for example through Business Link. Sometimes a coaching service will provide such simple support as access to the internet for someone who cannot otherwise access the Business Link site, or basic information on benefits and a referral to a voluntary sector benefits advisor on the potential impact on benefits of starting a business. The coach can be seen as an 'expert friend' with relevant experience and expertise who, for example, can help clients make phone calls, access websites, accompany them to initial interviews with Business Link and Jobcentre Plus and help them ask the right questions, and be able to explain in appropriate language what the client is being told.

In other cases the relationship will need to be longer-term, and whilst in some cases this will be through to successful start-up via Business Link support, it may ultimately result in the client doing something other than enterprise, for example entering training, education or employment. Importantly the coaching relationship can and often should persist beyond the point of referral to specialist support agencies such as Business Link, and a client can return to the coach to discuss progress as well as to help others with what they have learned. Ongoing contact of this nature lessens attrition and fall-out from referred-to services, increasing the sustainability and value for money of intervention. A coach will not, however, duplicate the services of Business Link or other BSSP products.

- **A networking resource.** A coaching network consists of the coach but also a support network of businesses and volunteers they recruit and animate to provide support. For example, local businesses will come and talk to coaching clients, to give them an insight into local trading conditions, practical advice on how they have accessed business support to grow their business, and sometimes mentoring relationships flow from these contacts. A coach will include Business Link, JobCentrePlus and other official bodies and agencies within their own network, and foster good relationships to ensure easy referral and progression routes for clients. Coaching in communities should not be seen, therefore, as an exclusively 1:1 relationship between coach and client, but also as a community and economic resource that can generate self-help and foster entrepreneurial networks in deprived areas. "Graduates" from coaching will sometimes themselves then contribute to the network in time, once they have developed a business, be this through Business Link support or other means.

Product Eligibility (Who)

There is no central government funding for enterprise coaching. Regional and local bodies that wish to fund BSSP-compliant enterprise coaching will need to ensure that it meets the following eligibility criteria:

- residents of deprived areas: defined here as communities within which at least half the population live in Lower Super Output Areas that fall within the 15% most deprived nationally, or in areas classified as deprived in regional or local plans that have been agreed with Government Office; or
- people from groups who are under-represented in enterprise: at national, regional or local level, based upon sex, race, disability or other relevant characteristic; or
- individuals who are economically inactive, regardless of place of residence or social/demographic characteristics.

Product Title: **Support to Lenders** [Back to top](#)

Product Definition

The overwhelming majority of businesses do not experience difficulty in accessing finance and lenders consistently report good availability of funds for lending to new and growing businesses.

However, BERR takes an ongoing interest in the availability of finance to small and medium sized businesses through commercial lenders to identify and understand pressures. Where appropriate, BERR works with commercial lenders to address market failure for businesses with viable business plans that cannot attract finance.

There is evidence that businesses who would otherwise attract lender support because of the strength of their business plan fail to do so because of a lack of collateral and/or track record. BERR has therefore intervened to encourage lenders to be less risk averse in the small number cases where a loan decision would be positive according to the lenders standard lending criteria were it not for a lack of collateral or track record. Intervention is focused upon the lender and is a lender support mechanism, not a borrower support mechanism. This intervention is realised through the Small Firms Loan Guarantee. The Guarantee is a joint venture between the Department for Business, Enterprise and Regulatory Reform and a number of participating lenders. It has been operating in various formats since 1981.

It provides a guarantee to the lender covering 75 per cent of the loan amount, for which the borrower pays a premium direct to BERR of ½% of the outstanding loan value every quarter (but their relationship is managed through the lending institution).

The Graham Review (2004) recommended full delegation of the loan approval process to lenders, provided that the borrower satisfies the lender's normal eligibility criteria but for the absence of security. Participating lenders therefore administer the eligibility criteria and make all commercial decisions regarding borrowing.

A full list of approved lenders is shown at <http://www.berr.gov.uk/bbf/enterprise-smes/info-business-owners/access-to-finance/sflg/page37617.html>).

Delivery arrangements

Annex A provides an overview of delivery and impact analysis.

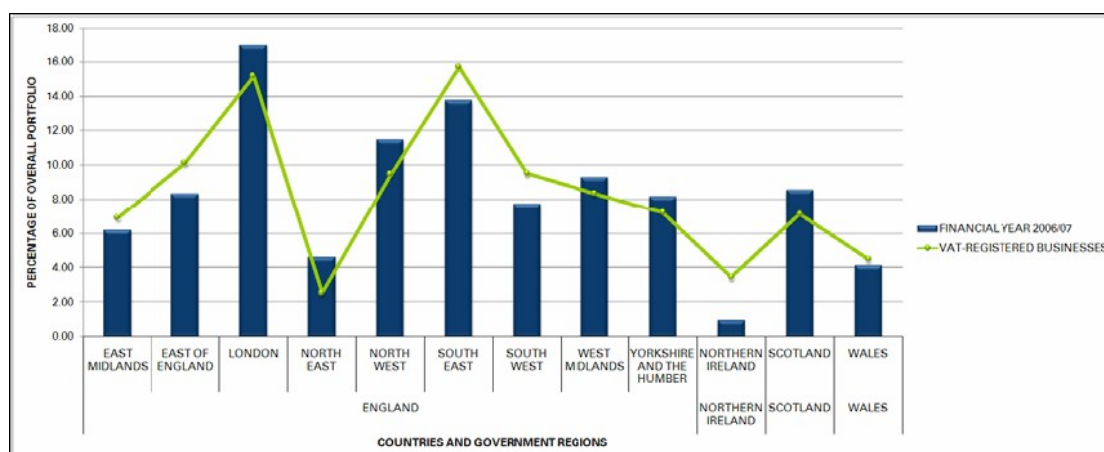
The Small Firms Loan Guarantee operates across the United Kingdom (England, Scotland, Wales and Northern Ireland) and is managed by Capital for Enterprise Limited on behalf of BERR. Management includes the process of accrediting and maintaining a pool of lenders consistent with BERR's policy objectives for the Guarantee.

Twenty-nine lenders are currently accredited by Capital for Enterprise Limited across the UK. Accredited lenders can access the guarantee where they have assessed the borrower's business plan as meeting their normal commercial criteria for lending with the exception of

sufficient security. At that point customers are alerted to the scheme as part of the repayment arrangements (see earlier).

Because of the nature of delivery, customers are able to access the Guarantee without any contact with Business Link.

Loans by Region



Customers

During 2006/07, 2702 small businesses took up guaranteed loans with a total value of £211.8 million.

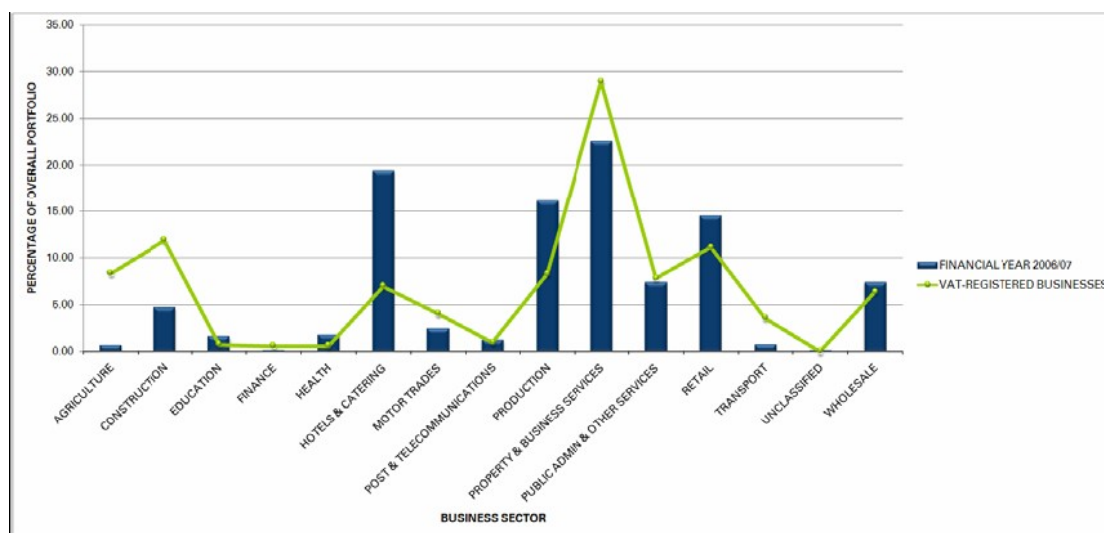
The Guarantee can be offered by the lender to businesses:

- with a business plan which would attract commercial lender support were it not for a lack of sufficient collateral or track record;
- in the United Kingdom (England, Scotland, Wales and Northern Ireland);
- with less than 250 employees and a turn-over of up to €50 million or a balance sheet of up to €43 million (EU definition of a medium sized company);
- seeking a loan of between £5k and £250k;
- for a maximum duration of ten years; and
- in most sectors subject to exclusions principally in transport, agriculture, coal and steel sectors (in the main to comply with European State Aid legislation).

The Enterprise Strategy (March 2008) extended eligibility to businesses that are more than five years old with growth ambitions – although the nature of eligibility (for example lacking a track record) suggests that the majority of businesses will be relatively young.

The Guarantee provides the lender with an alternative form of security to make a loan on commercial terms that would otherwise not be possible.

Loans by Sector



Rationale/Evidence Base

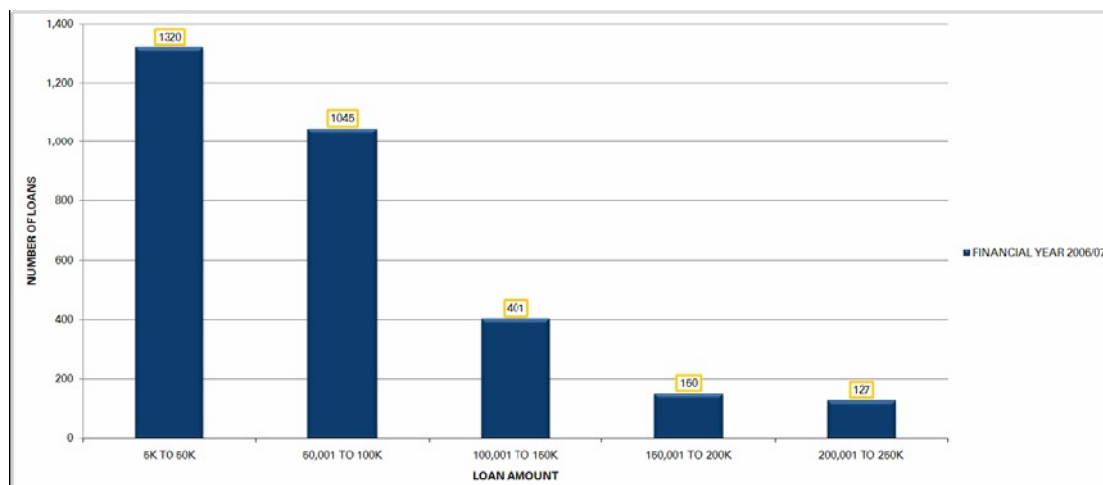
There are 4.3 million SMEs in the UK. The vast majority of them are satisfied with the availability of external finance – 79 per cent of small businesses seeking finance are successful on their first attempt - but a minority still experience difficulties in raising finance.

Up to 25,000 businesses per annum may have had viable propositions for accessing some form of external finance rejected by more than one provider.

The Small Firms Loan Guarantee was originally established in 1981 to address this market failure and has existed in several different forms. Latest evidence suggests that 71% of surveyed firms accessing the Guarantee cited a lack of collateral and 20% a lack of an established track record. There is clear evidence of additionality in terms of sales and employment.

The Guarantee is subject to an annual report to Parliament (see <http://www.berr.gov.uk/files/file40539.pdf> for the report for 2006/07).

Loans by Value



Stakeholder Engagement

CfEL host bi-annual lender workshops to discuss the operation of the Guarantee.

BERR hosted a joint RDA/CfEL workshop on 16 May to discuss how the Guarantee fits within the wider access to finance offer.

Our intention is to consult on the full menu of access to finance support through July and August.

Access Channels

Because the Guarantee is delivered by lenders and is effectively invisible to the customer there is no clear linkage with Business Link. However, as part of the development of our readiness product we would anticipate that many customers would be made aware of financing options by undergoing the readiness routeway – the main point of access to the routeway is Business Link.

Funding

£360 million has been allocated for lending for the financial year 2008/09 (an increase from £300 million in 2007/08).

In excess of £800 million is currently on loan (the maximum loan duration is ten years).

Product Name: **Small Loans for Business** [Back to top](#)

Product Definition

The provision of “last resort” lending - that is, the provision of enterprise funding of up to £50,000 to entrepreneurs from disadvantaged groups or communities for viable business propositions where the business is unable to secure all their finance needs from mainstream sources.

There is evidence of market imperfections which impact particularly upon people from disadvantaged groups/communities, such as information failures, loan size and lender viability and perceived associated risks.

Entrepreneurs in deprived areas are:

- twice as likely to have no personal bank account;
- less likely to be able to produce business accounts;
- more likely to have lower incomes; and
- less likely to own their own home or hold significant financial assets which can be invested or offered as collateral.

Organisations delivering such finance are termed *Community Development Finance Institutions* (CDFIs) and this product covers those CDFIs receiving public support (excluding community investment tax relief) through the Regional Development Agencies – **it does not apply to the wider CDFI community (or funding from private sources)**.

Typically, CDFIs offer loans plus support alongside flexibility in repayment scheduling, balanced by higher lending charges. Loans are generally in the region of £3k to £25k (although lending can be higher with larger loans usually for social enterprises) and attract higher interest rates due to the higher risk factor (plus state aid rules require interest rates on loans to “for profit” enterprises to be charged at least 4 percentage points above the “hurdle” rate).

The Government's Enterprise Strategy (published March 2008) includes a commitment that more businesses and individuals in communities that are underserved by traditional finance sources will be able to access the finance they need. For many in disadvantaged communities, this means access to enterprise finance through a CDFI.

Delivery arrangements

Annex A provides an overview of delivery and impact analysis.

Funded initially from the Phoenix Fund (2001-2006) and more recently from a BERR transition fund (2006-08), responsibility has now transferred completely to the Regional Development Agencies (from their single pot).

Loans are managed and delivered by Community Development Finance Institutions. There has been much development in the sector and RDAs are now typically looking to:

- move CDFIs onto a commercial lending footing, whereby funds are actively managed as “revolving” loan funds (not grants); and
- manage the number of CDFIs supported on a regional basis to ensure that those who are successful in bidding for funds have sufficient size and sufficient track record to attract commercial funding alongside public funding.

BERR is currently examining best practice in the sector and emerging findings are captured in this paper.

Customers

The loan can be offered by the lender to businesses (including social enterprises):

- in England;
- with less than 250 employees and a turn-over of up to €50 million or a balance sheet of up to €43 million (EU definition of a medium sized company);
- up to a maximum value of £50,000 for individual businesses (and up to a total cumulative loan value of £50,000 at any time - that is, no business can have a total outstanding loan value of more than £50,000 at any time);
- for the sole purpose of business creation, development or expansion – thereby excluding the provision of loans to clear existing debts and/or existing loans from the lender (as a mechanism for managing bad debt on the part of the lender);
- for a maximum duration of five years; and
- targeted at women, under represented black and minority ethnic groups identified in the SR2004 PSA10 and businesses operating in the 15% most deprived wards in England according to IMD 2000 (as per the “Intensive Start-Up Support” product).

Loans cannot be made by a lender to a related party (and applications should specifically seek information about any possible linkages) and the lender should have processes in place to undertake checks on the suitability of the potential recipient. The lender should also have a clearly defined policy for identifying and managing bad debt.

The lending decision falls to the lender to determine – typically one might expect a higher exposure to risk given the target group but nonetheless the borrower will be expected to have a sound business plan (as determined by the lender based upon their assessment of the individual and their chosen business area).

Rationale/Evidence Base

The Enterprise Strategy (March 2008) identified CDFIs as the main instrument to support disadvantaged entrepreneurs who are unable to access finance from commercial lenders. The Community Development Finance Association reports that CDFI activity has created and sustained 33,000 jobs and levered an extra £330 million of finance into businesses and households in deprived areas over the past ten years.

There are clear social as well as economic drivers. The evidence suggests that commercial lenders would not be willing to meet the needs of these groups/communities, not least because of issues of scale and risk, and that this mechanism actually stimulates and provides a bridge to commercial lenders.

Entrepreneurs in deprived areas/groups are:

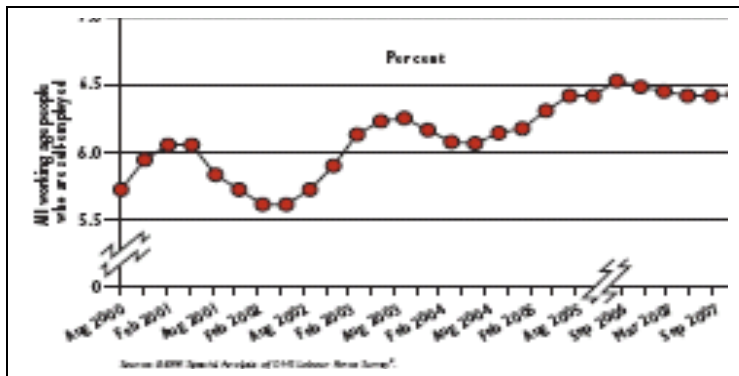
- twice as likely to have no personal bank account;
- less likely to be able to produce business accounts;
- more likely to have lower incomes; and
- less likely to own their own home or hold significant financial assets which can be invested or offered as collateral.

They therefore experience greater difficulty in securing financial support to start and grow their business.

Evaluation of the Phoenix Fund suggested that:

- 74% of clients had previously applied for financial assistance elsewhere and had been refused;
- 47% suggested they would not have started their business without Phoenix Fund support;
- 13% believe they would have stopped trading without Phoenix Fund support; and
- on average CDFIs managed to lever in £2 for every £1 provided through the Phoenix Fund.

Self employment rates for fifteen most deprived wards in England



There was an evaluation of BERR support to CDFIs in 2003-04 (see above outcomes) and the Enterprise Strategy (2008) committed Government to using BSSP to target and provide more intensive support for those currently under-represented in enterprise.

Stakeholder Engagement

We hosted workshops for the Regional Development Agencies and Capital for Enterprise Limited on 16 May and 5 June to agree product definitions, shared responsibilities and synergies between products.

We have also met regularly with the CDFA to understand the sector perspective.

We will be developing a cross-product engagement strategy to land all business support products with customers through the late summer/autumn.

Access Channels

Because loans are managed and delivered by Community Development Finance Institutions, there is no clear linkage with Business Link. However, as part of the development of our readiness product we would anticipate that many customers would be made aware of financing options by undergoing the readiness routeway – the main point of access to the routeway is Business Link.

Funding

Since 2000, Government has invested around £55 million to support the creation and growth of CDFIs - around £45 million was provided through the Phoenix Fund in 2001-2006. Direct funding support was transferred to the RDAs in 2006, with provision of a transition fund of £9.5 million for RDAs for the period 2006-2008. The Regional Development Agencies have provided indicative funding figures to end 2008/09 (see below) – in some instances

(clearly identified in the footnotes) these figures include non micro-finance loan funding.

Debt Finance			
	2006/07	2007/08	2008/09
North East	£2,000,000	£2,000,000	£2,000,000
North West	£200,000	£2,700,000	£2,650,000
South East	£463,000	£541,000	⑤
South West	⑥£1,400,000	⑥£1,400,000	④£5,300,000
East			
East Mids	£120,000	①£2,100,000	£150,000
West Mids	£900,000	£1,400,000	②£13,670,000
Yorks + Humber	£500,000	£750,000	£900,000
London	⑥£3,200,000	⑥£3,200,000	⑥£3,200,000
Total	⑦£8,783,000	⑦£14,091,000	⑦£27,870,000

- ① includes legacy Phoenix monies to pump prime CDFI provision
- ② injection of £8m into new loan fund (subject to BERR approval) and £5.367m to pump prime CDFI provision
- ③ region has not invested in any loan fund activity other than a £400,000 revenue funding to supplement £1m from BERR to cover post Phoenix CDFI activity
- ④ current likely intention only
- ⑤ funding not agreed
- ⑥ total investment in venture capital loan fund smoothed over three years and including all private and public investment
- ⑦ excludes SFLG

BERR currently supports running costs for a sector body, the Community Development Finance Association, to drive up and maintain standards in the sector. In addition CDFIs are helped to attract private investment through the Community Investment Tax Relief scheme.

Product Title: **Understanding Finance for Business** [Back to top](#)

Product Definition

A framework (announced in the Enterprise Strategy, March 2008) for RDAs to use when considering, specifying, or contracting business support on understanding ways of financing business and acquiring the skills to become investment ready.

The expectation is that the framework defines a minimum level of customer service that must be available throughout England – where regions determine to offer an enhanced service they can do so.

The framework provides an entry point for customers to business financing options and requirements, describing the relationship through Business Link IDB and a menu for more specialised provision of finance and investment readiness support (such as appraising funding and trading options, acquiring finance and business management, developing business plans and pitching to potential bidders).

Delivery Arrangements

The framework will apply across the nine English regions.

Business Link will provide the main point of access with initial filtering through website/telephony contact. Where appropriate, this will be followed by up to an hour with a business adviser to diagnose requirements, build a personal action plan and refer to specialist provision.

Specialist provision will be funded by RDAs and contracted through specialist providers. The minimum offer will encompass awareness events and coaching as appropriate.

Customers

The expectation is that support will be available to businesses:

- in England;
- with less than 250 employees and a turn-over of up to €50 million or a balance sheet of up to €43 million (EU definition of a medium sized company);
- seeking guidance on finance options; and
- seeking guidance/up-skilling to refine their approach to finance providers (lenders and fund managers).

Customers will self-refer through normal Business Link channels or be referred to Business Link by lenders and fund managers (where customers

have sought financing but been unsuccessful because they have chosen the wrong route for them or through lack of planning). Customers who are already “in the system” and at the appropriate point of support will not need to undertake the initial contacts with Business Link but their details and outcomes will be shared with Business Link.

Rationale/Evidence Base

Lending/investment institutions regularly report on the inadequacy/lack of preparedness of businesses seeking finance.

Warwick Business School report that:

- only around 16% of sole traders have their finances managed by someone with financial qualifications; and
- the same percentage report a lack of self-confidence in business finance issues.

Global Enterprise Monitor surveyed business who failed to secure equity finance and found that 27% believed it was because the business was not investor ready and 20% that the business plan was inadequate.

The Enterprise Strategy (March 2008) committed Government to:

- ensuring that all businesses understand the full range of ways in which finance and investment can be sought and raised in the market; and
- helping business to be “ready for investment” through the acquisition of specialist skills and market understanding.

Stakeholder Engagement

We have already drawn together our access to finance expert group and our RDA leads to consider an appropriate framework.

Our intention is to consult on the finance and investment readiness framework with key stakeholder organisations through July.

Access Channels

Business Link will be the main point of access to finance and investment readiness awareness and support. They will provide the lead point of referral/contact and a critical filter to ensure that customers are accessing appropriate

advice and support. Customers who are already in the system and at the correct point for support will not need redirection to Business Link but their details and progression will be shared.

Funding

Finance and investment readiness will be funded by the RDAs through their single pot. The RDAs already provide a mix of support.

The following table provides a very rough estimate of RDA spend to date and likely future intentions.

Finance and Investment Readiness			
	2006/07	2007/08	2008/09
North East	④£1,500,000	④£1,500,000	④£1,500,000
North West	£120,000	£120,000	£500,000
South East	£657,000	£434,000	②
South West	£140,000	£100,000	①£200,000
East	-	-	⑤£550,000
East Mids	£310,000	£560,000	£560,000
West Mids	£1,700,000	£1,700,000	£1,700,000
Yorks + Humber	£2,385,000	£2,670,000	£2,736,000
London	③£3,171,000	③£3,898,000	③£3,967,000
Total	£9,983,000	£10,982,000	£11,713,000

- ① *likely investment*
- ② *funding not agreed*
- ③ *includes revenue support to CDFIs (covering cost of making loans)*
- ④ *excludes awareness raising and post investment support*
- ⑤ *intention*

The framework will be developed with RDA input and support and compared to their existing commitments to ensure that it is affordable and deliverable.

We will be encouraging RDAs to ensure that any bids for ERDF business finance support are accompanied by bids for finance and investment readiness provision (as the key means for addressing demand and linking it to supply). There is clear reference to this provision in the (draft) ERDF User Manual.

Product Title: **Finance for Business** [Back to top](#)

Product Definition

The provision of debt, equity and mezzanine support to small and medium sized businesses unable to raise finance on the commercial market but having viable business plans.

Equity funds are designed to address a long-term structural weakness in the provision of risk capital to small and medium sized businesses (the equity gap) by providing a source of funding to commercial intermediaries which would otherwise not be available. The failure of the commercial market is in part because of the relative higher risks and management costs associated with making smaller investments in high potential growth businesses versus larger investments in larger ventures.

Equity funds address this market failure by providing approved fund managers (selected by competitive tender) with access to public funds to promote deal build. Public funds are available to support a maximum contribution of two-thirds of individual deals (with a ceiling of £2 million)³. Follow-on investments will be permitted after a period of six months if either the ceiling of £2 million is not exceeded or the investment is necessary to prevent or reduce dilution of the equity stake in the company and the total cost of investments in the company will not exceed 10 per cent of the total fund size.

The Enterprise Strategy (March 2008) provided a commitment by Government to stimulate the provision of **mezzanine** finance. The definition of mezzanine within this product refers to both:

- equity arrangements up to a maximum value of £2 million which allow the equity, or parts thereof, to be converted into loan; and
- debt incorporating an equity element or growth/profit/turnover share up to maximum value of £250,000 (enabling repayment after longer terms).

Debt funds are intended to enable the growth of the mezzanine finance approach (they are a point of entry for customers) and to address the difficulties some businesses (particularly those in newly emergent sectors with intangible assets and those seeking to expand rapidly) experience in raising finance, which are not met by measures to support lenders.

Loan support is only available where interest rates are charged above commercial rates (in line with State Aid rules and reflecting the higher risk

³ Public support is therefore limited to £1,333,333 - and in that instance the private sector contribution would be at least £666,666. There is no upper limit on actual deal size where the private sector ratio is greater than one-third so, for example, the public contribution might be matched on a ratio of ten to one by private investment, making a total deal of approaching £15 million.

which commercial lenders are unwilling to meet), where the borrower has been unable to raise finance from commercial lenders despite appropriate signposting and awareness raising (such as finance and investment readiness support) and where there is a viable business plan. The maximum total loan value outstanding with an individual business cannot exceed £250,000 at any time. The sole purpose of loan support is business creation, development or expansion – thereby excluding the provision of loans to clear existing debts and/or existing loans from the lender (as a mechanism for managing bad debt on the part of the lender)

The exact nature of the finance depends upon the needs of the business concerned and the investor.

Finance for Business is delivered through the Enterprise Capital Fund (managed by Capital for Enterprise Limited on behalf of BERR) and funds operated through the Regional Development Agencies. This diversity of provision is encouraged because the Enterprise Capital Fund is in its infancy (and therefore cannot at this stage be expected to address the entirety of the market failure) and it is acknowledged that increasing the richness of delivery is necessary to match supply to demand, and demand to supply (the understanding being that an increased awareness and supply would release increased demand).

The Enterprise Capital Fund is available to businesses in the United Kingdom (England, Scotland, Wales and Northern Ireland). Regional funds are available in the nine English regions.

Eligibility is restricted to businesses:

- with less than 250 employees and a turn-over of up to €50 million or a balance sheet of up to €43 million (EU definition of a medium sized company);
- demonstrating failure to secure finance in the commercial sector; and
- with viable business plans.

This product includes the Carbon Trust co-investment fund and the proposed Capital Investment Fund (focussed upon women led businesses).

Delivery arrangements

Annex A provides an overview of delivery and impact analysis.

The Enterprise Capital Fund

The Enterprise Capital Fund operates across the United Kingdom (England, Scotland, Wales and Northern Ireland) and is managed by Capital for Enterprise Limited on behalf of BERR. Management includes operating

bidding rounds for fund managers (including standard compliance issues) and oversight of fund delivery and performance. Fund managers will have demonstrated their ability in the marketplace, including their ability to attract private investment.

There is currently a network of eight fund managers in place (with a third round launched April 08 to recruit further).

Regional funds

Regional funds are also delivered through commercial fund managers (with individual “deals” constructed according to customer characteristics/need) managed by the relevant Regional Development Agency.

We have agreed with CfEL and the RDAs that they will work together to secure synergy in the delivery of these products.

Because of the nature of delivery, customers are able to access support without prior contact with Business Link. However, the introduction of a finance and investment readiness framework will place Business Link as the main point of access for advice and support on funding options and many more customers can therefore be expected to come through the Business Link gateway.

Customers

The Enterprise Capital Fund is available to businesses in the United Kingdom (England, Scotland, Wales and Northern Ireland). Regional funds are available in the nine English regions.

Funding is available to businesses

- with less than 250 employees and a turn-over of up to €50 million or a balance sheet of up to €43 million (EU definition of a medium sized company);
- demonstrating failure to secure finance in the commercial sector;
- with viable business plans.

Rationale/Evidence Base

It is widely acknowledged that a finance gap exists where viable businesses experience difficulties in accessing finance in the commercial market. This provides the rationale for publicly funded support to business across a range of Government Departments.

The equity gap occurs most acutely for businesses seeking between £250,000 and £1 million, but it is also severe for businesses seeking up to £2 million. This ongoing shortage of capital for businesses seeking modest

amounts of external funding occurs as a result of rational investor behaviour – information and transaction costs are disproportionately higher for smaller investments.

The Small Firms Loan Guarantee has provided a long-term response for businesses seeking debt finance that lack collateral/track record. It provides the lender with collateral in the form of a BERR guarantee of 75% of the loan value. However, because the Guarantee is managed through lenders and subject to lender strategies and risk assessments it cannot be viewed as a universal product. Most RDAs have therefore engaged in loan activity to address ongoing market failure not addressed by the Guarantee.

Enterprise Capital Fund

In December 2003 the Government published a response to the consultation exercise – *Bridging the finance gap: next steps in improving access to growth capital for small businesses*. Included in this paper were proposals, subject to state aids approval, to explore the scope to introduce an Enterprise Capital Fund (ECF) programme through a round of ‘pathfinder’ funds.

Bidding for the first round of “pathfinder” funds commenced in July 2005 and the first five funds launched between September and December 2006. A second round was launched in November 2006, resulting in a further three funds. Bidding for a third round opened in April 2008, with further rounds anticipated in April 2009 and April 2010.

As of December 2007, £15.1 million had been invested in nineteen businesses.

BERR produced an annual equity portfolio report for the *capital for enterprise board*. Capital for Enterprise Limited will continue to report quarterly to BERR on the performance of Enterprise Capital Funds.

It will, of course, take time for meaningful management information to flow from these early Enterprise Capital Fund investments.

Regional funds

Regional Development Agencies have created regional funds using a mix of ERDF, private and public monies. The European Regional Development Fund (ERDF) was set up in 1975 to stimulate economic development in less prosperous regions of the European Union (EU). Between 2007 and 2013, England will benefit from an investment of a further €3.2 billion of ERDF.

Regions are currently putting together their enterprise propositions for the 2007 – 2013 period, including JEREMIE and JESSICA funding.

Stakeholder Engagement

We met with the Regional Development Agencies and Capital for Enterprise Limited on 16 May and again with the Regional Development Agencies on 5 June to agree product definitions, shared responsibilities and synergies between products.

Access Channels

Because of the nature of delivery, customers are able to access support without prior contact with Business Link.

However, the introduction of a finance and investment readiness framework will place Business Link as the main point of access for advice and support on funding options and many more customers can therefore be expected to come through the Business Link gateway.

Funding

Enterprise Capital Funds

Five round one “pathfinder” funds were launched in 2006 with £81 million of Government funds, followed by a further £60 million for round two in November 2007.

As at December 2007, £15.1 million had been invested.

Regional Funds

Most Regional Development Agencies are currently considering their approach to ERDF funding. RDAs are looking to create sustainable funds that can demonstrate viability and thereby continue to operate after 2013, when many regions expect European support to end.

We will be encouraging RDAs to ensure that any bids for ERDF business finance support are accompanied by bids for finance and investment readiness provision (as the key means for addressing demand and linking it to supply). There is clear reference to this provision in the (draft) ERDF User Manual.

Product Name: **Improving your Resource Efficiency** [Back to top](#)

This offer is intended to provide a recognised and more simplified structure for both users and providers and the following sets out the current state of development with the product definition. It now combines three previous products into one. This revision is in the interests of further streamlining and clarity and informed by ongoing consultations with RDAs and Local Authorities and other interested parties, and an approach subsequently and recently agreed by Defra Ministers who also agreed the renaming to Resource Efficiency

This Product Definition still being developed as it is subject to the findings of Defra's Delivery Landscape Review to report by end November 2008.

Purpose

The Government drive for a low carbon resource efficient economy is reflected in national and regional PSA targets, within associated key policy documents such as the Waste Strategy 2007, Energy White Paper, Future Water, the Climate Change Bill etc.

The Sub-National Review of Economic Development recognises tackling climate change as a pro-growth strategy, acknowledging that ignoring it will ultimately undermine economic growth and hence a concern for regional as well as national effort.

Without the active involvement and contribution from business there is a significant risk that we will not achieve our objective of moving towards a low carbon, resource efficient economy.

Up to 45% of CO₂ emissions are generated by business yet around 30% of is wasted through inefficient practices

Around 20% of the 335million tonnes of waste is produced by the industrial and commercial sectors, 45% of this is sent to landfill sites which in turn account for around 40% of all methane emissions⁴.

The Stern Review provides a compelling case for taking action now can be limited to around 1% of annual global GDP as opposed to losing between 5% and 20% of annual global GDP from doing nothing.

A recent study⁵ found that low-cost / no-cost actions could save business some £6.4 billion annually or 1.9% of profit .

The Commission on Environmental Markets and Economic Performance highlighted such wasteful practices and called for improvements in the eco-efficiency of business operational processes and developing environmentally-improved products and services and for advise to business on resource efficiency. The Resource Efficiency offer is aimed at helping business to adopt low-carbon, resource-efficient products, processes, services and business models. The support is not only reactive by

⁴ <http://www.defra.gov.uk/environment/statistics/globalatmos/gagccukem.htm#methane>

⁵ Quantification of the business benefits of resource efficiency: Final Report to the Department for Environment Food and Rural Affairs October, 2007

responding to business wanting help to improve their performance but also proactive in identifying particular sectors and particular operators where priority action is needed.

This requires national and local effort as the needs of businesses differ in different parts of the country and hence the need for a mix of national and regionally flexible delivery in support.

There is already a well established landscape of support to business on resource efficiency and its delivery.

Description

Advice, guidance and support in various forms are provided from specialist bodies on the different aspects of resource efficiency in business production processes, in products and services and in embedding resource efficient practices into the business culture.

The following sets out the different forms national support and additional regional services which fit broadly into the provision of **initial** and **specialist** support services. Initial support is usually relatively simple and straightforward actions business can take often involving low/no cost, “quick wins” though it also includes help to identify opportunities for efficiency savings that require more in-depth engagement to secure them. Specialist support tends to involve more in depth, specific technical measures to secure resource efficiency savings.

A. Initial Level Support
1. Awareness raising activities which help build company responsiveness to the issue and stimulate action , including understanding of policy.
2. Responding to simple queries from businesses on a wide range of resource efficiency related topics, delivered by telephone advice line and e-mail.
3. Simple to use tools on topics of wide interest to help businesses recognise and gain basic understanding of resource efficiency and want to find out more – eg web-based waste savings calculator, carbon calculator.
4. Tools, including accreditation services, to help businesses understand, measure and credibly communicate their energy use and carbon footprint, resource use and wastes, applicable to various sectors and covering processes, products and packaging. .
5. Tools to help businesses understand and motivate and equip their workforce on resource efficiency changes – eg <i>Words to the Wise</i> on line tool for business culture change planning.
6. Introductory publications that give simple explanation and top tips type advice on first steps in resource efficiency, waste minimisation, water efficiency, energy efficiency etc, delivered via web site, as PDF downloads and in hard copy.
7. “How to” publications using case studies and guides that show businesses what steps to take to implement proven resource efficiency and clean design improvements, tailored to the needs and operations of product manufacturing, packaging, retail and service sectors. Available electronically and in hard copy. Facility for a user to create a bespoke electric publication that reflects their particular needs and interests using a publication wizard tool on the web site.
8. Publications dealing with issues such as creating teams, communicating actions and successes, material such as posters and fact sheets. Available electronically and in hard copy.

9. Newsletter style bulletins to keep user interest and drive repeat use of main gateways, delivered by e-mail and by hard copy.
10. Introductory events for general business communities to introduce and encourage businesses to take first steps, understand the opportunities, know where to go etc, usually run in partnership with business groups (IoD, Chambers of Commerce, local authorities, Business Links etc).
11. Distance advice on particular resource efficiency topics and queries delivered by specialists via the telephone advice line, including advice and guidance on how to comply with environmental legislation and protect the environment.
12. Facilitated business networks/workshops.
13. Consultation forums (eg round table topic groups and focus groups) that help ensure future strategic direction meets business needs in particular sectors and on key issues on business and employee culture change
14. Events that guide or train businesses in best practice or new initiatives and /or allow networking opportunities

B. Specialist Support
1. Project/partner referrals using the network of regional and national contacts to help businesses seeking more in depth support. Provision of on-site support through local and regional programmes of support (both subsidised and fully funded) by experts who can define what organisations can do in order to reduce resource usage, and tailored implementation support to help capture these opportunities.
2. SUPPORT FOR SECTOR AGREEMENTS TO MEET SECTOR WIDE VOLUNTARY RESOURCE IMPROVEMENT TARGETS, IN PARTNERSHIP WITH TRADE ASSOCIATIONS, DELIVERED BY ADVICE ON DEVELOPING MEASURING REPORTING FRAMEWORKS AND SUPPORTING INFORMATION AND GUIDANCE (EVENTS, PUBLICATIONS ETC).
3. Measurement & benchmarking systems that collect data on specific sector resource use so that businesses can assess themselves and against their peers.
4. Identifying and researching new case studies that fill gaps or update existing guidance.
5. Identifying leading companies that are prepared to act as mentors to others.
6. Identifying sustainable resource management solutions for businesses by facilitating collaboration in matching waste outputs of one as resource input for another.
7. Consultation forums (e.g. round table topic groups and focus groups) that help ensure future strategic direction meets business needs in particular sectors and on key issues on business and employee culture change
8. Loans and grants for some types of business (e.g. interest free energy efficiency loans for SMEs, heavy energy users, waste processors)
9. Establishing, maintaining and disseminating list of energy and water saving equipment qualifying for enhanced capital allowances.
10. Sector e-bulletins to update businesses who have used sector services on new products, events, news etc, distributed electronically.
11. Workshops and technical tools targeted at clean design topics in electronic and hard copy formats including physical and virtual workshops that give advice on assessing options, measuring impacts etc with product related resource efficiencies and producer responsibility.
12. Supply chain support to help groups of suppliers and their customers to achieve mutual benefits from adopting more resource efficient products and packaging delivered using workshops and electronic toolkits.
13. Proactive targeting of specific business in the recycling and reprocessing sector to help overcome specific market failures to increasing capacity to deal with waste from wider business.
14. Course materials for companies, institutions and universities, aimed at business leaders

and designers, showing benefits of innovative business models based on product-services and re-use
15. Consultation forums (eg round table topic groups and focus groups) that help ensure future strategic direction meets business needs in particular sectors and on key issues on business and employee culture change
16. Help on how to develop and deliver action plans that will result in low carbon and resource efficient business practices and culture.

Eligible Businesses

Most of the services, especially at initial level, are available to all businesses in England, in all sectors and including SMEs to help reduce their high collective environmental impact. Access to advice via websites, publications, guides, case studies, and online tools is all freely available to any business of any size or in any sector who can also access free advice from helplines. Support is also available in the form interest free loans of between £5,000 to £100,000 for small or medium-sized enterprises (SMEs) in England for energy efficiency with the size of loan linked to threshold levels of carbon savings the loan will help secure. Similarly support is also available for those in the recycling/ reprocessing business, mostly for SMEs though with some financial services also available for larger businesses.

Much of the more specialist support will be targeted at businesses with significant potential both for making cost savings and from reducing their environmental impacts e.g. operators with energy bills in excess of £50,000. Specialist support will also be deployed where business has made public commitments such as through voluntary agreements or via sector initiatives such as the *Courtauld Commitment* (retailers) and the *Federation House Commitment* (food & drink).

The duration of the specialist support will vary. Some forms of support – technical workshops (including online “webinars”), development and dissemination of technical sector guides, web based benchmarking tools – are by their nature of limited duration. Supporting the implementation of voluntary agreements can involve a longer term engagement with the signatories/participants as can efforts to stimulate markets for recyclable materials, but support is withdrawn as soon as the activity becomes self-sustaining.

Delivery – procurement

This product requires flexibility and support is procured at two levels: nationally through Defra and regionally through the Regional Development Agencies and local authorities. Regional flexibility also will be enhanced by the conduits provided by regional fora and networks that the RDA's sponsor (e.g. cluster development organisations) and in their co-ordination.

National Procurement

UK-wide delivery is sourced / procured nationally from specialist bodies notably Carbon Trust, WRAP, NISP and Envirowise.

These are sourced/procured nationally to:

- ensure consistency in provision of a range and quality of services across all regions and sectors,

- secure economies of scale in the operation of support services and minimise the overheads associated with the service provision
- provide for greater coherence in service provision – common access to and deployment of expertise
- enable more fluid exchange of good practice across regions and countries in the UK
- most easily comply with state aid / general measure guidelines
- provide sector specific information which is more relevant for business than geographically specific information.

Regional Procurement

In recognition of the variation in needs in different regions national support is supplemented at a regional level by support procured by RDA's.

Regional support enables:

- Increased focus on key sectors or geographical areas at a regional and local level in line with the priorities set out in the Regional Economic Strategies
- A spatial focus to support.
- Added value to Defra funding through the use of additional regional funding, in particular European Regional Development Funding.
- Ability to provide support at a company level, where this can help the competitiveness of key sectors of a region's economy.

Guidance to regional procuring bodies will be developed. The aim is for regionally procured support to complement and not to duplicate support available at the national level and not to create confusion for businesses.

Measures of Success

As well as specific evaluations undertaken by national delivery bodies they also provide common key metrics with which to monitor their progress and achievements covering business and environmental benefits:

Business

- 1• cost savings to business;
- 2• increase in sales;

Environmental

- 1• reduction in greenhouse gas equivalent;
- 2• water conservation;
- 3• virgin raw materials saved;
- 4• reduction in hazardous waste; and
- 5• materials diverted from landfill.

Cost-Effectiveness and Cost Benefit

- 6• £ cost per tonne output (eg CO₂ / GHG emissions reduced, materials diverted from landfill)
- 7• £ net cost/benefit per tonne output (e.g. CO₂ / GHG emissions reduced, materials diverted from landfill)

These metrics, developed for use under BREW (Business Resource Efficiency and Waste) programme, together with arrangements for performance management of delivery and monitoring progress are the subject of Defra's Delivery Landscape Review and an NAO value for money study of the BREW programme.

However it is accepted that more can be done to improve the consistency in the way that the outcome estimates are assessed and reported particularly in terms of assessing attribution, persistence, treatment of softer impacts on behaviour through influencing, advertising etc.

Work is continuing to determine appropriate performance measures/indicators associated with this product - Annex B - which is being taken forward as part of the evolving monitoring and evaluation framework for BSSP.

All schemes will be expected to put in place robust measurement tools to demonstrate progress against these indicators and others as required for ERDF funded business support and Local Government Performance Framework.

Delivery & Access

Access and delivery is through a number of routes as discussed below.

1. Business Link as the primary gateway

In line with BSSP principles Business Link will be the primary gateway for all business support, including the support identified under this product. Business Link will strengthen its information-diagnostics-brokerage role with support from both the RDAs and Defra's delivery bodies. The specialist support brokered by BL will be made up of the national delivery bodies (see below) and regional programmes, as appropriate.

Work started in 2007/8 to mainstream environmental support into the Business Link agenda and train Business Link advisors on specific business needs and issues as well as to improve their understanding of the specialist support available through national and regional delivery partners. The model varies in different regions however the principle of BL as the primary access channel for all support is universal.

It is important that this continues to be mainstreamed. The Regional Development Agencies will continue to play an important facilitation role in this area. All national delivery bodies will be required to work with the RDAs /BL to ensure that Business Link has up to date information about their products and service and that this is integrated into the specific access delivery model at a regional level.

The BL gateway is particularly important for servicing SMEs and to ensure that the standard national support and flexible regional support is brought together in a simplified form for individual businesses.

For larger companies, and in particular those organisations and sectors who are already proactively working with national delivery bodies, the BL access channel is less appropriate. These issues will be looked at as part of the Defra delivery landscape review and guidance provided to ensure that the BL gateway is used where appropriate but that the principle of 'no wrong door' is also used.

2. National Specialist Support

National support to business on resource efficiency and carbon reduction in England is funded by Defra and delivered via national organisations and a variety of services

outlined above many at a regional level working cooperatively with RDAs and business link access channels.

The expertise needed for the delivery of specialist support on different aspects of resource efficiency is provided via a number of delivery bodies –

- Carbon Trust (CT)
- Waste and Resource Action Programme (WRAP)
- National Industrial Symbiosis Programme (NISP)
- Envirowise (managed by AEAT)
- Action Sustainability (AS)
- Centre for Remanufacture and Reuse (CRR - Oakdene Hollins)
- Construction Resources and Waste Platform (CRWP - AEAT and BRE)

3. Regional specialist support

This is complemented at a regional level by programmes of support. Examples include (but are not limited to:)

- Enworks (NW)
- Resource Efficiency Yorkshire (Y&H)
- Envision (SW)
- Midas (NE)
- Resource Efficiency East (e.g. Eastex) (EoE)

Regional programmes are designed based on specific regional needs and to be complementary to the national support.

Defra is currently reviewing its delivery landscape to identify and assess options for reform. This is looking at the overarching principles in respect of public funding in this area and at the roles, responsibilities and relationships of the relevant delivery bodies such that Defra ensures coherent, effective and efficient resource efficiency services are offered to business. This will include any apparent scope for rationalisation, scenarios for future funding levels, sponsorship and governance arrangements, and will be considered in the context of development of this product and delivery of the Business Support Simplification Programme.

PRODUCT NAME: Environmental Land Management Funding [Back to top](#)

Purpose

The objective of Protecting the Natural Environment is to restore, maintain and enhance a healthy, resilient, productive, and diverse natural environment, that will benefit human health, well-being and economic development, now and in the future. It supports the delivery of the Government's PSA target 28.

This product is targeted at farmers and land managers and encourages them to participate in the delivery of effective environmental management. It consists of nationally defined schemes, which are delivered regionally by Natural England (Environmental Stewardship and closed agri-environment schemes) and the Forestry Commission (woodland schemes), forming part of the EU-Exchequer funded Rural Development Programme for England.

Description

This product implements the main elements of the current Rural Development Programme for England 2007-2013, and provides for ongoing payments to participants in earlier schemes now closed to new applicants.

Schemes within the product are:

- Environmental Stewardship (ES), which comprises
 - Entry Level Stewardship (ELS) a broad based scheme open to all conventional farmers in England;
 - Organic Entry Level Stewardship (OELS) a broad based scheme aimed at organic farmers;
 - Higher Level Stewardship (HLS) a targeted scheme aimed at the most valuable habitats and environmental features requiring complex and locally adapted management.
 - From 2010, Uplands Environmental Stewardship a broad based agri environment scheme aimed at upland farmers
- English Woodland Grant Scheme (EWGS) a scheme which aims to sustain and enhance the public good benefits of existing woodlands and create new woodland;
- Environmentally Sensitive Areas (ESA); Countryside Stewardship Scheme (CSS); Organic Farming Scheme (OFS); and Habitats scheme (all closed to new applicants)
- Hill Farm Allowance (HFA) (to be withdrawn in 2010)

- Woodland Grant Scheme (WGS) and Farm Woodland Premium Scheme (FWPS) (both closed to new applicants)

The objectives of Environmental Stewardship are:

- the conservation of wildlife (on farm land, both in protected areas and the wider countryside);
- natural resource protection (focusing on reducing diffuse water pollution from agriculture).
- the adaptation of farming methods around environmental and historic features on farmed land, to enhance biodiversity and resource protection;
- the maintenance of landscape quality and character;
- the promotion of public access and understanding

In addition, the Higher Level Stewardship strand has the following secondary objectives:

- flood management where it contributes to wetland and coastal habitat management;
- genetic conservation of agricultural resources

Environmental Stewardship is a voluntary scheme, offering payments to land managers who agree to manage their land for the positive benefit of the scheme's objectives. ES is a 'whole farm' scheme, so applicants are normally required to enter all their land into Entry Level Stewardship/ Organic Entry Level Stewardship and then, where there is a need for more focussed management, to enter the appropriate part of their land into Higher Level Stewardship.

Entry Level Stewardship (ELS)

Farmers receive a flat rate payment per hectare to undertake simple but effective environmental management on their land. They can choose from a range of management options suitable for their farm type.

Organic Entry Level Stewardship

OELS has a similar range of management options to ELS, adjusted to fit with organic management, and is available to farmers and land managers who are registered with an organic inspection body in accordance with EU Regulation 2092/91.

Farmers who manage a combination of organic and conventional land can apply for OELS on their organic land and ELS on their conventional land as part of a combined agreement.

Higher Level Stewardship (HLS)

HLS aims to deliver significant environmental benefits in high priority situations and targeted areas. HLS is discretionary, competitive, and

concentrates on complex types of management with agreements tailored to local circumstances, and is usually underpinned by an ELS/OELS agreement.

English Woodland Grant Scheme (EWGS)

EWGS provides grants to sustain and increase the public benefits of existing woodlands and help create new woodlands to deliver additional public benefit.

Eligibility

The product is aimed at farmers, foresters and land managers.⁶

Environmental Stewardship

ES applicants (whether for ELS, HLS or OELS) must have management control of the land for the full term of the agreement (5, 10 or, occasionally, 20 years depending on type of agreement). Where this is not the case, the tenant may make a joint application with their landlord, who must agree to take on the management responsibilities for the land and, for OELS, continue with the organic registration of the land, in the event of the tenancy ceasing during the life of the agreement. Tenants on land owned by Exchequer funded bodies (e.g. Government departments) may be eligible to apply for activities that are over and above the requirements of their tenancy agreement.

Any land already subject to management conditions through an existing legal requirement or another grant scheme e.g. ESAs, CSS, OFS, which cannot be combined with ELS or OELS, is ineligible. Crown bodies and non-departmental public bodies (NDPBs) are ineligible for ES.

Common land is eligible for ELS, but excluded from OELS.

OELS management options are only available on land registered as fully organic with an organic inspection body, or in conversion to organic farming and not already receiving organic conversion or maintenance aid under the OFS or the now closed Organic Aid Scheme (OAS).

HLS applicants are required to hold an existing ELS/OELS agreement, or to apply for HLS in combination with ELS or OELS. Land in another scheme (CSS or ESA) or with an existing legal requirement cannot be entered into HLS. Any other land on the holding will only be granted entry if it meets local HLS targets. Applications for a new ES agreement combining both areas of land can be made when the original (CSS or ESA) agreement ends. For HLS, Priority is given to land within target areas or which contains target features.

Benefits

⁶ EU regulations define a farmer as a person who devotes an essential part of their working time to agricultural activities and who derives at least 25% of their gross income from farming, taking account of all the land that they farm in England.

As part of the Strategy for Sustainable Farming and Food, environmental land management schemes make a vital contribution to promoting public recognition of the environmental contribution made by farm businesses. They provide compensation for income foregone as a consequence of adopting different management practices. There are opportunities for diversification into non-agricultural enterprises and tourism that arise from the value placed by the public on a well managed environment and landscape.

The wider societal benefits are accrued from increased participation in environmental land management and include:

- provision and maintenance of suitable habitats for wildlife generally and for some species (such as farmland birds) in particular
- continuation of traditional crafts (e.g. hedge-laying and dry stone-walling) and their wider contribution to the rural economy
- conservation and retention of important landscapes and archaeology
- support for the adaptation of the natural environment to climate change
- enhancement of the contribution of agriculture and land management to climate change mitigation, for example by reducing greenhouse gas emissions, and providing and protecting carbon storage
- opportunities for the public to see and enjoy these achievements and to learn about them which also lead to benefits for rural communities through revenue from countryside visits/tourism
- educational enhancement as school children benefit from the opportunity to visit farms and learn about the countryside
- increased area of woodland under certified sustainable forest management and approved management schemes
- maintenance of the existing area of woodland under certified sustainable forest management and approved management schemes
- expansion of the area of woodland with public access
- woodland Sites of Special Scientific Interest brought into favourable condition
- delivery of Priority Habitat and Species Action Plans for woodlands
- improvement of the environment of disadvantaged urban communities
- woodland creation

Rationale

These schemes are the Government's response to market failure in the provision of environmental management.

Environmental Stewardship

Agri-environment schemes were introduced in 1987 to conserve and improve the farmland environment by encouraging and supporting environmentally friendly farming methods, and protecting sensitive landscapes and habitats from further agricultural intensification. The Environmentally Sensitive Areas

(ESA) Scheme was launched in 1987 followed by the Countryside Stewardship Scheme (CSS) in 1991, to apply to land outside ESAs. The Habitat Scheme, introduced in 1994, was aimed at creating or enhancing certain valuable habitats by taking land out of agricultural production, or introducing extensive grazing, and managing it for the benefit of wildlife. The Organic Aid Scheme (OAS) encouraged conversion to organic farming.

A wholesale review of the schemes resulted in closure of ESAs and CSS to new applicants in 2004 and Organic Farming Scheme closure in 2005, and all were replaced by Environmental Stewardship (ES) in 2005.

Agri-environment schemes are part of the Rural Development Programme for England 2007-2013 (RDPE) and its predecessor, the England Rural Development Programme 2000-2006, (ERDP), and have significantly contributed to improving the ecological condition of high value sites (Sites of Special Scientific Interest (SSSIs)). The proportion of SSSIs in target ecological condition increased from 50% in 2000 to over 72% in 2006 under the ERDP. This needs to be sustained and further improvements achieved in the current Programme in order to meet the Government target for 95% of SSSIs to be in target condition by 2010, with HLS being a major means of achieving this target.

Changes to the farmland bird index (a widely accepted proxy measure for the state of biodiversity) in recent years suggests that the decline in the populations of some farmland bird species may have been halted, but there is no evidence of a recovery. Continued large scale intervention is necessary during the current EU programme period 2007-2013.

Successive reforms of the Common Agricultural Policy have done much to remove the forces that drove the degradation of the rural environment in England, but there is still much to do to restore losses and maintain gains. There is no sign that market forces alone can yet ensure that this will happen on a sufficient scale. Large scale provision of incentives for positive environmental management is still therefore necessary to address this market failure.

The RDPE builds on the achievements of the previous programme, using ELS to continue to improve the quality of the wider farmed environment, OELS to secure the additional environmental benefits associated with organic farming and HLS to concentrate resources on the most valuable features with more complex requirements.

English Woodland Grant Scheme

Government policy, as set out in the Strategy for England's Trees, Woods and Forests is to promote the expansion of woodlands in England in order to provide a wide range of public benefits. There is evidence that government intervention in forestry is required to overcome market failure in recreation, carbon sequestration, watershed regulation, biodiversity conservation,

landscape amenity and air pollution reduction. This work further demonstrated three areas of intervention with the potential for substantial net benefit:

- visible amenity planting, particularly in peri-urban areas;
- access to woodlands procured around towns; and
- extending biodiversity through planting of native broadleaved woodland and the extension of woodland around ancient semi-natural woodland sites.

To meet the diffuse water pollution requirements of the Water Framework Directive, Catchment Sensitive Farming has been introduced in 40 priority catchments in England. Woodland planting to act as buffer strips along watercourses or to prevent soil erosion may be part of such an approach to land management.

Under the UK Biodiversity Action Plan (BAP), and the revised Biodiversity Strategy for England, a target has been set for the expansion of native woodland by 1% per annum (5300 ha p.a.). Several priorities have been identified for the location of this new woodland including:

- buffering the margins of woodland or other habitats;
- expanding small woods;
- complementing and diversifying the age structure of even-aged woods;
- contributing to habitat networks and 'ecological connections' across landscapes;
- developing clusters of inter-connected woodland;
- creating some large new woods.

Access

Access to this product will be through the respective delivery bodies, Natural England and the Forestry Commission. HLS and the woodland schemes are highly technical and require significant levels of environmental expertise and guidance for their successful delivery. However, it is recognised that there should be for two way signposting between the delivery bodies and the Government's primary access channel for business support – Business Link. The delivery bodies will work with Business Link to ensure Business Link advisers are sufficiently briefed on the schemes to direct eligible businesses to the appropriate delivery body, as part of their generic IDB function. Natural England and the Forestry Commission will seek opportunities to promote wider Business Link services, where appropriate. The Business Link.gov.uk website will also direct enquiries to the appropriate delivery body website.

Businesses may also become aware of this support through their engagement with Natural England and/ or the Forestry Commission in other contexts, or through National Parks, AONBs, environmental NGOs, charities, and private sector organisations. Where businesses access the product via a route outside Business Link they may be referred to Business Link for a holistic business diagnostic.

Marketing

EU regulations require that provisions are put in place to ensure that the Rural Development Programme for England is publicised as a specific programme. Each of the delivery bodies has their own detailed communications plan aimed at their specific target audience. The overall aim of the Communications Strategy for the Programme is to:

- ensure that the Programme is publicised effectively and transparently, so that all potential rural beneficiaries are aware of the Programme and the European Community's contribution;
- encourage the submission of high quality applications that deliver a range of public benefits in a cost-effective way; and,
- help keep processes simple and easy for the customer to understand

Comprehensive information about the financing opportunities offered by the Programme is available on Defra's website. The delivery bodies' websites include detailed information about the schemes, and information about where to obtain details about other aspects of the Programme.

Detailed information about the Programme is set out in guidance literature. This is available on request. All beneficiaries of assistance from the Programme must receive, as part of the notification of their award of the assistance, information explaining that the action is being financed from a programme part-financed by the EU through the European Agricultural Fund for Rural Development (EAFRD). The literature for all the RDPE schemes (web-based and hard copy) includes clear and detailed information about:

- the administrative procedures to be followed in order to qualify for financing under the Programme;
- a description of the procedures for examining applications for financing;
- the eligibility conditions and/or criteria for selecting and evaluating the projects to be financed; and
- the names of persons or contacts at national, regional or local level who can explain the way the Programme works and the criteria for selecting and evaluating the operations.

Branding

All publications (such as booklets, leaflets and newsletters, and electronic publications) about activity part-financed by the EAFRD must contain a clear indication of the European Community's participation, as well as the Community emblem if the national or regional emblem is also used. The publications will also be clear about the delivery partner responsible for the information content, and about the role of Defra as Managing Authority in implementing the Programme.

Websites concerning the Programme are required to

- mention the contribution of the EAFRD at least on the home page;
- include a hyperlink to the Commission website concerning the EAFRD.

Specification Envelope

The performance characteristics offered as publicly funded business support across England by this product need to fall within the Specification Envelope as defined below:

Specification Range 1 Type of assistance

Environmental Stewardship

Environmental Stewardship provides payments (based on income foregone - IF) for the delivery of effective environmental land management. Payment rates for the scheme are set in the light of calculations of IF and costs incurred by farmers/land managers in complying with the particular options, including any transaction costs incurred. Points (ELS only) and payment rates have been set in accordance with the requirements of the European Rural Development Regulation and data used in calculating IF has to be independently verified and submitted to the Commission. Most payment rates are set below 100% of income foregone. Payment rates will be examined at regular intervals over the programme period 2007-2013.

ELS

For ELS, there is a standard payment rate of £30 per ha across England, but with a lower payment rate of £8 for land in parcels of 15ha or more within the Moorland Line.

OELS

For OELS, there is a standard payment rate of £60 per ha for all eligible land. Conventional land parcels in an ELS/OELS agreement are paid at £30 per ha. Organic land in parcels of 15 ha or more within the Moorland Line are not eligible for the £60/ha payment rate and receive the normal ELS rate for this area of £8/ha.

There are also top-up payments available for land undergoing organic conversion. There are two payment rates according to the types of land entered into conversion under OELS: a lower rate of £175 per ha /per annum over 2 years for improved land and a higher rate of £600 per ha/per annum over 3 years for conversion of established top fruit orchards. The payments are based on IF and additional costs incurred in complying with the terms of the scheme.

HLS

HLS payments vary according to the payment rates for the options included in each agreement, and the area/length/number of options selected. Where an HLS option is underpinned by an ELS/OELS option on the same land the payment received under ELS/OELS for that area is deducted to avoid duplication of payment for the same management activity. There is a single, national, maximum payment rate for each HLS option, based on costs averaged across the country.

English Woodland Grant Scheme

Woodland Creation Grant

EWGS grants for afforestation comprise two components: the basic contribution to costs (the Woodland Creation Grant (WCG)) and Additional Contributions to cost. Every agreement receives the WCG but Additional Contributions are applied only where additional targeting criteria are also met. The initial Additional Contributions and their criteria are set out in the section on Aid Intensity below. The aid provided by EWGS includes:

- establishment costs – an area-based standard grant, paid in two instalments of 80% after planting and 20% five years later, or 100% after planting in the case of broadleaves grown at wide spacing;
- a contribution to agricultural income foregone – an annual payment for 10 or 15 years depending on the type of woodland established.

Afforestation proposals that meet environmental requirements are scored according to a published set of criteria. The criteria are adjusted periodically according to the current priorities for Government and the region. The criteria seek to rank applications for afforestation support according to the quality of the proposals, in terms of environmental gain, public and social benefit, future economic development potential, location and supporting priorities at the sub regional and local level.

The ranked applications are all considered together (at least once for each planting season) and the highest scoring applications are then approved and converted to agreements for afforestation support. The threshold score is determined for each region of England individually to ensure that funding and support is distributed appropriately within England. Advice is available to unsuccessful applicants to improve their proposals for next season should they wish to re-try.

EWGS also provides for afforestation to be supported on a competitive bid basis. Under a challenge fund, the requirements are published and landowners are encouraged to develop proposals and bid for the funds required. The bids can be based on competitive costs to meet a set specification, or based on the specification offered for a set grant rate, or a combination depending on the nature of the Challenge Fund. In Challenge Fund cases, a separate scoring mechanism will be prepared to suit the

specific requirements of the fund, and may also involve a panel of independent judges to select the winning bids. Challenge fund applications are handled separately from those being considered under the standard scoring mechanism. There are no afforestation challenge funds in operation at the time this programme is approved.

The silvicultural requirements for the establishment of different woodland types are specified. All the costs necessary for the plantation are listed and valued using information from the industry's professional bodies and forestry practitioners. These will be set for the start of the programme and reviewed at least once more during the programming period.

Where a cost is known to have significant variances around England (principally due to failure of market competition locally) the range of known values is considered and an appropriate intermediary value is chosen for the afforestation model. This is not calculated as an average because the choice of this value takes into account the requirement to ensure that any potential risk of overcompensation within the total cost model is minimised.

Income forgone is calculated on the basis of loss of contribution to farm profit from land when it is converted from agricultural use to woodland. It takes into account extra costs, income lost, costs saved and extra income typically involved for different land types broken down by area (i.e. whether in a LFA and, if so, whether DA, SDA or above the Moorland Line) and use prior to conversion (i.e. arable, other improved land or unimproved land). Account is also taken of loss of EU CAP Single Payments

The results of these calculations are then used to inform decisions on the actual payment categories and aid intensities to be applied. However, such decisions also take account of other factors such as value for money and efficiency of scheme administration.

Woodland Planning Grant

The Woodland Planning Grant supports the preparation of plans that meet UK Woodland Assurance Scheme (UKWAS). It is designed primarily to aid the production of management plans – the foundation of sustainable management. The management plan template meets UKWAS planning requirements, thus assisting entry into certification. Properties with over 3 hectares of woodland are eligible and all woodland within a property should be included. The payment rates are £10/ha up to 100ha and £5/ha over 100ha, with a minimum payment of £300.

Woodland Assessment Grant

The Woodland Assessment Grant supports the gathering of specific information to improve management decisions. It is designed to obtain further information, where there is an identified need, to help inform management

decisions based on site sensitivity in relation to proposed work. It is not available where the information is needed to comply with other regulations, e.g. Environmental Impact Regulations or Planning Permission. The payment rates depend on the type of assessment being made (e.g. ecological assessment, landscape design plan, historical and cultural heritage or determining stakeholder interests).

Woodland Regeneration Grant (WRG)

The Woodland Regeneration Grant supports desirable changes in the delivery of public benefits from woodland at the time of greatest opportunity. Payment is made for restocking of ancient and secondary woodland sites .

Woodland Management Grant

The woodland management grant supports the basic management activities that underpin woodland sustainability. To be eligible, properties over 30ha must be certified to UKWAS and have a management plan. Properties under 30ha do not need to be certified but must have either a management plan or a Condition, Opportunity and Threat (COT) Assessment. SSSI woodlands, native woodlands, ancient woodlands, public access woodland (where there is a demand) or woodland within Red squirrel reserves are eligible for payment. The payment rate is £30/ha per year on the eligible area.

Woodland Improvement Grant

The woodland improvement grant supports capital projects which sustain and increase public benefits in woodlands'. There are 4 national funds available:

- SSSI WIG - 80% contribution for SSSI sites in unfavourable condition, where the work will address key threats and bring the site into 'recovering' condition
- BAP WIG - 50% contribution to deliver the UK Biodiversity Action Plan for priority woodland habitats and species, e.g. restoring Plantations on Ancient Woodland Sites (PAWS)
- Red squirrel WIG - 80% contribution for conservation work in Red squirrel reserves and buffer zones
- Access WIG - 50–80% contributions for the provision and improvement of public access facilities where there is a need. Higher contributions are available in regional priority areas, e.g. Social Regeneration Priority Areas

In addition to these national priorities, there are some regional funds. For example, in

East England WIG funding is available for work relating to Forest Schools.

Specification Range 2 Duration of public sector assistance

Public sector assistance is provided in return for land managers' undertaking to implement scheme measures for a specific period of time. For ELS and

OELS this is five years. HLS undertakings will, in most cases, subject to a review in 2012, run for ten years because of the more detailed and complex nature of the agreement and the need to deliver significant environmental benefit. The details and length of the undertaking are set out in each specific scheme agreement and the scheme literature. Each agreement going beyond 2015 will contain a review clause requiring review in 2012, to take account of future EU decisions on a successor to the current Rural Development Regulation (EC 1698/2005 which sets out the regulatory framework within which the RDPE operates.)

Agreement holders undertake to fulfil their obligations for the full term of an agreement, subject to the review in 2012. Where the agreement holder is unable to meet the terms of the agreement for the full period they will have the agreement terminated prematurely and may be liable to recovery of payments.

For EWGS, agreements last between 5 and 30 years:

Woodland Creation Grants - 10 years from the date a first instalment is paid

Additional Contributions to Woodland Creation Grants expressly for Public Access – 30 years from the date a first instalment is paid

Woodland Regeneration Grant =10 years from the date the payment is made

Woodland Improvement Grant = 5 to 30 years depending on value of public access grant being paid

Woodland Management Grant (five annual instalments) = 5 years from the contract Approval Date

Specification Range 3 Geographic Scope

Across England.

Funding constraints

Public sector assistance is currently provided jointly by the European Agricultural Fund for Rural Development (known as ‘the second pillar’ of the Common Agricultural Policy); and by Defra via Natural England, a Non-Departmental Public Body, and the Forestry Commission, a separate Government Department but which is on Defra’s vote.

The Rural Development Programme for England is a seven year programme, running from 2007-2013 and seven year budgets have been approved as part of the formal programme approval process.

PRODUCT NAME: **Environmental Land Management Advice** [Back to top](#)

Purpose

The objective of Protecting the Natural Environment is to contribute to a healthy, resilient, productive, and diverse natural environment.

This product aims to improve the rate of knowledge transfer and expertise within farm businesses engaged in land management. Its aim is to encourage environmentally sustainable land management, in particular facilitating the participation of farms in agri-environment schemes.

Description

The product offers advice to land management businesses, delivered through Natural England's regional structure.

Current services within the product are:

- Organic Conversion Information Service
- Environmentally Sustainable Land Management programme (formerly known as the Farm Demonstration programme)
- Environmental Stewardship advice programme (formerly known as the Conservation Advice programme)

All three are part of Natural England's Land Management Advisory Service, established in April 2008.

Advice and guidance to improve environmental land management is provided in the following specific areas:

- maintenance and enhancement of the natural environment and landscape;
- conservation of biodiversity
- promotion of public access to and understanding of the countryside;
- protection of the historic environment
- protection of natural resources

Advice is provided through locally arranged advice events (typically farm walks, workshops and demonstration events); 1:1 visits where applicable (for Higher Level Stewardship); the Natural England telephone helpline and the Organic Conversion Information Service (OCIS) (which signposts organic farmers to agri-environment advice); and web guidance.

Eligibility

The product is aimed at all farmers and land managers in England, and their advisers, but with the focus being on those land managers in priority areas, or with priority features, to ensure that environmental benefits are maximized.

Benefits

The benefits for land management businesses are:

- Improved awareness and understanding of how they can manage their land more sustainably to deliver benefits for the natural environment, including biodiversity, landscape and public access, and environmental services such as flood protection, clean water and carbon storage.
- Financial support, under agri-environment agreements, for the provision of public environmental services and goods

The wider societal benefits are accrued from increased participation in environmental land management, and the benefits of that activity as set out in the descriptor for product 1.

Rationale

The advice and information provided will assist land managers to deliver environmental public goods and services for which there is no market demand. Research has shown that the majority of farmers are not willing to pay for this advice, because it will not deliver any direct income, so there is clear market failure. Research has also shown that the provision of the advice is effective in changing land management practices to benefit both the natural environment and society, both on its own and in support of regulatory and financial levers including agri-environment schemes.

The advice programmes aim to ensure that agri-environment schemes, in particular Entry Level Stewardship (ELS) and Organic Entry Level Stewardship (OELS) meet their intended outcomes by ensuring there is large scale scheme uptake on agricultural land in England; that appropriate option uptake occurs in priority areas and situations to address the priority features concerned; to ensure understanding and compliance with scheme rules; and to promote and encourage best environmental practice.

Access & Delivery

This support is delivered either in-house by Natural England staff, or through contractors. Specifically, OCIS is delivered by contractors managed by Natural England, while the other two programmes are delivered in-house, with the exception on an interim contract for the provision of some Environmental Stewardship advice while Natural England builds its in-house capacity.

Farmers and land managers can access the advice programmes through making direct contact with Natural England staff or their contractors. This contact may be made face-to-face at offices or at farm walks, workshops, markets, etc, or via telephone helplines, or via the Natural England website.

Natural England, as the delivery agent, will work with Business Link to ensure Business Link advisors are sufficiently briefed on the product to direct eligible businesses to them where relevant. For instance Business Link could be briefed to signpost customers towards events being planned in their area. Likewise Natural England will direct land management businesses to Business Link where they require economic, rather than environmental, advice and support .

Marketing

The services are currently widely publicised in the farming press, at shows, and through direct invites to events sent to land managers in target areas through the post, by email or by SMS. For those businesses already participating in agri-environment schemes, telephone invitations are issued for best practice events. Information is also available from Natural England through its website and telephone helplines and NE holds details of those who have expressed interest in future events.

Branding

The programmes are all primarily branded as being delivered by, or on behalf of, Natural England. Although not as yet clearly marketed as such, they are all part of the Natural England's Land Management Advisory Service, which ensure integration and join-up. Although substantial progress has been made over the last year in unifying the branding and making delivery more coherent, further work needs to be done on this, to ensure that customers perceive them all to be part of the same service.

Specification Envelope

The performance characteristics offered as publicly funded business support across England by this product need to fall within the Specification Envelope as defined below:

Specification Range 1 Type of assistance

Assistance available from the public sector will be provided as advice and information delivered through using recognised and effective extension techniques.

This assistance will be offered in a number of ways

- one-to-one provision of advice via visits to the businesses resulting in an action plan for the business to take forward (currently only available for HLS)
- Attendance at clinics or drop-in sessions (eg at markets)
- workshops and events for a number of businesses to encourage the transfer of knowledge between trainers/advisers and between land managers, and to facilitate entry into the agri-environment schemes which form PNE product 1
- demonstrations of environmental good practice on farms in support of delivery of the Strategy for Sustainable Farming and Food.

- Telephone helplines
- Information and answers to frequently asked questions, provided over web
- Advice documents available either electronically or as hard copies

Based on previous experience of contracting out similar work to a number of suppliers over the last three years, and reflecting economies of scale, farm walks, workshops and good practice demonstrations typically cost around £120 (incl. VAT), while clinics cost about £175 (incl. VAT) per attendee. One-to-one on-farm advisory visits typically cost around £800 per day if provided by an external contractor.

Specification Range 2 Duration of public sector assistance

Advice is available at all times for land managers, through websites and helplines, and through documentation. In addition, under OCIS farmers contemplating organic conversion are eligible for either a half-day or full day of on-farm advice, depending on their range of business interests.

ELS/OELS

Any land managers considering entry to the scheme may currently attend an initial advice event to gain more information prior to application, and a best practice event(s) as available during the agreement period (5 years) . However the scheme has a ‘hands off’ delivery approach, so there is no access to 1:1 advice, and information available mainly via Natural England helplines.

HLS

For HLS, there is 1:1 advice available at the pre-application and pre-commencement stages of the agreement and the agreement should include 1:1 care and maintenance visits during the agreement period (typically 10 years). Advice is also available from a named Natural England adviser throughout the agreement.

Specification Range 3 Geographic Scope

The product is available across England, with the focus being on those land managers in priority areas, or with priority features, to ensure that environmental benefits are maximized.

Funding constraints

Public sector assistance is currently provided by Natural England, a Non-Departmental Public Body, from funding provided as part of its Grant-in-aid from Defra. Funding levels are reviewed each CSR.

Eligible costs include those associated with:

- On-farm visits to land managers, and the production of follow-up reports
- The provision of events, including staff time, venue hire, invitation design and despatch
- Publicising the product, including press releases and placing articles in the farming press
- Web-site development and maintenance
- Help line provision
- Production of relevant supporting literature
- Programme management costs
- Quality control, customer feedback and research, and performance reporting

PRODUCT NAME: **Grant for Research & Development** [Back to top](#)

Purpose

The long-term objective of innovation support is to stimulate productivity and economic competitiveness through increased UK innovation (i.e. exploitation of 'new' ideas) within businesses.

This product is aimed at measures to increase business involvement in a range of R&D activity where there is a high risk and uncertainty around the expected results and ability to commercially exploit them is seen as a barrier. Thereby encouraging a cultural change where businesses innovate more and in turn generate more spillover opportunities.

In addition, when specifically applied to the low carbon technologies sector this product aims to:

- Help deliver climate goals, notably reduced carbon emissions.
- Accelerate commercialisation of low-carbon technologies through support of low-carbon Research and Development

Description

- Grants will be available to a business to undertake pre competitive research and development of enabling technologies for innovative products, processes or services. Only commercially driven projects are eligible. The following elements may be offered:
 - Research. Planned research or critical investigation resulting in new scientific or technical knowledge that will subsequently be used to develop a new product, process. Work to explore the technical feasibility and commercial potential of a new technology, product or process through:
 - An assessment of commercial viability through market research, market testing and competitor analysis;
 - Initial feasibility studies, basic prototyping, specialist testing and or demonstration to provide basic proof of technical feasibility, IP protection, investigation of production and assembly options.

- Detailed planning to take the project to commercialisation, including an assessment of costs, timescales and funding needs.
 - Pre-clinical research studies for healthcare technologies and medicines including target identification and validation.
- Development of a pre-production prototype of a technologically innovative product or industrial process, including small demonstrators, IP protection, trials and testing (including clinical), market testing, marketing strategies, identifying routes to market, product design work and Phase 0 pre-clinical studies for medicines.
- Use of third parties, such as knowledge partners, consultants, sub-contractors and patent agents to undertake the above activities.

Priority would be given where there is the potential to access significant new markets in technologies or applications of national or regional importance, as defined nationally by organisations such as the Technology Strategy Board, and The Carbon Trust on behalf of Government Departments, or regionally within the RDA Regional Economic Strategies.

Although non-technological innovations around products, processes, services, marketing and management are important, current available evidence about market failures and spillovers is insufficient to justify public sector intervention. This position will be revisited as evidence is reviewed in partnership with key business organisations.

Eligible customers⁷

⁷ Business size is determined by applying the EC definition of an SME

Pre start, start-ups, small and medium sized businesses⁸ from all sectors from across England⁹ except defence.

- Grants may be withdrawn and/or reclaimed if the beneficiary no longer satisfies the EC definition of an SME within five years from the date of the final grant payment.
- Businesses undertaking R&D work in low carbon technologies from across England.
- Applications from outside of England can be considered provided there is a real commitment by the applicant to establish a sustainable business within England. Grants may be withdrawn and/or reclaimed at the discretion of the delivery body if the business relocates outside of England or becomes foreign owned or controlled within three years from the date of the final grant payment.

Benefits

The quantifiable benefits for businesses are:

- A higher proportion of sales from new better designed and/or better value products and services.
- Greater chance of attracting financial backers, business partners and customers.
- More successful commercial outcomes from intellectual property assets, for example, licences and patents, allowing for cost of grants and, or loans.
- Promotion of a more risk-taking and entrepreneurial culture, through reducing the risk of innovation.

The quantifiable wider benefits are:

- Greater spill over opportunities in a wide range of technologies and sectors.

⁸ An organisation or enterprising entity engaged in commercial, industrial or professional activities. A business can be a for-profit entity, such as a publicly-traded corporation, or a non-profit organisation engaged in business activities, such as an agricultural cooperative or social enterprise.

⁹ Although the publicly funded business support products being developed under BSSP are aimed at England, equivalent support is available in Scotland, Wales and Northern Ireland through the Devolved Administrations (DAs) and from the Carbon Trust and TSB.

- Reduced carbon emissions and movement towards a low carbon economy.

Rationale

Innovation, defined as the successful exploitation of new ideas, is a key driver of economic productivity, global competitiveness and higher standards of living. Improved levels of innovation performance are primarily delivered by businesses as measured in the Community Innovation Surveys (CIS) conducted every 4 years by EU member states.

It is recognised that businesses, particularly SMEs may under-invest in innovation where there is a high degree of risk and uncertainty around the development and commercial exploitation of a new idea involving technology. Partial public sector funding at this pre-competitive stage between early 'blue sky' research and market exploitation can be a sufficient incentive for a business to take the risk.

For low carbon technologies the nature of the market means that they will not be developed, at all or within the timescales necessary to reduce the risks of climate change, without Government support as highlighted in the Stern Report. There are various reasons for the failure of the market to do this, but unique to this sector is the need to represent the real cost of carbon compared to the least-cost options businesses prefer.

Although non-technological innovations around products, processes, services, marketing and management are important, current available evidence about market failures and spillovers is insufficient to justify public sector intervention. This position will be revisited as evidence is reviewed through Government initiatives such as the DIUS white paper 'Innovation Nation' working in partnership with key business organisations.

Specification Envelope

The performance characteristics offered as publicly funded business support across England by this product need to fall within the Specification Envelope as defined below:

Specification Range 1 Type of assistance

Assistance available from the public sector will be provided as a grant to pre start, start-ups and SMEs for research and development projects in technologies or applications of national or regional importance, plus large businesses in the low carbon technologies sector only.

Grants may be offered on a repayment basis. The option to seek repayment will be at the discretion of the funding body. No more than 100% of grant funding may be repayable. Repayment will be deemed complete after five years from the date of the final grant payment. Any outstanding balance will be written off at this time. Repayments will be capped at 10% of net profits.

Funding can be provided as follows:

- Research projects: grants of up to 60% of eligible costs £5,000 - £100,000
- Exceptional Research projects: grants of up to 60% of eligible costs £100,000 - £250,000
- Micro Development projects: grants of up to 45% of eligible costs £5,000 – £20,000
- Development projects: grants of up to 40% of eligible costs £20,000 - £250,000
- Exceptional Development projects: grants of up to 40% of eligible costs £250,000 - £500,000

Exceptional Research and Exceptional Development grants are designed to support projects where the risks, costs and lead times are significantly higher than the norm, for example, in the case of medicines and some low carbon energy technologies.

Research projects will attract an upfront payment of 20%.

Specification Range 2 Duration of public sector assistance

Once public sector assistance is commenced, public sector assistance is available as follows:

- Research – up to 18 months (with exceptional research project extended up to 36 months)
- Development – up to 36 months

Specification Range 3 Geographic Scope

Across England

Funding constraints

Government (public sector) assistance is currently funded regionally by Regional Development Agencies with possible co-funding from Local Government, and nationally by DEFRA, BERR and DIUS, through the Carbon Trust and Technology Strategy Board respectively.

Businesses must be based in the region in which they apply for funding.

Eligible Costs

Labour costs

- Labour costs of directly employed staff (excluding general managerial costs, unless exclusive to project). To be agreed at application at a market rate appropriate rate to the work carried out.
- Defrayed on payment at an appropriate rate relative to the work carried out

General Overheads

- Reasonable general overhead rates at <100% of direct labour costs (negotiable)
- National Insurance, pension and healthcare (excluding surplus capacity)
- HP and Leasing (excluding interest charges)

Capital Equipment and Materials

- Tooling costs and depreciation of capital equipment
- Materials used solely for the project, less scrap value

External costs

- External consultancy and specialist input
- Intellectual & associated facility i.e. use of laboratory equipment
- Sub-contracting
- Licensing in new technology
- External trials and testing
- Preparing draft operating service/maintenance manuals

IP

- Confidentiality agreements, patents, copyright, IPR protection

Sales and Marketing

- Costs of market assessment to assess commercial feasibility and identify future markets

Training

- If specific and vital to successful completion of the project

NB: All eligible costs may be subject to agreed adjustments for residual or recoverable value.

Ineligible Costs

Salaries

- Labour costs of trainees or graduates supported by other public funds
- Labour costs of management, in the absence of a reliable calculation of the time spent on project
- Shareholder employees paid by dividends
- Bonuses

General Overheads/Operating Costs

- Input VAT (unless non-recoverable from HMCE)
- Bad debts
- Interest and service charges
- Inflation and contingency allowances
- Land and buildings (purchased)

Materials

- Capital equipment and tooling for manufacturing production

Consultancy and Sub-Contract

- Director's fee charges as consultant to their own business
- Profit earned by subsidiary or associated business on work sub-contracted

Sales and Marketing

- Costs of printing operating, service and maintenance manuals
- Advertising and entertaining
- Product or process marketing and sales costs

Training

- Training costs related to sales and distribution of developed product or process

Other Costs

- Production and sales costs
- Certification costs

- In kind contributions including; free-of-charge work, materials or services supplied to the business
- Work undertaken prior to the agreed project start date and after the end of the project

SELECTION CRITERIA

APPLICATIONS SHOULD BE ASSESSED AGAINST THE FOLLOWING CRITERIA:

- Level of technological innovation
- Technical risks and R&D challenge
- Commercial potential and market need
- *EXPLOITATION PROSPECTS*
- *MANAGEMENT ABILITIES AND THE PROJECT TEAM*
- Commercial and financial viability
- Intellectual property and patents
- Additionality
- Wider environmental or societal benefits

Grants are awarded at the discretion of the delivery body. There is no automatic right of appeal against a decision. If within three years of the date of the final payment, the Company has not taken adequate steps to exploit commercially the results of the project, at the discretion of the delivery body funding may be withdrawn and/or reclaimed

Projects NOT Eligible for Funding

- Duplicate activities - those that are already well supported by the Research Councils and other grant-giving organisations
- Curiosity driven 'Blue sky' research
- Where there is no demonstrable benefit inside England
- Retrospective - grants will not be payable on any works carried out prior to the date of the contract offer

State Aid

Support to businesses of the kind outlined in this product category is likely to constitute state aid. Unless schemes can be run under de minimis rules, which allow aid up to €200 thousand per recipient over three years, this means that the schemes will either need to have prior clearance from the European Commission or be registered under block exemption procedures and in both cases will be subject to ongoing monitoring and reporting conditions.

The main approval route is the R&D and Innovation Framework (Community Framework for State Aid for Research and Development and Innovation 2006/ C 323/01). This allows support for individual and collaborative R&D projects within the Framework definitions of fundamental, industrial and experimental research and development. Aid intensities range from 100% to 25% depending on the level of the R&D with 10% and 20% bonuses available for medium and small firms and other bonuses available for some forms of collaboration. Scheme approval can be obtained by notifying schemes in advance or, from July/August 2008, by registering schemes under the new General Block Exemption Regulation (currently in draft but will include R&D project aid to large firms as well as SMEs up to certain aid/grant size limits).

Very large grants require individual prior clearance from the Commission and will be subject to detailed scrutiny (any grant over €7.5 million per recipient per project is potentially subject to this requirement). The Young Innovative Enterprises section of the Framework also allows aid of up to €1 million (more in assisted areas) for small high tech start up companies. This form of aid scheme currently has to be notified but some forms of YIE scheme are likely to be covered in the new General Block Exemption.

The current national schemes namely:

- Grant for Research & Development is covered by state aid approval N760/2002 and although the planned mergers of smaller scale regional schemes (i.e. proof of concept) are unlikely to exceed the support level approved, the option to offer support on a repayable basis will need clearance. This clearance may be done under the new General Block Exemption rules in August 2008 or through a formal notification under the R&D&I framework mentioned above.

- Carbon Trust Applied Research Open Call is covered by state aid approval N706/2006. As is currently the case, when support for R&D in low carbon technologies is given to a large business State Aid notifications will be made to the Commission on an individual grant basis, under R&D and Innovation or Environment aid rules depending on the nature of the project/ technology readiness level.

Operational constraints

All parties must sign a formal offer letter setting out the detailed terms and conditions attached to the offer of support and establishing a contract between all parties. The offer letter will include a declaration of the financial history of the business and its directors, a statement of the activity that will be supported, eligible project costs, the terms under which any grant must be claimed (including verifiable evidence that expenditure has been defrayed and progress reporting against the project plan), the terms under which support may be withdrawn and payments reclaimed, ownership of Intellectual property and a requirement that beneficiaries participate in any monitoring and evaluation of the scheme.

Organisations delivering this product must comply with the EC State Aid rules under which the product was notified.

To assist with product evaluation, project files must be kept for at least seven years after projects are completed.

Delivery bodies must publish an annual directory of grant beneficiaries covering: name of beneficiary, project type and project name.

Appendix A

Delivery & Access

This type of business support is delivered at a regional level either through RDA offices or intermediaries, where applications are typically demand-led and represent the needs of businesses in a region and by exception through national organisations such as the Carbon Trust and Technology Strategy Board working closely with the RDAs. Priority may be given to technologies/ sectors identified in national strategies, regional economic strategies and regional innovation strategies, but no eligible sectors/ technology will be precluded from applying.

Business Link is the primary access channel. RDAs are responsible for ensuring that Business Link advisors are sufficiently briefed on the product to raise business awareness, direct eligible businesses to the appropriate RDA as part of their generic IDB function and recommend consultancy support to complete application if required. The Business Link.gov.uk website also directs enquiries to this product on the delivery body websites through various themes (e.g. finance and grants, exploit your idea).

Delivery bodies may use a common two-stage on-line, postal and or electronic application process, which is normally supported by PDF information on the selection criteria, confirmation/ decision timescales and notification procedure. Phone conversations or selection interviews may be used to confirm details or explore applications.

Businesses may also become aware of this support through their engagement with other businesses, private sector organisations, wider business support products such as; incubators, networks and other innovation products. Where businesses access the product via a route outside Business Link they may be referred to Business Link for a holistic business diagnostic and core customer relationship management data shared.

PRODUCT NAME: Collaborative Research & Development [Back to top](#)

Purpose

The long-term objective of innovation support is to stimulate productivity and economic competitiveness through increased UK innovation (i.e. exploitation of 'new' ideas) within businesses.

This product is aimed at measures to increase knowledge exchange, business spend on R&D and encourage technological diffusion between businesses and knowledge base institutions¹ through collaborative research and development activities. Thereby, encouraging a cultural change where businesses share the risks and costs associated with innovation collaborations.

Description

Grants will be available to businesses and knowledge base institutions to undertake collaborative pre competitive research and development of enabling technologies and large-scale demonstrator projects for innovative products, processes or services. Only commercially driven projects are eligible. The following elements may be offered:

- Basic research – experimental or theoretical work undertaken to acquire new knowledge without a particular application or use in view, but likely to form the background to the solution of recognised or expected current or future problems, challenges or possibilities.
- Applied research – original investigation undertaken to acquire new knowledge directed primarily towards a specific practical aim or objective, which may include a simple prototype of a novel or innovative product or process to test or validate an idea or concept.
- In depth experimental development – systematic work, drawing on existing knowledge gained from research and practical experience, directed to producing new materials, products and devices; or to

¹ Includes UK Public Sector Research Establishments (PSRE) or Private Sector Research Organisations, Research and Development Organisations (RDO), Research and Technology Organisations (RTOs), Higher Education and Further Education Institutions.

installing new processes, systems and services; or to improving substantially those already produced or installed.

And

- Large-scale collaborative demonstrator projects that promote the potential of key technologies to a regional or national business audience.

Priority will be given where there is the potential to access significant new markets in technologies or applications of national or regional importance as defined nationally by organisations such as the Technology Strategy Board, the Energy Technologies Institute and The Carbon Trust on behalf of Government Departments, or regionally within the RDA Regional Economic Strategies.

Eligible customers

- Businesses¹⁰ from all sectors across England that have the willingness and potential to collaborate on developing innovative products, processes or services.
- Applications from outside of England can be considered provided there is a real commitment by the applicant to establish a sustainable business within England to engage in collaboration with innovative businesses and knowledge base institutions. Grants may be withdrawn and/or reclaimed at the discretion of the delivery body if the business relocates outside of England or becomes foreign owned or controlled within three years from the date of the final grant payment.
- Knowledge base institutions in England who are willing to engage in an innovation collaboration activities with the primary purpose of assisting businesses to exploit knowledge through new products, services and processes.
- Businesses based in England seeking to join pan-European R&D projects.

¹⁰ An organisation or enterprising entity engaged in commercial, industrial or professional activities. A business can be a for-profit entity, such as a publicly traded corporation, or a non-profit organisation engaged in business activities, such as an agricultural cooperative or social enterprise.

Benefits

The quantifiable benefits for businesses are:

- Improved business ability to exploit ideas.
- Shared financial and technological risk during research and development activities.
- More products, processes, and services brought to the market sooner.
- New skills and knowledge retained in businesses.
- Increased productivity, competitiveness and turnover.
- Better use of knowledge base resources for economic benefit.

Rationale

Innovation, defined as the successful exploitation of new ideas, is a key driver of economic productivity, global competitiveness and higher standards of living. Improved levels of innovation performance are primarily delivered by businesses as measured in the Community Innovation Surveys (CIS) conducted every 4 years by EU member states.

Innovation is a process that frequently benefits from inputs from a number of sources, such as suppliers, customers and knowledge base institutions such as universities and research institutes that 'spill over' in to the wider business community. It is recognised that many businesses experience a market failure arising from information asymmetry, where they often lack effective mechanisms for achieving this in the context of generating successful new products, processes or services. The barriers to developing collaborative working between businesses and between businesses and knowledge institutions can be particularly high, especially where technology is at the early stage of development.

Public sector funding and other support (e.g. standard IP agreements) can help address these market failures by reducing the perceived and real risks and real costs for businesses of developing effective working relationships.

Although non-technological innovations around products, processes, services, marketing and management are important, current available evidence about market failures and spillovers is insufficient to justify public sector intervention. This position will be revisited as evidence is reviewed through Government initiatives such as the DIUS white paper 'Innovation Nation' working in partnership with key business organisations.

Specification Envelope

The performance characteristics offered as publicly funded business support across England (but which may include the devolved Administrations) by this product need to fall within the Specification Envelope as defined below:

Specification Range 1 Type of assistance

Assistance available from the public sector will be provided as grants to businesses and knowledge base institutions for collaborative research and development as follows:

Up to a £10m (maximum) over time specified in Range 2, above which Ministerial approval and prior clearance from the Commission is required.

To date the average public sector funding per company awarded against an individual Collaborative R&D project is £250k, whilst the highest grant awarded to a single company was £43m. Large collaborative R&D project of this nature are normally funded in partnership with Regional Development Agencies, Research Councils, OGDs, Devolved Administrations.

Specification Ranges 2 Duration of public sector assistance

Once public sector assistance is commenced, public sector assistance is available for 3 months (minimum) to 60 months (maximum)

Specification Range 3 Geographic Scope

Across England¹¹

Specification Range 4 Proportion⁴ of SME business participation

Number of SMEs businesses participating

¹¹ Although the publicly funded business support products being developed under BSSP are aimed at England, this product is also available in Scotland, Wales and Northern Ireland through the Devolved Administrations (DAs) by the TSB and Carbon Trust.

⁴ For ranges 4, 5 and 6: Expressed as a percentage of collaborators from SMEs, Large businesses and knowledge base institutions.

= 0% (minimum) to 100% (maximum)

Typically 25% – 60%

Specification Range 5 Proportion of Large business participation

Number of Large businesses participating

= 0% (minimum) to 100% (maximum)

Typically 10% – 50%

Specification Range 6 Proportion of knowledge base institutions participation

Number of knowledge base institutions participating

= 0% (minimum) to <100% (there needs to be at least one business)

Typically 20% – 50%

Specification Range 7 Participation by country

Level of UK organisations participating

= 95% to 100%

Level of EEA organisations participating

= 0% – 5%

Level of Rest of the World participating

= <1%

Funding constraints

Government (public sector) assistance is currently provided through Government Departments (e.g. DIUS, DEFRA) and their Agencies and Non Departmental Public Bodies.

Public sector funding offered can be provided to cover the following eligible costs:

- Costs of staff, instruments and equipment, and land and premises, to the extent that these are related to the project.
- Costs of contractual research, knowledge or patents, and consultancy services bought in for the project.
- Additional overheads and operating expenses such as the costs of materials and supplies where directly incurred by the project.

- Legal, translation and other costs that result from obtaining and validating patents and other IP rights for SMEs only.
- Equipment costs for organisational innovation R&D projects limited to ICT only.

State Aid⁵

Support to businesses of the kind outlined in this product category is likely to constitute state aid. Unless schemes can be run under de minimis rules, which allow aid up to €200 thousand per recipient over three years, this means that schemes will either need to have prior clearance from the European Commission or be registered under block exemption procedures and in both cases will be subject to ongoing monitoring and reporting conditions.

The main approval route is the R&D and Innovation Framework (Community Framework for State Aid for Research and Development and Innovation 2006/C 323/01). This allows support for collaborative R&D projects within the Framework definitions of fundamental, industrial and experimental research and development. Aid intensities range from 100% to 25% depending on the level of the R&D with bonuses available for SMEs and some forms of collaboration. Scheme approval can be obtained by notifying schemes in advance or, from July/August 2008, by registering schemes under the new General Block Exemption Regulation (currently in draft but will cover R&D project aid to large firms as well as SMEs up to certain aid/grant size limits). Very large grants require individual prior clearance from the Commission and will be subject to detailed scrutiny (any grant over €7.5 million per recipient per project is potentially subject to this requirement).

The current national schemes namely;

⁵ The Community Framework for State Aid for Research and Development and Innovation 30.12.06 OJ allows member states to fund business research and innovation projects, high-tech start-up companies, and research infrastructure and services. The current framework came into force on 1 January 2007 and significantly amends the rules that previously applied to state.

- Collaborative R&D is covered by state aid approval N760/2002 R&D N319/2005 (revision of N761/2002) is delivered by the Technology Strategy Board on behalf of DIUS. Although new co-funding arrangements are being discussed with the RDAs they are unlikely to exceed the support level permitted under the approval. Should any re-notification be required this could be achieved under the new General Block Exemption rules in August 2008 rather than via a full notification (currently in draft but will include R&D project aid to large firms as well as SMEs up to certain aid/grant size limits).
- Carbon Trust Applied Research Open Call is covered by state aid approval N706/2006, under R&D and Innovation or Environment aid rules depending on the nature of the project/ technology readiness level.

Operational constraints

All parties must sign a collaboration/ partnership agreement, which covers the following areas:

- Intellectual property, project management, progress reporting and exploitation against an agreed project plan.

Appendix A

Delivery & Access

The majority of this type of business support will continue to be delivered nationally by the Technology Strategy Board as a newly formed NDPB on behalf of DIUS. The highly specialised technical nature of competitions and delivery of collaborative R&D in technology priority themes suggests there are very large economies of scale and scope through national delivery. The Technology Strategy Board works with innovative businesses, Government Departments, Research Councils, and RDAs to identify and agree technology themes for collaborative R&D grants and secure co-funding.

Some additional collaborative R&D projects that focus on technologies not covered by the TSB will also continue, such as;

- Low-carbon technologies identified as part of the Government commitment to reduce carbon emission are delivered nationally by the Carbon Trust funded by DEFRA, BERR and the Devolved Administrations.
- Business support to deliver the Regional Development Agencies economic strategies where alignment with the TSB is not possible for strategic or operational reasons.

The Technology Strategy Board and Carbon Trust as primary delivery bodies for their respective specialist areas are already working with Business Link as the primary access channel. Business Link advisors are sufficiently briefed on the product to raise awareness and direct eligible businesses to the appropriate national website to access application forms and guidance notes as part of their generic IDB function. The Business Link.gov.uk website also directs enquiries to this product on the delivery body websites through various themes (e.g. finance and grants, exploit your idea).

Delivery bodies may use an on-line, postal and or electronic application process which maybe two stage, will be supported by PDF information on the selection criteria, confirmation/ decision timescales and notification procedure. Briefing sessions or workshops may be used to inform businesses and universities of the application process, selection criteria and give feedback. Phone conversations or selection interviews maybe used to confirm details or explore applications.

Businesses may also become aware of this support through their engagement with other businesses, innovation platforms, private sector organisations and innovation networks. Where businesses access the product via a route outside Business Link they may be referred to Business Link for a holistic business diagnostic and core customer relationship management data shared.

PRODUCT NAME: **Networking for Innovation** [Back to top](#)

As it would promote the intention that the networks are not restricted to technology networks but are open to the wider range of capabilities and expertise required for innovation. Further discussions are required to confirm how co-branding guidelines will address RDA concerns. For example; can networks be differentiated geographically and by specific field of technology or business application? Meetings will be arranged once key brand status and national BSSP co-branding guidelines have been finalised.

Purpose

The long-term objective of innovation support is to stimulate productivity and economic competitiveness through increased UK innovation (i.e. exploitation of 'new' ideas) within businesses.

This product is aimed at measures to encourage businesses to build relationships with other businesses, intermediaries, knowledge base institutions¹² and government. Thereby, improving knowledge exchange and linkages across business supply chains and leadings to more collaborative innovation activity, whether funded privately or with public sector support.

Description

Support for intermediaries¹³ to strengthen the UK innovation system. This support would be used to facilitate the setting up of new networks for innovation where no suitable networks currently exist, and to develop capability of the networks to support innovation.

Priority will be given where there is the potential to access significant new markets in technologies or applications of regional, national and/or international importance as defined by organisations such as the Technology Strategy Body, the Energy Technologies Institute and The Carbon Trust on behalf of Government Departments, or regionally within the RDA Regional Economic Strategies. These networks will be encouraged to support broader innovation by engaging with knowledge base institutions in disciplines such as the arts, the media, and the social sciences in addition to the traditional engineering, physical and life sciences by sectors including the creative and service sectors.

¹² Includes UK Public or Private Research Organisations, Research and Development Organisations (RDO), Research and Technology Organisations (RTOs), Higher Education and Further Education Institutions.

¹³ Organisations and institutions who deliver networking activities on behalf of funding bodies, including Trade Organisations, Professional Institutions, Knowledge Transfer Networks.

Networks should influence government policy with the aim of reducing barriers to innovation, and both national and sub-national providers of business support for innovation to identify emerging priority areas.

Eligible Customers

Intermediaries - Organisations and institutions that are capable of delivering networking activities on behalf of funding bodies, including Trade Organisations, Professional Institutions, in the specific technology areas or business applications.

Eligible network membership

- Businesses¹⁴ from all sectors across England¹⁵ that are interested in developing innovative products, processes or services, or adopt new management, organisation or business models.
- 2 Knowledge base institutions in the England who are willing to engage in networks with the primary purpose of assisting businesses to exploit knowledge through new products, services and processes.
- 3 Trade Associations and similar organisations that wish to promote the interests of their members in the context of innovation and regulatory frameworks.

Benefits

The quantifiable benefits for businesses are:

- Ease of access and wide reach to knowledge base institutions and technology organisations.
- Improved business ability to exploit ideas.
- More products, processes, and services brought to the market sooner.
- The adoption of improved management, organisation and business models.
- Increased productivity, competitiveness and turnover.

¹⁴ An organisation or enterprising entity engaged in commercial, industrial or professional activities. A business can be a for-profit entity, such as a publicly traded corporation, or a non-profit organisation engaged in business activities, such as an agricultural cooperative or social enterprise.

¹⁵ Although the publicly funded business support products being developed under BSSP are aimed at England, this product is also available in Scotland, Wales and Northern Ireland through the Devolved Administrations (DAs) from the TSB.

The quantifiable benefits for knowledge base institutions are:

- Increased exploitation of ideas.
- Better use of knowledge base resources for economic benefit.

Rationale

Innovation, defined as the successful exploitation of new ideas, is a key driver of economic productivity, global competitiveness and higher standards of living. Improved levels of innovation performance are primarily delivered by businesses as measured in the Community Innovation Surveys (CIS) conducted every 4 years by EU member states.

Innovation is a process that frequently benefits from inputs from a number of sources, such as suppliers, customers and knowledge base institutions that 'spill over' in to the wider business community. It is recognised that many businesses experience a market failure arising from information asymmetry, particularly SMEs, where they often lack the knowledge and resources to effectively identify and directly engage with other businesses and the knowledge base to innovate effectively and efficiently.

As a result, Government has a potential role in helping elements of the innovation system function effectively, for example by encouraging strong links between business, intermediaries and knowledge base institutions, and by reducing the barriers that limit knowledge transfer to business from other sources, including those overseas. Evaluation of previous DTI support confirms that such interventions can be successful¹⁶.

Specification Envelope

The performance characteristics offered as publicly funded business support across England by this product will need to fall within the Specification Envelope as defined below:

Specification Range 1 Type of assistance

¹⁶ 'Mapping and assessing the patterns of DTI industry support and its impacts', SQW Ltd (2001). Of the 11 programmes which were classified as high impact and either high or medium additionality, nine supported technology acquisition and development.

Assistance available from the public sector can be provided as grants to intermediaries as follows:

Up to £5m (maximum), total over period defined in range 2

Specification Range 2 Duration of public sector assistance

Once public sector assistance is commenced, public sector assistance is available for:

6 months (minimum) – 60 months (maximum)

Specification Range 3 Geographic Scope

Across England

Specification Range 4 Proportion¹⁷ of UK based business participation

Level of UK-based businesses participating

= 30 % (minimum) - 90% (maximum)

Specification Range 5 Proportion of non-UK based business participation

Level of non-UK businesses participating

= 0% (minimum) - 10% (maximum)

Specification Range 6 Participation by knowledge base institutions (UK based)

Level of knowledge base institutions participation

= 10% (minimum) - 50% (maximum)

Specification Range 7 Participation by knowledge base institutions (non-UK based)

Level of knowledge base institutions participation

= 0% (minimum) - 10% (maximum)

Funding constraints

Government (public sector) assistance is currently provided by DIUS, co-funding arrangements are managed centrally by the Technology Strategy Board and include support from other Government Department, Research Councils and Regional Development Agencies.

¹⁷ Expressed as a percentage of all the participating organisations.

SELECTION CRITERIA

Applications should be assessed against the following criteria:

- Knowledge of technological innovation
- Awareness of the technical risks and challenges associated with R&D
- Credibility with eligible community
- *MANAGEMENT ABILITIES AND PREVIOUS EXPERIENCE*
- Commercial and financial viability

State aid

Not all support in this area will involve state aid (e.g. they may not involve a transfer of state resources or be selective). The product administrator should be careful to avoid aid to any intermediary providing services (selection method is important here) which overlap with any commercially provided services.

Where support is likely to constitute state aid to the business members, the value of the service to them would have to be costed. It is anticipated from experience with the existing knowledge transfer networks that it should be possible to this support under de minimis rules, which covers aid:

- Up to €200,000 per recipient over any three year period, applies to any size of company, large or SME, no eligible cost restrictions and no notification is required, but there are restrictions on accumulation with other de minimis grants and other state aid generally where this is being given to cover the same project costs

In all cases, care should be taken by the product administrator to avoid aid to any intermediary body delivering the service (preferably by selecting them through a competitive tendering process) and also to avoid overlaps with commercially provided services.

Appendix A

Delivery & Access

This type of business support is delivered at a national, regional and sub-regional level. Networks are contracted to an individual intermediary based upon the type of; technology, knowledge based support and expertise required. The highly specialised technical nature of some areas covered coupled with the number of companies innovating in individual technologies sectors may not be significant at a regional level, which means that to achieve an effective impact in terms of knowledge transfer and technology diffusion, a national approach can offer value for money. But in many cases networks will develop around localised specialist knowledge capabilities and innovative technology businesses clusters.

The intermediaries operating innovation networks will work with Business Link as the primary access channel to ensure Business Link advisors are sufficiently briefed on the purpose, location and community supported by a network to raise business awareness and direct appropriate businesses to the necessary website etc as part of their generic IDB function. The Business Link.gov.uk website will also direct enquiries to the appropriate knowledge transfer network website.

PRODUCT NAME: **Knowledge Transfer Partnerships** [Back to top](#)

Purpose

The long-term objective of innovation support is to stimulate productivity and economic competitiveness through increased UK innovation (i.e. exploitation of 'new' ideas) within businesses.

This product is aimed at measures to increase knowledge exchange between businesses and knowledge base institutions¹. Thereby encouraging a cultural change where businesses share the risks and costs associated with innovation collaborations.

Description

Grants will be available to promote and enable knowledge development and exchange between businesses and knowledge base institutions. This product specifically supports:

- The placement of an under-graduate or graduate from a knowledge base institution working in a business with company staff to embed both technical and business skills and expertise of value to the business via a strategic project.

and

- Exchange of staff between businesses and knowledge base institutions.

Priority will be given where there is the potential to access significant new markets in technologies or applications of national or regional importance as defined nationally by the Technology Strategy Body on behalf of DIUS, and the co-sponsors of this product, or regionally within the RDA Regional Economic Strategies. Grants will support broader innovation by engaging with knowledge base institutions in disciplines such as the arts, the media, and the social sciences in addition to the traditional engineering, physical and life sciences by sectors including the creative and service sectors.

Eligible customers

¹ Includes UK Public or Private Sector Research Organisations, Research and Development Organisations (RDO), Research and Technology Organisations (RTOs), Higher Education and Further Education Institutions.

- Businesses² from all sectors from across England³ that have the willingness and potential to develop innovative products, processes or services.
- Businesses seeking to establish a base in England to engage in innovation collaborative activities with businesses and knowledge base institutions in England.
- Knowledge base institutions in the England who are willing to engage as delivery channels with the primary purpose of assisting businesses to exploit knowledge through new products, services and processes.

Benefits

The quantifiable benefits for businesses are:

- Improved business ability to exploit ideas;
- New skills and knowledge retained in businesses;
- Better use of knowledge base resources for economic benefit;
- Increase productivity, competitiveness and turnover;
- Shared financial and technological risk during research and development activities;
- More products, processes, and services brought to the market sooner;
- An increased pool of business ready 'graduates' available for business to draw on.

Rationale

Innovation, defined as the successful exploitation of new ideas or ideas new to a business or sector, is a key driver of economic productivity, global competitiveness and higher standards of living. Improved levels of innovation performance are primarily delivered by businesses as measured in the Community Innovation Surveys (CIS) conducted every 4 years by EU member states.

² An organisation or enterprising entity engaged in commercial, industrial or professional activities. A business can be a for-profit entity, such as a publicly traded corporation, or a non-profit organisation engaged in business activities, such as an agricultural cooperative or social enterprise.

³ Although the publicly funded business support products being developed under BSSP are aimed at England, this product is also available in Scotland, Wales and Northern Ireland through the Devolved Administrations (DAs) from the TSB.

Innovation is a process that frequently benefits from inputs from a number of sources, such as suppliers, customers and knowledge base institutions such as universities and research institutes that 'spill over' in to the wider business community. It is recognised that many businesses experience a market failure arising from information asymmetry, where they often lack effective mechanisms for achieving this in the context of generating successful new products, processes or services. This 'capability failure' may result from management defects, lack of understanding, learning capability or 'absorptive capacity' to make use of externally generated knowledge. People with a direct link to a knowledge base institution can embody the skills and often the real know how to effect innovative change but they do not spring up spontaneously. These barriers to developing collaborative working between businesses and between businesses and knowledge institutions can be particularly high, especially where technology is at the early stage of development.

Public sector funding and other support (e.g. standard IP agreements) can, therefore, help address these market failures, reducing the perceived and real risks and real costs for businesses of developing effective working relationships.

Specification Envelope

The performance characteristics offered as publicly funded business support across England (but which may include the devolved Administrations) by this product need to fall within the Specification Envelope as defined below:

Specification Range 1 Type of assistance

Assistance available from the public sector will be provided as a grant of up to £50,000 per annum per partnership.

Specification Range 2 Duration of public sector assistance

Once public sector assistance is commenced, public sector assistance offered is available for 3 months (minimum) to 36 months (maximum)

Specification Range 3 Geographic Scope

Across England

Specification Range 4 Proportion of business participation

Level of business participation = 50%

Specification Range 5 Participation of knowledge base institution

Level of non-business participation = 50%

Although the partnership is a contractual agreement between only two parties, the project may involve some additional participation with an extended supply or contracting chain or knowledge base.

Funding constraints

Government (public sector) assistance is currently provided by fifteen Government organisations (incl. Regional Development Agencies, Research Councils, OGDs, Devolved Administrations), with significant funding from DIUS. The Technology Strategy Board manages the sponsorship and grant payment arrangements centrally, except where ERDF funding is used and EU rules dictate it must be handled at a regional level.

Public sector funding offered can be provided to cover the following eligible costs:

- The employment costs of the transfer agent;
- Overheads, travel, subsistence, equipment and project specific training;
- Academic supervision costs.

SELECTION CRITERIA

APPLICATIONS SHOULD BE ASSESSED AGAINST THE FOLLOWING CRITERIA WHERE APPROPRIATE TO THE PROJECT:

- Level of innovation
- Technical risks and R&D challenge
- Commercial potential and market need
- *EXPLOITATION PROSPECTS*
- *MANAGEMENT ABILITIES AND THE PROJECT TEAM*
- Commercial and financial viability
- Intellectual property and patents
- Additionality
- Wider environmental or societal benefits

State Aid⁵

⁵⁴ The Community Framework for State Aid for Research and Development and Innovation 30.12.06 OJ allows member states to fund business research and innovation projects, high-tech start-up companies, and research infrastructure and services. The current framework

Support to businesses of the kind outlined in this category is unlikely to constitute state aid as long as it stays within de minimis limits. Therefore no notification is required at this point but DIUS and the Technology Strategy Board as product administrators should seek advice if the product changes or aid levels rise over time.

Relevant route for state aid approval:

- **De Minimis:** covers aid up to €200,000 per recipient over any three year period – applies to any size of company, large or SME, no eligible costs rules and no prior notification required but there are restrictions on cumulation with other de minimis grants and other state aid generally where this applies to the same project costs.

Operational constraints

All parties must sign a collaboration/ partnership agreement, which covers the following areas:

- Intellectual property, project management, progress reporting and exploitation against an agreed project plan.

Appendix A

Delivery & Access

This majority of this type of business support will continue to be managed centrally by the Technology Strategy Board as a newly formed NDPB on behalf of DIUS, but delivered regionally through the product Adviser and Offices around the UK. The introduction of short-term partnerships will be facilitated through the existing arrangements.

The Technology Strategy Board as the delivery body for this product is already working with Business Link as the primary access channel. Business Link advisors are sufficiently briefed on the product to raise awareness and direct eligible businesses to the appropriate national website to access outline proposal forms and guidance notes as part of their generic IDB function. The Business Link.gov.uk website also directs enquiries to this product on the

came into force on 1 January 2007 and significantly amends the rules that previously applied to state.

delivery body websites through various themes (e.g. finance and grants, exploit your idea).

This product uses an on-line, postal and or electronic application process which maybe two stage (depending on the type of partnership), will be supported by PDF information on the selection criteria, confirmation/ decision timescales and notification procedure and help from specialist product Adviser and Offices around the UK. The use of an outline proposal gives the benefit of feedback at an early stage and avoids unnecessary effort on working up a full application form.

Businesses may also become aware of this support through their engagement with other businesses, innovation platforms, private sector organisations and innovation networks. Where businesses access the product via a route outside Business Link they maybe referred to Business Link for a holistic business diagnostic and core customer relationship management data shared.

PRODUCT NAME: **Innovation Vouchers** [Back to top](#)

Purpose

The long-term objective of innovation support is to stimulate productivity and economic competitiveness through increased UK innovation (i.e. exploitation of 'new' ideas) within businesses.

This product supports small innovation projects aimed at increasing knowledge exchange between businesses and knowledge base institutions¹ through collaborative activity. Thereby encouraging a cultural change where businesses share the risks and costs associated with innovation collaborations.

Description

Vouchers will be available as part of a 'pilot scheme' to promote and enable an individual business (mainly SMEs) to build its innovation capabilities and buy support from a knowledge base institution to explore potential opportunities for future collaborative innovation activity.

Support is likely to take the form of a demand led research project around a well-defined knowledge question carried out in a knowledge base institution chosen by the business. The projects are likely to include the development or continued development or testing of a technology, product or service as part of wider innovation within the business.

It will be possible to offer the option of additional guidance for less innovative SMEs, who may decide not to redeem the voucher due to a perceived lack of time or additional information to define the knowledge question or select defined knowledge question.

Priority will be given to projects where there is the potential to access significant new markets in technologies or applications of national or regional importance as defined nationally by organisations such as the Technology Strategy Body, or regionally within the RDA Regional Economic Strategies. Vouchers will support broader innovation where business engage with knowledge base institutions in disciplines such as the arts, the media, and the social sciences in addition to the traditional engineering, physical and life sciences by sectors including the creative and service sectors.

Eligible customers

¹ Includes UK Public Sector Research Establishments (PSRE) or Private Sector Research Organisations, Research and Development Organisations (RDO), Research and Technology Organisations (RTOs), Higher Education and Further Education Institutions.

- Small and medium sized businesses¹⁸ from all sectors from across based in England that have the willingness and potential to collaborate on developing innovative products, processes or services.
- Knowledge base institutions in England who are willing to engage in a innovation project with the primary purpose of assisting businesses to exploit knowledge through new products, services and processes

Benefits

The quantifiable benefits for businesses are:

- Ease of access and wide reach to funding and knowledge base institutions.
- New skills and knowledge retained in businesses.
- Improved business ability to exploit ideas.
- Shared financial and technological risk during research and development activities.
- More products, processes, and services brought to the market sooner.
- Increased productivity, competitiveness and turnover.
- Better use of knowledge base resources for economic benefit.

Rationale

Innovation, defined as the successful exploitation of new ideas, is a key driver of economic productivity, global competitiveness and higher standards of living. Improved levels of innovation performance are primarily delivered by businesses as measured in the Community Innovation Surveys (CIS) conducted every 4 years by EU member states.

Innovation is a process that frequently benefits from inputs from a number of sources, such as suppliers, customers and knowledge base institutions such as universities and research institutes that ‘spill over’ in to the wider business community. It is recognised that many businesses experience a market failure arising from information asymmetry, where they often lack effective

¹⁸ An organisation or enterprising entity engaged in commercial, industrial or professional activities. A business can be a for-profit entity, such as a publicly-traded corporation, or a non-profit organisation engaged in business activities, such as an agricultural cooperative or social enterprise.

mechanisms for achieving this in the context of generating successful new products, processes or services. The barriers to developing collaborative working between businesses and between businesses and knowledge institutions can be particularly high, especially where technology is at the early stage of development.

Specification Envelope

The performance characteristics offered as publicly funded business support across England (but which may include the devolved Administrations) by this product need to fall within the Specification Envelope as defined below:

Specification Range 1 Type of assistance

Assistance available from the public sector would be provided as redeemable vouchers up to £10,000.

Specification Range 2 Period of validity

Businesses would be expected to redeem the vouchers within one year of their issue date.

Specification Range 3 Duration of public sector assistance

The duration of support is likely to vary depending on the type of support purchased for the knowledge base institution, but may be no longer than six months.

Specification Range 4 Geographic Scope

Across England

Specification Range 5 Proportion of UK based business participation

Level of UK-based business participation = 50%

Specification Range 6 Participation of knowledge base institution (UK based)

Level of non-business participation = 50%

Funding constraints

Government (public sector) assistance is currently funded regionally by Regional Development Agencies with possible co-funding from Local Government as part of the pilot scheme announced in the DIUS Science and Innovation Strategy March 2008.

RDAs have the option to require that public sector funding offered must be matched by the SME and can be provided to cover the following eligible costs:

- Costs of staff, instruments and equipment, and land and premises, to the extent that these are related to the project.
- Costs of consultancy services bought in for the project.
- Additional overheads and operating expenses such as the costs of materials and supplies where directly incurred by the project.
- Costs of experimentation or validation in preparation of patenting
- Legal, translation and other costs that result from validating patents and other IP rights.

Businesses must be based in the region in which they apply for funding.

State Aid⁵

Support to businesses of the kind outlined in this category is unlikely to constitute state aid as long as it stays within de minimis limits. Therefore no notification is required at this point but DIUS and the Regional Development Agencies as administrators of this pilot product should seek advice if the product changes or aid levels rise over time.

Relevant route for state aid approval:

- **De Minimis**: covers aid up to €200,000 per recipient over any three year period – applies to any size of company, large or SME, no eligible costs rules and no prior notification required but there are restrictions on cumulation with other de minimis grants and other state aid generally where this applies to the same project costs
- The **SME block exemption**, which allows subsidy of 50% of consultancy costs.

Operational constraints

Support may be restricted to the first collaboration with a knowledge base institution, which could allow a limited number of second or third vouchers to be issued in subsequent years or competitions (e.g. where the first project was not started, unsuccessful, terminated early, or the next project was

⁵ The Community Framework for State Aid for Research and Development and Innovation 30.12.06 OJ allows member states to fund business research and innovation projects, high-tech start-up companies, and research infrastructure and services. The current framework came into force on 1 January 2007 and significantly amends the rules that previously applied to state.

significantly different from the first and second). The risk is that the repeated use of vouchers will result in fewer new businesses joining the scheme than would otherwise be the case. This is more likely to occur if demand exceeds supply.

In addition, when there is no local knowledge based institution suitable to work with the business; Regional Development Agencies may choose to fund or arrange access to a knowledge base institution outside the region.

Appendix A

SOME DETAILS IN THE PRODUCT DEFINITION ARE STILL BEING DEVELOPED AND AGREED WITH PRODUCT LEADS/ FUNDERS TO BE FINALISED BY END SEPTEMBER 2008

Delivery & Access

This type of business support is delivered at a regional level either through RDA offices or intermediaries on either an open competition or time bound basis, where applications are typically demand-led and represent the needs of businesses in a region. Priority may be given to technologies/ sectors identified in national strategies, regional economic strategies and regional innovation strategies, but no eligible sectors/ technology maybe precluded from applying.

Business Link is the primary access channel. RDAs are responsible for ensuring that Business Link advisors are sufficiently briefed on the product to raise awareness, direct eligible businesses to the appropriate RDA as part of their generic IDB function. The Business Link.gov.uk website also directs enquiries to this product on the delivery body websites through various themes (e.g. finance and grants, exploit your idea).

Delivery bodies may use an on-line, postal and or electronic application process, which is normally supported by PDF information on the selection criteria, confirmation/ decision timescales and notification procedure. Phone conversations or selection interviews maybe used to confirm details or explore applications.

Businesses may also become aware of this support through their engagement with other businesses, private sector organisations, and wider business support products such as: incubators, networks and other innovation products. Where businesses access the product via a route outside Business Link they may be referred to Business Link for a holistic business diagnostic.

PRODUCT NAME: **Low Carbon Energy Demonstration** [Back to top](#)

Purpose

The long-term objective of innovation support is to stimulate productivity and economic competitiveness through increased UK innovation (i.e. exploitation of 'new' ideas) within businesses.

This product is aimed at measures to increase single business involvement in a range of demonstration activity to commercially exploit R&D in low carbon energy technologies where the high risk and uncertainty around the expected results is seen as a barrier. Thereby encouraging a cultural change where businesses innovate more and in turn generate more spill-over opportunities through large scale¹⁹ low carbon energy demonstrator projects.

In addition, this product aims to:

- Help deliver energy and climate goals, notably reduced energy demand and carbon intensity of energy production, and security of UK supply.
- Accelerate development and deployment of low carbon energy and energy efficiency technologies.
- Build UK skills and capacity in the demonstration and deployment of low carbon technologies, and encourage growth in the UK low carbon sector.

Description

Support will be available to a business to develop technology based product (including components), process, or service innovations, to assist with the more expensive longer-term costs of:

- Demonstration at scale in commercial /industrial setting.
- Test of design and construction process and of construction and operating costs.
- Early adoption of new technologies that promote the use of low-carbon energy technologies and the better use of energy with a potentially significant environmental benefit.

¹⁹ By "large scale", we mean either a single demonstration of a large plant, or a field trial consisting of multiple units. There is a need for both approaches depending on the technology and its state of development.

Support will usually take the form of capital grants/ loans but, because of the nature of the energy market, some support may be applied in the form of revenue funding.

Eligible customers

- 4 Businesses²⁰ based in the England²¹ engaging in low carbon energy demonstration projects.

Benefits

The quantifiable benefits for businesses are:

- A higher proportion of new innovative cost effective renewable and sustainable energy technologies that are better-designed and/or better value are moved closer to market deployment.
- Greater chance of attracting financial backers, business partners etc.
- Potential to change producer and user attitudes and behaviours to using low energy and low carbon technologies, helping to develop market understanding
- Building knowledge base around new products and processes including supporting performance data, intellectual property assets etc
- Promotion of a more risk-taking and innovative culture, through reducing the risk of demonstrating the feasibility of a new energy installation.
- The development of test operations and maintenance processes and procedures to support the adoption of the new energy installation.

The quantifiable wider benefits are:

- Helps respond to the challenges and opportunities arising from global warming and environmental sustainability.

Rationale

Innovation, defined as the successful exploitation of new ideas, is a key driver of economic productivity, global competitiveness and higher standards of living. Improved levels of innovation performance are primarily delivered by businesses.

²⁰ An organisation or enterprising entity engaged in commercial, industrial or professional activities.

²¹ Although the publicly funded business support products being developed under BSSP are aimed at England, this product is also available in Scotland, Wales and Northern Ireland through the Devolved Administrations (DAs).

All Energy technologies broadly go through the same stages of development: research through to deployment, which collectively constitutes the innovation system. Support for the research, development and demonstration of new technologies forms the technology push aspect of innovation. Market pull comes by providing the market mechanisms and incentives that help create the demand for the wider deployment of new technologies.

For low carbon technologies the nature of the market means that they will not be developed, at all or within the timescales necessary to reduce the risks of climate change, without Government support as highlighted in the Stern Report. There are various reasons for the failure of the market to do this, but unique to the energy sector is the need to represent the real cost of carbon. The energy market is otherwise dominated by the least-cost sources, and based on fossil fuels which benefit from the economies of scale that follow from widespread deployment.

Government can help businesses address the barriers presented by the long timescales from first industrial introduction to being cost competitive; very limited protectable IP and the commodity nature of the energy market (few if any niches).

Specification Envelope

The performance characteristics offered as publicly funded business support across England by this product need to fall within the Specification Envelope as defined below (depending on the type of technology and scale of construction):

Specification Range 1 Type of assistance

Assistance available from the public sector will be provided as a grant/ loan or revenue support typically up to £15,000,000 for demonstration projects and would be available to businesses.

Specification Range 2 Duration of public sector assistance

Once public sector assistance is commenced, public sector assistance is available typically for:

= 36 months (minimum) to 60 months (maximum).

But there may be the need to accommodate exceptions for example; 12 months minimum for shorter term projects related to demonstration of existing market ready products or longer projects where there may be a need to built

and test grid infrastructure capability or off-shore structures support for a more significant period in the form of staged grants.

Specification Range 3 Geographic Scope

Across England

Funding constraints

Government (public sector) assistance is currently provided through Government Departments (e.g. BERR, DEFRA) under the Environmental Transformation Fund (ETF) and possible co-funding with Regional Development Agencies.

Public sector funding offered to new programmes would be expected to address the following criteria, although not of equal weight. The intention is not to create a mechanistic selection process, but to guide choices on the programmes to fund.

- Amount and cost of CO2 abatement, immediate, and potential in 2030 and in 2050 – both domestic and international;
- Contribution to UK security of supply
- Leverage of additional sector finance
- Materiality of the programme to make a difference (role in addressing specific barriers)
- Fit with policy direction
- Opportunity for UK wealth creation
- Deliverability: risk of failure to meet performance and spending milestones
- Value for money vs affordability

In addition, the portfolio as a whole will be managed to balance risk, and to reward performance; schemes that fail to meet defined performance milestones may be discontinued and other options pursued.

Eligible project costs include:

- Staff, instruments and equipment, and land and premises, to the extent that these are related to the project.
- Contractual use of knowledge or patents, and consultancy services bought in for the project, including from the knowledge base.
- Additional overheads and operating expenses such as the costs of materials and supplies where directly incurred by the project.

- Legal, translation and other costs that result from obtaining and validating patents and other IP rights for SMEs only.

However it should be noted that grants offered will represent only a percentage of overall project costs in line with state aids guidance and the public sector grant will not exceed the total cost of any capital assets purchased as part of the project (i.e. the capital element). Assumptions above about the use of capital grants will need to be confirmed and consistent with any other products offering capital awards.

State Aid

Support to businesses of the kind outlined in this category does constitute state aid. As aid amounts in most cases will be well above de minimis levels (€200,000 per undertaking over any three year period) this means that schemes offered under this product will need to have prior clearance from the European Commission under the R&D and Innovation, Block Exemption Registration or Environment aid rules depending on the nature of the project/ technology readiness level and in both cases will be subject to ongoing monitoring and reporting conditions.

The current national demonstration schemes supported by the Environmental Transformation Fund (ETF) that are potentially open to new applications include:

- Marine Renewables Deployment Fund State aid No N 318 / 2005 - *Wave and Tidal Stream Energy Demonstration Scheme*
- Hydrogen and Fuel cells and Carbon Abatement Programme State aid No N140/2001

Both schemes will continue to operate individually as approved under the Community guidelines on state aid for environmental protection and would require any individual projects that receive a grant over the threshold of £1M (limit to be confirmed) to be assessed and cleared individually.

Any new schemes and programmes would be submitted for State aids clearance as they are developed. This product has been designed with some flexibility of application to reflect the need to address a range of barriers to demonstration. This makes gaining state aids clearance for the product as a whole more difficult. However, we will look for opportunities to streamline the process by making joint or generic state aids applications where appropriate.

Operational constraints

Technology performance prior to support offer should preferably be externally validated. This will reduce technical risks substantially and mean that individual project performance is well characterised and economics understood prior to receiving support.

All parties must produce a project management and progress reporting against a project plan.

Projects should bring together funding by leveraging investment from the private sector and consumers.

Capital grant payments should be simple and for achievement of pre-defined and unambiguous milestones. Any revenue support/tariff should be paid on evidence of electricity generation (on a practical level it is likely that this would be determined on an annual basis and from the ROC register).

Participation in the scheme should be conditional upon each project producing a rigorous and transparent report on the performance and economics of the projects. This should be based on actual energy generated, actual construction costs and actual operational and maintenance data and costs and this should be audited.

Appendix A

Delivery & Access

This type of business support is typically delivered at a national level, through an intermediary based upon the type of technology being demonstrated and the expertise required. The highly specialised technical nature of energy demonstration projects coupled with the number of companies innovating in

low carbon technologies may not be significant at a regional level, which means that to achieve an effective impact in terms of budget, delivery and quality, a national approach offers better value for money.

As individual programmes and schemes are developed, consideration will be given to the most appropriate delivery agent. In some cases, existing Government delivery agents such as the Carbon Trust may be used. But in most cases we will develop a specification for the activities of the delivery agent and follow Government procurement rules to appoint the delivery agent.

The delivery agents will work with Business Link as the primary access channel to ensure Business Link advisors are sufficiently briefed on the product to direct eligible businesses to the appropriate national website to access application forms and guidance notes as part of their generic IDB function. The Business Link.gov.uk website will also direct enquiries to the appropriate delivery body website.

Delivery bodies may use a two-stage on-line, postal and or electronic application process, which is normally supported by PDF information on the selection criteria, confirmation/ decision timescales and notification procedure. Briefing sessions or workshops may be used to inform businesses of the application process, selection criteria and give feedback. Whilst phone conversations or selection interviews maybe used to confirm details or explore applications.

Businesses may also become aware of this support through their engagement with other businesses, innovation platforms, private sector organisations and innovation networks. Where businesses access the product via a route outside Business Link they may be referred to Business Link for a holistic business diagnostic.