

Northumberland Enterprise Fund: Final Evaluation

Prepared for the Northumberland Strategic Partnership

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The Northumberland Information Network is a partnership between:

ONE North East, Northumberland Strategic Partnership, Northumberland County Council,
Northumberland Learning & Skills Council, Business Link for Northumberland,
Connexions, Northumberland Care Trust, Northumberland CDRPs, Northumberland
DAAT and GO-NE.



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EXECUTIVE SUMMARY

The InfoNet was appointed by the Northumberland Strategic Partnership (NSP) in January 2006 to carry out a Final Evaluation of the Northumberland Enterprise Fund (NEF). The purpose of the evaluation was to:

- Review **performance** of the scheme against outputs, outcomes and key milestones; and the differing levels of take-up between districts and Business Link Advice Centres (BLACs).
- To consider **problems and constraints** with the scheme, covering delivery and barriers to take-up of the fund amongst Northumberland residents.
- To reflect on good and bad practice within the scheme and to make **recommendations** for the delivery of future projects.

Launched by Northumberland County Council (NCC) in February 2004; the Northumberland Enterprise Fund (NEF) sought to improve the preparedness of new start-up businesses in the County and to embed them into the business support network, raising business survival rates in the short to medium term. Co-funded by Single Programme (loan fund) and Objective 2 (grants), the scheme was delivered through the Business Link Advice Centre Network (BLACs) and provided grants of up to £1,000 and an unsecured interest free-loan of up to £2,000 per employee in the business to a maximum of £10,000.

The scheme was designed to fund up to 100% of eligible capital costs, but could not exceed one third of the total cost of establishing the business. Initially all applicants were asked to a) provide evidence that they could make a 67% contribution to the total set-up costs of establishing the business (personal funds/loan/overdraft/etc); and b) to provide receipts for eligible capital expenditure before the grant/loan award could be drawn down. Following numerous discussions with Government Office North East between December 2004 and March 2005 regarding their interpretation of funding criteria, **grant** applicants were required to **provide £3,000 of eligible receipts to claim £1,000 in grant**. Processing of applications was suspended for three weeks in March whilst the NEF project team undertook an ERDF recovery exercise, collecting additional receipts from some earlier applicants in order to submit a revised ERDF

claim. However, the recovery exercise and the period of uncertainty regarding the amount of ERDF grant that could be claimed continued until September 2005, only three months before the project was due to end.

At the 31st December 2005, the NEF Project Team had received 721 applications, made 690 offers and paid out 620 awards. Total funding awarded came to almost £1.08 million, which in turn has levered in £6.8 million of private sector investment (against a target of £3.9 million) and created 993 full time equivalent jobs at a rate of 1.60 jobs per start-up and a cost of £1,088 per job. For loan applicants, the employment rate was higher with the number of new jobs per new business start averaging at 2.21, compared with 1.38 for those that only received a grant. The average cost per job figure represented good **value for money**. The cost per job figure achieved by the Rowan Fund - the predecessor start up fund to NEF that operated in Northumberland until 2000 - stood at £1,804 (or £2,000 at current prices).

Interest in the grant scheme was higher than for loans, with 610 grant awards amounting to £578,800 compared with 169 loan awards totalling £501,100. Whilst this partly reflects a lower level of interest in the loan fund, it also reflects a lower proportion of loan offers being converted into awards.

Interest in the NEF has not been uniform across the County, with the Alnwick, Blyth and Hexham BLACs together providing almost three quarters of applications (497 or 69%) and a similar proportion of awards (433 or 70%). In contrast, the Wansbeck BLAC accounted for less than 10% of applications and awards (9% and 8% respectively). Whilst some of the variation between BLACs is attributable to **differences in the way that the scheme was approached by business counsellors**, there are other local factors that have impacted on levels of interest in the scheme. For example, in Berwick upon Tweed the low level of take-up has been attributed to interest in **other competing funds**; whilst in Wansbeck the BLAC Manager felt that the **inability of many BLAC clients to accumulate sufficient personal funds** and the nature of business proposals, many of which had **low eligible capital costs** had contributed to fewer NEF applications than in other areas. The opposite was true in Tynedale, which has witnessed an influx of new professional and hi-tech businesses.

Between February 2004 and December 2005, Business Link for Northumberland assisted more than 1,400 new business starts, 569 of which received a NEF award giving a penetration rate of 40%. The penetration rate varies considerably between BLACs, ranging from 22% in Morpeth to 54% in Alnwick.

NEF was introduced to help improve the **quality of business start-ups** and thereby improve **business survival rates** in Northumberland. Based on the latest business survival data, of the 286 new business starts supported by NEF and registered by BLfN, 270 were still trading after 12 months giving a survival rate of 94%. This has helped to raise the overall new business survival rate in Northumberland (as reported by BLfN) from 73% to 86% over the previous two years.

The interim evaluation identified **delivery problems** for NEF. In particular, there was evidence of friction between BLfN and NCC in terms of what their respective roles should be in delivering NEF. These tensions seemed to be smoothed over during the course of the scheme with limited action from both parties. The NEF Project Officer visited the Blyth BLAC to discuss with the manager and counsellors problems that had arisen with the **application process** and the **business plan** in particular. However, the offer to visit all BLACs on a regular basis was not taken up. The NEF Project Officer also provided all of the BLACs with a file containing printed instruction papers and documentation relating to the **application process**, which seemed to go some way to alleviating any confusion over what is required from the client, the business counsellor and BLAC manager.

The quality of applications received improved progressively during the course of 2005, which the NEF Project Officer has partly attributed the development of a **common business plan**. The plan was designed to meet the need of all partners (NEF, Princes Trust and SENET as well as commercial banks) and included much more comprehensive guidance on what is required in each section of the business plan. According to the Project Officer has helped to reduce the number of queries and requests for further information from 25% to 17% between 2004 and 2005.

According to the Application Form submitted for Single Programme funding and the subsequent independent Appraisal Report, the NEF was to "...be **promoted** as part of the overall promotion of services available from Business Link for Northumberland and

in particular through the Business Link Advice Centre Network.” However, according to BLfN, large scale promotion of the NEF was avoided for a number of reasons:

- Customer complaints during the first few months of the scheme (the Small Business Service Customer Satisfaction Survey reported 11 complaints about NEF during the first two quarters of 2004).
- Concerns over the capacity of the BLACs to cope with a large increase in the number of pre-start clients.
- Worries that many pre-start clients may have perceived NEF as an entitlement rather than a discretionary fund.
- BLfN is required to act as an “honest broker” for all of the funding schemes that it is involved in and not just NEF.

During the second half of 2004 and the course of 2005, BLfN ran a regular advert in the local press that outlined the range of services available through the BLACs, including Access to Funding. In addition, a series of case studies and advertising features have appeared in the local press. Figures provided by BLfN show that during the period that the general advert and case studies ran in the local press, the number of new pre-start clients increased by 50%. Whilst it not possible to say with any degree of accuracy the extent to which this increase can be attributed to the BLfN advertising campaign, it seems fair to assume that it is partially responsible.

The interim evaluation completed by the InfoNet identified a number of barriers to interest in and take up of grants and loans through the NEF scheme. The main barriers identified were:

- The inability of some BLAC clients to accumulate sufficient funds from other sources (a minimum of £1,500 to secure a £500 grant) and for eligible capital expenditure to be paid for in advance of receiving the grant.
- NEF could not fund the purchase of commercial vehicles.
- The fund could only support full time businesses.

- Many applicants have low capital set up costs either because of the nature of their business or because they are introducing their own equipment and tools as assets within the business.

In the Interim Evaluation, the InfoNet made a number of **recommendations to widen the accessibility of the NEF** to more residents in Northumberland and to smooth over tensions between the partner organisations. The recommendations were seemingly discussed within the project team, but only a handful implemented. In particular, the option for NCC to re-allocate Single Programme funding for advertising was not taken up. According to the NEF Project Team, additional workload and uncertainty associated with the ERDF recovery exercise meant that the opportunity for NCC to advertise the scheme was lost.

A **new NEF scheme** was launched in April 2006. The new scheme does not include a loan facility, but has three tiers of grant and has been designed to reflect some of the barriers and problems highlighted in the original scheme and to make it more accessible. One tier is for applicants that are in receipt of working age benefits and recognises that they may not have the financial resource to pay for eligible capital expenditure in advance of receiving an award by offering a 100% grant and paying half of the award up front.

The scheme is to be **promoted by NCC** and **delivered through the BLfN advice centres and In Biz**, which delivers the self-employment option of the Government's New Deal programme. Discussions are also taking place with Biz Fizz in Alnwick and the Northern Pine Tree Trust, which if successful, will help to increase the number of access points for the Fund.

The new scheme is funded by Single Programme money claimed that was not awarded in loans and that was not used to cover operational costs and loan repayments from the original scheme. The result is that the new scheme is funded by 'clean money' that is not subject to the same restrictions as ERDF and that can be matched against loans and grants from other schemes. It will be interesting to see what impact the new scheme has on take-up of grant support from potential entrepreneurs in Wansbeck and Berwick upon Tweed over the next two years.

1.0 INTRODUCTION

In January 2006, the Northumberland Information Network (InfoNet) was asked by the Northumberland Strategic Partnership (NSP) to conduct a Final Evaluation of the Northumberland Enterprise Fund (NEF).

NEF was a grant and loan scheme launched in February 2004 to:

- Encourage new and better prepared business start-ups in the County.
- Ensure that new enterprises are familiar with and embedded into the business support network in Northumberland.
- Improve business survival rates in the short to medium term.

The project was dual funded by ERDF Objective 2 to the extent of £565,000 for grant finance and £915,800 Single Programme Capital for the loan fund, with contributions towards operating costs split proportionately between the two programmes. The scheme was managed by Northumberland County Council Business Centre and delivered through the Business Link Advice Centres in Ashington, Alnwick, Berwick upon Tweed, Blyth, Hexham and Morpeth.

The scheme provided a grant of up to £1,000 and an unsecured interest free-loan of up to £2,000 per employee in the business and to a maximum of £10,000, but restricted to no more than the value of eligible capital expenditure costs associated with starting a new business.

The Evaluation is intended to be a concise assessment of the project and is broken down into the following five sections:

- **Section 2 Overview of NEF.** Consideration is given to the initial justification for its introduction, project design, how it is delivered, and what and who it is able to support.
- **Section 3 Methodology.** Outline of the approach adopted by the InfoNet in undertaking the evaluation.
- **Section 4 Achievements.** To identify what has been achieved as a result of intervention. Review the performance of the scheme in relation to both outputs

(number of new business starts assisted, jobs created and private sector leverage); and the extent to which the stated outcomes of the project have been achieved (start-ups better prepared and programmed into the business support network as a result of NEF support). Consideration is also given to variations in performance around the County (for each BLAC) and the extent to which the fund has provided value for money. This section also draws on some of the findings from interviews with beneficiaries conducted by the InfoNet.

- **Section 5 Problems and Constraints.** Based on interviews with the the NEF Project Team, BLAC managers, business counsellors and 29 beneficiary and non-beneficiary businesses, this section includes a discussion of how the project is delivered; any delivery problems (including any barriers to take up) and how these were handled during the lifetime of the scheme. Consideration is also given to recommendations included in the Interim Evaluation report. The recommendations sought to improve the scheme and in particular, to maximise take-up of the grants and loans available.
- **Section 6 Best Practice & Future Recommendations.** Drawing on the interviews with beneficiaries and the NEF partnership, this section outlines key lessons from the project and how these should be incorporated into future projects and initiatives

2.0 OVERVIEW OF NEF

2.1 Background

Since the demise of the Rowan Start-up Fund in February 2000 there has not been a universally available fund to assist new businesses start ups in Northumberland. Other funds are in operation, but seek to provide assistance to defined groups, such as The Prince's Trust, which supports self-employment amongst unemployed or under-employed 18 to 30 year olds; the Royal British Legion for ex-service men and women; Spirit of Enterprise for disabled residents; and Prime for the over 50s.

In 2003, Deloitte and Touche was commissioned by the Regional Access to Finance Expert Group to identify key issues affecting the effectiveness of SMEs at the start-up and growth stage of their development; and to suggest areas for improvement and intervention where required. The report "Improving Access to Finance for Small and Medium Enterprises in the North East" describes:

- A commercial banking sector that is risk averse and that seeks significant levels of security from loan applicants, normally insisting that homes be used as collateral.
- A strong correlation between business survival and the utilisation of formal processes of business planning supported by external professional advice. Indeed, SME's interviewed as part of the research recognised that access to relevant business support services could improve their business proposition and improve their ability to access appropriate sources of finance.
- The Northumberland Enterprise Fund was designed with these factors in mind: access to grant support and an unsecured loan facility; a requirement for applicants to have been through a formal process of business planning via the Business Link Advice Centres (BLACs); and also to commit to participating in post start-up aftercare.

The fund is not intended to meet the needs of all pre-start clients, recognising a role for other sources of public funding. The parameters of the Fund were set to differentiate it from those other sources of funding, identified as:

- KickStart
- Prince's Trust
- Shell Enterprise Loan Fund (PNE)
- PRIME
- North East Micro Business Loan Fund
- DTI's Small Firms Loan Guarantee Scheme
- North East Regional Investment Fund (NEL)

NEF sought to fill the gap for unsecured funding for business starts above the levels provided by KickStart, the Prince's Trust, Shell Enterprise and Prime, but below the levels of finance available through the Micro Loan Fund and the Small Firms Loan Guarantee Scheme.

The scheme provided grant support of between £500 and £1,000 and an unsecured interest free-loan of up to £2,000 per employee in the business and to a maximum of £10,000.

To be eligible, applicants were required to be over 18 and a resident of Northumberland; and their businesses could not have started trading prior to application approval (with the exception of applicants at the end of New Deal Trial Trading or part time businesses looking to move up to full time). When the scheme was launched in February 2004, it was designed to fund up to 100% of eligible capital costs, but could not exceed one third of the total cost of establishing the business. Applicants were required to provide evidence that they could make a 67% contribution to the total set-up costs of establishing the business (personal funds/loan/overdraft/etc). In addition, beneficiaries were required to provide receipts for eligible capital expenditure to NCC before the grant/loan money could be drawn down.

However, the future of the scheme was thrown into doubt towards the end of 2004. Government Office North East (GO-NE) questioned the way in which NEF was operating and in particular the requirement for applicants to provide evidence of a financial contribution towards set up costs. The situation was resolved in May 2005,

with a decision by GO-NE that to receive a grant of £1,000 applicants would be required to provide £3,000 of receipts for eligible capital expenditure. In addition, GO-NE refused to pay any ERDF claims until all successful applicants had provided all of the required receipts, including for those awards that had already been paid out to clients. The scheme was essentially suspended for 3 weeks whilst the NEF Project Team embarked on an `ERDF Recovery Exercise`. Three people were employed to visit a number of previous beneficiaries to photocopy as many additional eligible receipts as possible in order to build a successful ERDF claim. The NSP allowed up to £10,000 of Single Programme money from the NEF revenue budget to be utilised for the ERDF recovery exercise.

The net result was that NEF was able to claim the full amount of ERDF and Single Programme funding. GoNE's interpretation of the criteria only affected the way in which the grant element of the NEF scheme was administered. However, with the agreement of NSP, the NEF team introduced some modifications to the loan element of the scheme. Awards of up to £3,000 were paid out on the production of receipts only, whilst for awards of more than £3,000 the applicants were required to provide evidence of funding as well.

2.2 Delivering the Fund

The NEF scheme was managed by Northumberland County Council Business Centre and delivered through the Business Link Advice Centres in Ashington, Alnwick, Berwick upon Tweed, Blyth, Hexham and Morpeth.

It was a requirement of the scheme that all NEF applications be developed with and submitted by the **BLACs**. It was hoped that the involvement of the BLACs and assistance provided by the self employed business counsellors would help to improve the quality of new starts, better prepare applicants for the reality of self-employment and hopefully embed them into the wider network of specialist support provided by and brokered through BLfN.

Whilst the NEF was regarded by the BLAC managers and counsellors as a welcomed addition to the tools they have at their disposal for promoting and assisting business start-ups, it was by no means given priority over other potential sources of funding. Most of the Business Counsellors interviewed as part of the evaluation stressed that

the NEF was not pushed upon pre-start clients and that the decision to apply or not to apply was based wholly on individual client needs and circumstances. Furthermore, some of the counsellors interviewed reported that clients were only made aware of the NEF if they were likely to meet the eligibility criteria.

As clients of the BLAC, NEF applicants were able to access the full range of Pre Start Business Services available:

- One-to-one sessions with an experienced business counsellor.
- Access to funding.
- Help with developing a business plan and cash flow forecast.
- General information, advice and guidance.
- Help with market research and identifying a customer base.
- Property search.

The preparation of a Business Plan and Cash-flow Forecast was a requirement of funding and was completed with the assistance of the Business Counsellor. The approach taken to developing a business plan varied between the six BLACs and indeed between the clients, with some having required little assistance and able to competently illustrate the viability of their business proposition. In contrast, other clients often required much more hand-holding and considerably more counselling sessions to complete their business plan. Whilst none of the Counsellors wrote business plans for the clients, preferring them instead to take ownership of their business from day one; they generally offered considerably more hands-on assistance with the cash flow forecast. Indeed, a number of the counsellors developed their own cash flow template for clients to complete in order to facilitate the preparation of the forecast in a format that is consistent with the requirements of the application.

On the completion of the business plan, cash flow forecast and the application form, the application was signed off individually by the BLAC Counsellor and Manager and submitted to the NEF Project Team at NCC.

The **NEF Project Team** is located within and managed by the Regeneration Division of **Northumberland County Council (NCC)**. The Team consists of two members of

staff – a Project Officer and a Project Assistant – with line management provided by a Senior Business Development Officer. The role of the Project Team was six fold:

- To log applications on the NEF database for monitoring and evaluation purposes.
- To process applications, taking into consideration the application form, business plan, cash flow forecasts and the reports from the Business Counsellor and BLAC Manager. This included checks for consistency between and completeness within the business plan, cash flow forecast and application form, followed by requests for additional information from the BLAC network and client if required.
- Issue offer letters to applicants, asking them to provide copies of receipts for expenditure itemised on the application form and (where appropriate) to provide evidence of match funding.
- To process claims on receipt of the required documentation outlined above and instruct the Sunderland Business & Innovation Centre, who managed the bank account, to make payments as appropriate.
- To manage the loan book e.g. attending to defaulting loans and renegotiating terms with borrowers.
- Submit claims to Government Office for the North East and NSP to draw down ERDF and Single Programme funding; and to submit quarterly monitoring returns for both ERDF and Single Programme to the Northumberland Strategic Partnership.

Under the conditions of the scheme, as set out in the guidance notes provided to applicants, NCC promised to endeavour to contact each applicant within two weeks of the application being received; and to ensure that payments against each grant claim (on the production appropriate receipts) be processed within one week. In reality, however, performance of NCC in administering the scheme has been much better, with offer letters to the majority of applicants sent out within 2-3 days and claims processed within 1-2 days. The only period when this objective was not adhered to was during the three week period during which the scheme was suspended, following discussions with Government Office North East over what ERDF funding the Project

was able to draw down. During this period, applications continued to arrive but were not processed.

The BLAC managers and counsellors were very complimentary with regard to the speed at which applicants received award notification; and commented on the NEF Project Team being able to fast-track applications when necessary. Similarly, 94% of the respondents to the NEF Post Award Survey said they were satisfied or very satisfied with the way in which their application was dealt with by NCC.

The **Sunderland Business & Innovation Centre (BIC)** was appointed to handle the banking aspects of the NEF. The BIC paid grant and loan awards to the beneficiaries using the BACS system and collected loan repayments as appropriate. Payment to the BIC (£5,000 per quarter) for delivering the service was funded by One NorthEast until 31st December 2005.

Whilst the BLAC network and the NEF project team are the key players in delivering NEF, in the Single Programme funding application onus was also placed on other **intermediary organisations** as a means of promoting NEF and as potential sources of referrals. These include the Princes Trust, the Blyth Valley and Wansbeck Action Teams, In Biz and Kick Start. In Blyth Valley and Wansbeck, these organisations have joined together with their BLAC and NEF to form local partnerships with an interest in new business development. They meet quarterly and promote open networking and co-operation of enterprise support service providers

3.0 METHODOLOGY

The methodology adopted by the InfoNet in delivering the evaluation has involved a mix of desk research and consultation. The desk research was used to provide an understanding of the fund and how it operates, the reasoning behind its introduction and the performance of the fund to date using data from the NEF client database. The InfoNet also sought to incorporate the views of the funding organisations, partners, beneficiaries, non-beneficiaries¹ and intermediary organisations in order to better understand the operation of the fund and the extent to which it meets the needs of potential entrepreneurs in Northumberland. A list of organisations contacted is included in Appendix 1.

Desk Research

Through the Desk Research, careful consideration has been given to:

- Single Programme application submitted by Northumberland County Council and the subsequent independent project appraisal. This, together with additional information provided by the NEF Project Team and the NSP, provided the context for the evaluation in terms of its operation and achievements towards target outputs and milestones.
- The performance of the scheme across the County and by BLAC, measured in terms of number of new businesses assisted, jobs created and private sector leverage using management information held by the Project Team.
- Post-award evaluation forms completed by beneficiaries. Consideration has been given to the 423 responses received to provide a quantitative assessment of satisfaction levels. The responses to the post award evaluation were also used in the design of questionnaires/pro-formas used during the telephone discussions with beneficiaries and other new business starts (see below).

¹ Non-beneficiaries relates to new businesses established since March 2004 that have not accessed support from the NEF. Interviewees were randomly selected from details provided by BL4N.

Interviews with Key Partners

Interviews were conducted with the NEF Project Team and appropriate individuals at the NSP and Business Link for Northumberland. These interviews were used to discuss partner understanding of the project aims and objectives; understanding of their respective roles in the delivery process; and the difficulties experienced and opportunities pending from working in partnership. In particular, the marketing and promotion of the scheme was discussed with the Project Team and Business Link to discuss their respective roles in raising the profile of NEF to potential users and in disseminating details of success stories.

Interviews with Beneficiaries

The InfoNet interviewed 19 beneficiaries, drawn from all six districts to discuss the importance of the financial support received through NEF and to gauge their opinion of the scheme. This included detailed discussions about:

- The application process, covering the application form and guidance notes.
- Their understanding of eligibility requirements and other terms and conditions, and the extent to which these may prove detrimental to new business starts.
- The balance between grant and loan support available; and whether increased flexibility, particularly in relation to the loan facility, would have benefited the start up of their business.
- The background to the establishment of their business, including the organisations they approached for help and advice, how they found out about NEF and how the scheme could be better promoted.
- Their general opinion of the scheme.

Interviews with Non Beneficiaries

InfoNet also interviewed 10 new business starts established since February 2004 that did not apply to the NEF for funding. The structure of these interviews was similar to that for beneficiaries, although more time was dedicated to discussing the eligibility requirements and the general terms and conditions of the scheme, and the

extent to which these were appropriate or inappropriate to their needs. In addition, interviewees were questioned over alternative sources of funding and why these were selected over the NEF.

Interviews with BLAC Managers and Counsellors

Interviews were held with a number of each of the BLAC Managers and a selection of Business Counsellors to discuss their perception of the NEF, in terms of its match with the needs of new business starts; and role the scheme plays in promoting and securing the establishment of new enterprises in their respective catchment areas.

Interviews with Intermediary Organisations

The NEF Single Programme application to the NSP makes reference to operational links through other agencies and initiatives providing business support and advice and other sources of funding. With this in mind, interviews were held with intermediary organisations to investigate their effectiveness in referring clients to the BLAC for NEF support; the extent to which the NEF has helped intermediaries to achieve their own operational goals; and the extent of any complementarity and potential for co-funding with other programmes of support. Discussions took place with In Biz, the Wansbeck and Blyth Action Teams, Kick Start, Princes Trust, SENET and Biz Fizz.

4.0 ACHIEVEMENTS

This section of the report identified what has been achieved as a result of intervention, focusing on outputs, outcomes and key milestones. In particular, consideration is given to:

- The number of grant and loan applications.
- Number of grant and loan awards.
- Jobs Created.
- Business Survival Rates for NEF-supported businesses at 12 months.
- Additionality or the extent to which the fund is helping to attract BLAC clients that would not otherwise have approached Business Link for assistance.
- The preparedness of applicants to start in business.

4.1 Outputs and Outcomes

As mentioned in Section 2, the NEF was designed around access to funding issues highlighted by Deloitte & Touche², namely that new business starts are under capitalised and that benefits in the form of faster growth and business survival prospects are more likely to accrue to those new entrepreneurs that have been through a formal business planning process.

The anticipated outcomes from NEF, as highlighted in the Single Programme funding application, are thus as follows:

- To contribute to the overall promotion of an entrepreneurial culture in Northumberland, resulting in an increase in the number of business starts in the County.
- To improve the quality of business start-ups and thereby improve business survival rates by 5% in Northumberland.
- To increase the average levels of employment per new business start from 1.53 to 1.7.

² Improving Access to Finance for Small & Medium Sized Enterprises in the North East; Deloitte & Touche 2003

The target outputs from the project were:

- To create 537 (FTE) jobs in new businesses support by NEF.
- To attract private sector investment in supported businesses to the tune of £3.89 million.

In addition to outputs and outcome, NEF was also set a number of milestones against which its progress was monitored. The key milestones, as recognised by the NSP, included:

- 50th Grant Award, to be achieved by the end of June 2004.
- 200th Grant Award to be achieved by the end of October 2004
- 200 Loan Award to be achieved by the end of December 2004.

4.2 Applications and Awards

Grants

Overall, the grant element of the programme performed well, with 712 grant applications for £693,350 in funding received between February 2004 and the end of December 2005. These applications in turn generated 682 offers for £666,200 in grants and 610 awards totalling £578,800.

Overall:

- 96% of the grant applications were approved and a formal offer issued.
- 89% of grant approvals were processed and awards paid to the beneficiary (i.e. 11% did not claim).

Following a relatively slow start, with 23 applications during March 2004 (the first full month of the project) and an average of 28 applications per month during the course of 2004, interest in the project accelerated during 2005. The number of grant applications increased to 35 per month during the year, peaking at 49 in March 2005.

Both of the milestones relating to grants – the 50th grant or loan award and the 200th grant award – were both achieved. The former was reached within the target date

(by 2 days) and the latter was achieved by the 14th January 2005 against a target of 31st October 2004.

Loans

The performance of the loan element of the scheme was less impressive, with just 224 applications for £727,500 of funding during the course of the project. These applications in turn generated 203 offers for £644,400 in loan funding and 169 awards totalling £501,100.

Overall:

- 91% of the loan applications were approved and a formal offer issued.
- 83% of loan approvals were processed and awards paid to the beneficiary (i.e. 17% did not claim).

Referring to Figure 2, applications for loans failed to take off in the same way as the NEF Grant, with numbers following a relatively low albeit consistent trend during the course of the project. Indeed, during 2005 the number of loan applications received slowed from the level achieved in 2004, with the average number of applications per month dropping from 11 to 9. The number of applications per month peaked in December 2004 (17), falling to just five applications in July 2005 and to zero during December 2005 (the final month during which loan applications were accepted).

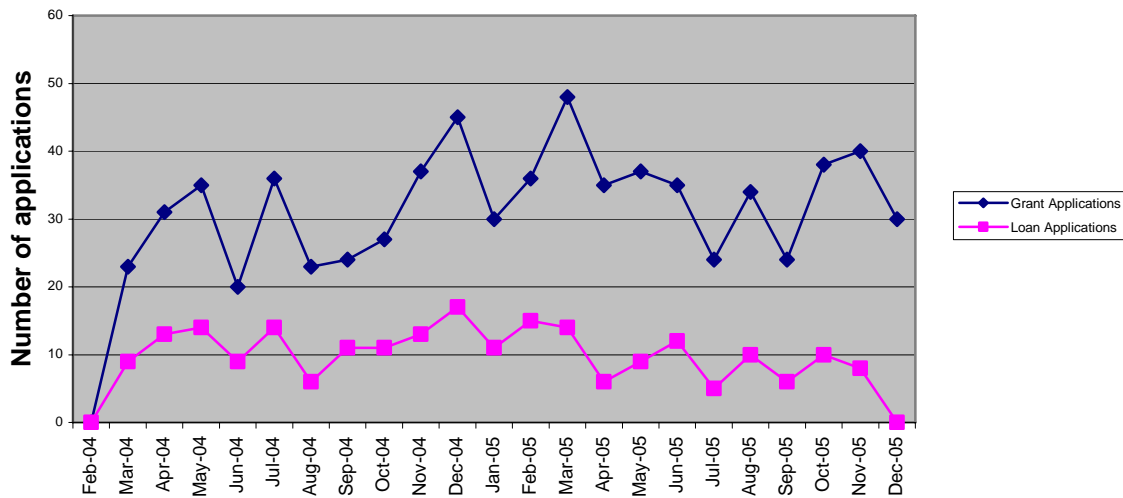
The first milestone for the loan fund (200th approval) was expected to be achieved by the 31st December 2004, but was put back twice during the course of the project, first until March 2005 and then until September 2005. The milestone was never achieved, with only 169 loans approved during the course of the project.

From a monitoring point of view, the main problem with the loan element of the scheme was not just the number of applications (although these have been significantly lower than for grants), but that many applicants did not submit their claim for funding within the specified three month period, in spite of regular contact from the NEF project team and a formal reminder two weeks before the three-month period is up. This is clearly reflected in the proportion of offers that were claimed by loan applicants (83%), which is markedly lower than for grant offers (89%).

Northumberland Enterprise Fund: Final Evaluation

Figure 1: NEF Grant & Loan Applications, Offers & Awards (Feb 04 – Dec 05)												
	Applications				Offers				Awards			
	Grants		Loans		Grants		Loans		Grants		Loans	
	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£
2004												
Feb	0	0	0	0	0	0	0	0	0	0	0	0
Mar	23	22,300	9	29,500	22	21,467	8	28,500	22	21,386	7	15,159
Apr	31	31,000	13	44,025	27	26,956	10	29,750	26	25,475	8	17,496
May	35	34,000	14	54,196	31	30,500	11	36,046	31	30,475	10	34,434
Jun	20	19,457	9	14,945	20	19,457	9	14,945	20	19,347	8	12,666
Jul	36	35,850	14	53,672	33	32,850	10	38,172	33	32,348	9	33,428
Aug	23	22,424	6	16,775	23	22,424	6	16,675	23	22,021	5	9,657
Sep	24	24,000	11	23,391	21	21,000	9	17,391	21	20,757	6	7,627
Oct	27	26,075	11	44,829	26	25,075	11	44,176	23	21,239	7	29,582
Nov	37	35,349	13	47,100	37	35,349	13	45,100	33	31,445	12	39,188
Dec	45	43,253	17	30,905	44	42,972	18	33,405	41	39,632	12	18,893
2004												
Total	301	293,708	117	359,338	284	278,050	105	304,160	273	264,125	84	218,130
2005												
Jan	30	29,360	11	29,000	30	29,354	11	29,000	25	24,704	10	25,827
Feb	36	35,900	16	57,555	35	34,900	14	54,555	28	27,909	10	32,201
Mar	48	47,289	14	44,100	46	45,540	14	45,100	43	41,099	12	35,410
Apr	35	33,925	6	22,738	35	34,405	6	22,738	32	29,224	6	22,738
May	37	36,440	9	36,000	36	35,440	8	30,000	31	28,606	8	30,000
Jun	35	34,500	12	39,497	33	32,485	11	30,726	29	28,985	10	27,726
Jul	24	22,500	5	14,500	22	21,000	4	10,500	20	17,050	3	8,441
Aug	34	33,286	10	40,000	32	31,286	10	40,000	25	22,104	9	38,000
Sep	24	23,976	6	20,500	22	21,976	5	19,000	19	17,558	4	13,605
Oct	38	36,070	10	26,287	37	35,170	8	22,620	31	28,142	7	21,079
Nov	40	37,549	8	37,962	40	37,774	7	36,000	36	33,458	6	27,956
Dec	30	28,841	0	0	30	28,841	0	0	18	15,841	0	0
2005												
Total	411	399,636	107	368,139	398	388,171	98	340,239	337	314,681	85	282,983
Grand												
Total	712	693,344	224	727,477	682	666,220	203	644,399	610	578,806	169	501,113

Figure 2: Loan & Grant Applications Feb 04 - Dec 05



Interest in the NEF has varied considerably around Northumberland, as illustrated by the distribution of applications set out in Figure 3 below:

Figure 3: NEF Grant & Loan Applications, Offers & Awards by District

	Applications				Offers				Awards			
	Grants		Loans		Grants		Loans		Grants		Loans	
	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£
Alnwick	172	171,264	34	117,751	163	162,414	29	96,055	149	146,048	25	64,594
Berwick	74	69,387	39	112,380	68	64,212	32	90,265	62	58,029	29	81,002
Blyth	185	182,226	61	184,156	180	177,172	59	175,389	155	147,264	42	116,820
Hexham	136	130,390	35	116,188	132	127,366	34	115,188	121	113,915	31	108,706
Morpeth	83	80,537	30	119,552	82	80,017	26	97,552	72	67,363	21	69,709
Wansbeck	62	59,540	25	77,450	57	55,040	23	69,950	51	46,187	21	60,283
Total	712	693,344	224	727,477	682	666,220	203	644,399	610	578,806	169	501,113

- Blyth has been the best performing BLAC, accounting for more than one quarter of grant (185 or 26%) and loan (61 or 27%) applications. In respect of grant applications, Blyth is closely followed by Alnwick, (172 or 24%), but the share of loan applications accounted for by the other five BLACs is markedly lower ranging between 11% and 17%.
- Wansbeck (62 or 9%), Berwick (74 or 10%) and Morpeth (83 or 12%) appear at the other end of the grant 'league table', contrasting markedly with the Alnwick and Blyth offices.

Figure 4: Grant Awarded (£)

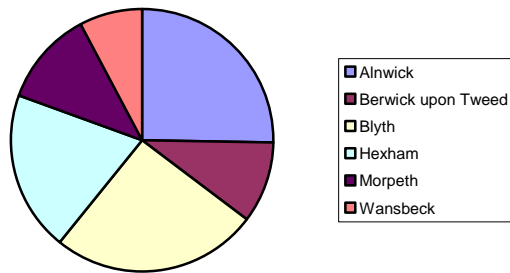
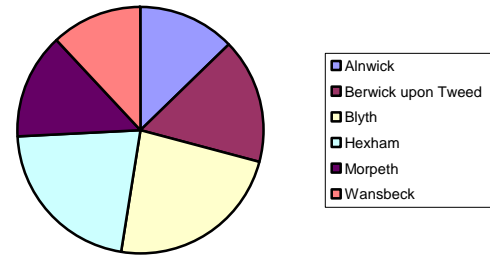


Figure 5: Loans Awarded (£)



The distribution of offers and awards made is not dissimilar to that for applications, with the Alnwick and Blyth BLACs accounting for the largest number of grant awards (149 or 24% and 155 or 25%, respectively) and Blyth the largest proportion of loan awards (42 or 25%). In contrast, the Wansbeck BLAC accounted for only 51 (8%) grant awards and 21 (12%) loan awards.

Not surprisingly the value of grant and loan awards by district closely mirrors the pattern of application numbers. Blyth and Alnwick together accounted for £293,000 in grant awards, representing more than half of the County total (51%); and Blyth and Hexham accounted for £225,500 in loan awards, representing more than two-fifths (45%) of the County total.

Why does interest in NEF vary so markedly around the County? Whilst the approach and attitude towards the NEF by some of the BLAC Counsellors was undoubtedly a contributing factor, particularly during the early stages of the scheme (see section 5), a closer consideration of the data set out above reveals that the **number of applications is a function of demand for BLfN pre-start services**. The question therefore changes to “why are there varying levels of interest in self-employment and entrepreneurship around the County?”

Figure 6 below shows the number of new business starts recorded by BLfN between March 2004 and December 2005 and the number that applied for NEF support.³ Overall:

³ Business start-ups are recorded by BLfN. A successful start-up is only counted when the business returns its Start up Certificate to BLfN. Monthly lists of registered start-ups are

Figure 6: NEF Intervention Rates by BLAC							
	Pre Starts	New Starts	New Start Conversion Rate*	New Starts Supported by NEF (no.)	New Starts Supported by NEF (%)**	BLAC as % of All Starts	BLAC as % of NEF Starts
Alnwick	515	270	52.4	147	54.4	18.9	31.1
Berwick	386	172	44.6	60	34.9	12.0	7.2
Blyth	785	276	35.2	136	49.3	19.3	26.1
Hexham	809	328	40.5	129	39.3	23.0	17.6
Morpeth	601	233	38.8	52	22.3	16.3	10.4
Wansbeck	564	149	26.4	45	30.2	10.4	7.7
N'land	3660	1428	39.0	569	39.8	100.0	100.0
*Number of new business starts as a % of pre-start clients at each BLAC							
** Number of NEF supported new starts as a proportion of all new starts at each BLAC							

- Between February 2004 and December 2005, more than 3,600 people attended a first pre-start advice session with a BLAC Business Counsellor. Almost one quarter of these sessions (22%) were through the Hexham BLAC, closely followed by Blyth (21%). In contrast, the Berwick Office accounted for just one tenth of initial pre-start advice sessions.
- Of the 3,660 individuals that attended a first session, 1,428 started their own business over the same period – a success rate of 39%. The County average, however, masks considerable variation between districts ranging from a start-up rate of 52% in Alnwick to 26% in Wansbeck.
- Of the 1,428 new business starts, 569 received financial support from NEF, representing a penetration rate of 40%. Again, the Northumberland average masks considerable variation around the County, ranging from 54% in Alnwick to 22% in Morpeth.
- There is evidence of a strong positive correlation between both the number of pre-start advice sessions and the number of NEF applications submitted (0.98); and also the number of new starts recorded by a BLAC and the number of NEF applications submitted (0.99).

provided to the NEF Project Team so that businesses receiving NEF support can be cross referenced and a penetration rate calculated. The discrepancies between number of awards in Table 1 and the number of new business start-ups supported by NEF in Tables 3 and 4 is seemingly the result of a delay between businesses claiming from NEF and returning their Start-up Certificate to BLfN.

- Clearly there were issues with NEF in **Morpeth**, and to a lesser degree in **Wansbeck** and **Berwick upon Tweed**. In contrast, the **Alnwick** and **Blyth** centres performed exceptionally, with the proportion of NEF applications submitted by each office higher than the proportion of new starts claimed by each.

Figure 7: BLAC Performance 2004 v 2005

	Feb 04 – Dec 04			Jan 05 – Dec 05		
	New Starts	NEF New Starts	NEF Rate %	New Starts	NEF New Starts	NEF Rate %
Alnwick	118	69	58.5	152	78	51.3
Berwick	74	16	21.6	98	60	61.2
Blyth	119	61	51.3	157	75	47.8
Hexham	70	39	55.7	258	90	34.9
Morpeth	77	23	29.9	156	29	18.6
Wansbeck	63	18	28.6	86	27	31.4
N'land	521	226	43.4	907	359	39.6

Looking at Figure 7, interest in the NEF became more buoyant during 2005 than in the previous year, driven by a rise in the number of new business starts recorded by BLfN. But as a proportion of all new starts, the importance of the scheme slipped slightly, accounting for 43% of new businesses in 2004 compared with 40% in 2005. At a BLAC level, increases in the proportion of new starts funded by NEF recorded in Berwick (+40 percentage points) and Wansbeck (+3 percentage points) were offset by reductions recorded by the other four offices and in Hexham in particular (-21 percentage points).

Discussions with the BLAC managers and business counsellors uncovered other local factors that are also likely to have impacted on the take up of the NEF scheme by start-up businesses. These are summarised below:

The **Alnwick BLAC** has been busy for the last 24 months, although perhaps not as busy as some of the other offices in terms of clients coming through the door. The BLAC Manager attributed the success of the Alnwick office in securing NEF applications to the level of commitment amongst the Business Counsellors in directing clients to the scheme. That said, both the Manager and Business Counsellor interviewed as part of the evaluation stressed that the fund was only really of benefit to applicants that are already fully funded.

The **Berwick upon Tweed BLAC** has witnessed an increase in demand for pre-start services over the past 24 months, although the increase was not been driven by the introduction of the NEF. Rather, the loss of local jobs and employers has increased the attractiveness of self employment as a serious proposition for local residents. Whilst a general enterprise fund for Northumberland was regarded as a welcomed addition, the NEF has not been well utilised in the Berwick area. This has been attributed to the relevance and simplicity of other funding schemes to Berwick residents, in particular Kick Start, Prince's Trust and the Project North East Loan Fund, which together funded more than half of new starts between April 2004 and December 2005. That said, both the manager and counsellor interviewed as part of the evaluation re-assured the InfoNet that any client that met the eligibility criteria and were willing to go through the application process will be put forward for NEF.

Based in the most densely populated part of Northumberland, the **Blyth BLAC** is always busy to the point where the business counsellors see 5-6 clients every day, which has helped to drive the number of applications for NEF. However, the past 18 months or so have witnessed a change in the type of clientele visiting the office, from predominantly the long term unemployed to individuals that are already in employment (or have been made redundant) and regard self-employment as a serious option. That said, any clients that are under 30 that meet the eligibility criteria will nearly always be put forward for Prince's Trust support because their grant and loan funding comes with additional business support and mentoring.

Since the relocation of the **Hexham BLAC** to a town centre location, the office has been a hive of activity. The NEF was regarded as an excellent resource and the £1,000 grant proved to be sufficient financial support for most new start businesses supported by the BLAC, with no significant barriers experienced. This is partly a reflection of the type of businesses emerging in Tynedale, many of which are in professional sectors with sufficiently high capital set up costs, such that producing £3,000 in receipts to claim the £1,000 grant has not been as much of a problem as in other parts of the County.

According to the **Morpeth BLAC** manager the NEF was an excellent resource, very much aligned with the needs of new service sector and hi-tech businesses that are springing up in the Morpeth area. The application process was described as

“painless”, especially with help from the Business Counsellor; and the only real criticism was that the grant and loan amounts offered are too small for larger business projects.

Wansbeck is a Neighbourhood Renewal Area and is recognised as being one of the 88 most deprived local authority areas in the Country. According to the **Wansbeck BLAC** manager, the NEF was a good idea in principal but flawed in practice. The main barrier to take-up of the NEF grant in the district was that many BLAC clients simply did not have their own funds and were unable to accumulate sufficient funds from other sources, even on the strength of a conditional offer letter from NEF. Furthermore, other funding schemes available through the Prince’s Trust, Kick Start and the Wansbeck Action Team for Jobs in particular, tended to be more attractive to many BLAC clients and together provided support for more than half of new business starts recorded since April 2004. Applications have also been submitted to the SENET Loan Fund and the Regional Micro Loan Fund.

4.3 Private Sector Investment and Jobs Created

Total funding awarded by the 31st December 2005 stood at **£1.08 million**, which in turn has levered in **£6.8 million of private sector investment** (a ratio of 6.3:1) and created **993 (FTE) jobs** at a rate of **1.60 jobs per start up** and a cost of **£1,088 per job** (see Figure 8).

The cost per job figure would appear to represent good value for money. The forecast cost per job figure for all ERDF projects in the Objective 2 programme stands at £10,000, although this includes jobs created through large infrastructure and development projects. Perhaps more meaningful, however, is the cost per job figure achieved by the Rowan Fund – the predecessor start up fund to NEF that operated in Northumberland until 2000. The cost per job figure achieved by the Rowan Fund stood at £1,804, which at current prices is estimated to be around £2,000, almost double that achieved by NEF.

The project has substantially exceeded targets set for full time jobs created (537) and private sector investment (£3.9 million). Average rates of employment in new businesses funded by NEF stands at 1.6 per business against a target of 1.7. One of the main objectives of the **NEF loan** was to encourage new business to create new

jobs during the first year of trading; and this objective appears to have been realised with the number of new jobs per new business start averaging at 2.21 for NEF loan beneficiaries compared with 1.38 for those that only received a grant.

Across all business starts registered by BLfN, average employment in new businesses rose from 1.38 jobs in 2003/04 to 1.46 in 2004/05, but fell back to 1.38 in 2005/06.

Figure 8: Private Sector Investment Leverage and Jobs Created by BLAC

	Number of NEF Awards	Total NEF Award	Total PSI	Jobs Created	Cost per Job	Jobs Created per Start-up	Leverage Ratio
All Awards							
Alnwick	151	210,642	1,909,888	224	940	1.48	9.07
Berwick	62	139,030	648,651	93.4	1,489	1.51	4.67
Blyth	158	264,084	1,148,495	240.5	1,098	1.52	4.35
Hexham	123	222,621	1,584,009	242.2	919	1.97	7.12
Morpeth	74	137,072	594,817	120.5	1,138	1.63	4.34
Wansbeck	52	106,469	861,327	72.4	1,471	1.39	8.09
Total	620	1,079,919	6,747,187	993	1,088	1.60	6.25
Grant Only							
Alnwick	126	123,048	1,444,510	172.1	715	1.37	11.74
Berwick	33	29,216	234,932	46.7	626	1.42	8.04
Blyth	116	108,264	587,963	159.3	680	1.37	5.43
Hexham	91	84,291	677,650	130.6	645	1.44	8.04
Morpeth	53	48,363	204,156	71.5	676	1.35	4.22
Wansbeck	31	26,187	139,062	38.9	673	1.25	5.31
Total	450	419,369	3,288,272	619.1	677	1.38	7.84
Loan / Grant & Loan							
Alnwick	25	87,594	465,378	51.9	1,688	2.08	5.31
Berwick	29	109,814	413,719	46.7	2,351	1.61	3.77
Blyth	42	155,820	560,532	81.2	1,919	1.93	3.60
Hexham	31	137,330	903,304	110.6	1,242	3.57	6.58
Morpeth	21	88,709	390,661	49	1,810	2.33	4.40
Wansbeck	21	80,283	722,266	33.5	2,396	1.60	9.00
Total	169	659,550	3,455,860	372.9	1,769	2.21	5.24

With regards to jobs created and cost per job, the County average masks considerable variation between the six Business Link Advice Centres. Almost half of

the 993 jobs created were the result of NEF awards generated by the Blyth (241) and Hexham (242) BLACs, compared with just 72 through the Wansbeck office and 93 from Berwick. In addition, the individual cost of the jobs created in Wansbeck (£1,481) and Berwick (£1,494) was substantially higher than in Hexham (£919), Alnwick (£940) and Blyth (£1,098); and the number of jobs per start up substantially lower (1.39 and 1.51, respectively). The highest number of jobs created per start was in Hexham (1.97) and the lowest in Wansbeck (1.39).

In contrast to jobs per start figures, the leverage ratio for grant-only beneficiaries (7.84) was substantially higher than for loan recipients (5.24).

4.4 Business Survival

NEF was introduced to help improve the quality of business start-ups and thereby improve business survival rates in Northumberland. Business survival information is collected for all new starts supported by BLfN; and the latest 12 month survival figures relate to businesses established between March 2004 and March 2005. Of the 286 new business starts supported by NEF and registered by BLfN, 270 were still trading after 12 months giving a survival rate of 94%. This has helped to raise the overall new business survival rate in Northumberland (as reported by BLfN) from 73% to 86% over the previous two years.

At a district level, there is some variation, although for all six BLACs the business survival rate amongst NEF-supported businesses is higher than the BLfN average.

Figure 9: Business Survival (Businesses Established Mar 04-Mar 05)						
	No. of NEF Supported Starts	Number Surviving 12 months	Survival Rate (%)	BLfN Survival Rates (%)		
				2002/03	2003/04	2004/05
Alnwick	74	71	95.9	88	95	90
Berwick	25	23	92.0	72	77	66
Blyth	74	66	89.2	72	60	87
Hexham	65	65	100.0	57	88	95
Morpeth	25	22	88.0	80	78	84
Wansbeck	23	23	100.0	70	82	91
Total	286	270	94.4	73	81	86

4.5 Measuring Additionality

Barclays Bank⁴ estimates that there were approximately 2,400 business starts in Northumberland during 2003/04, compared with 550 start-ups assisted by the BLAC network.⁵ This suggests that **a substantial number of new businesses could be starting unassisted** and it is these entrepreneurs that the BLACs need to reach, using the NEF and the offer of free business counselling and business planning services to entice them.

Figures taken from the post award survey conducted by the NEF Project Team suggests that lack of promotion may have impacted on the ability of the fund to attract clients who would not otherwise have approached the BLAC network for assistance. Overall, 423 beneficiaries returned post award questionnaires, of which:

- 319 (75%) of first heard about the NEF through a meeting with BLfN.
- 63 (15%) had heard about the fund by word of mouth.
- 16 from (3%) from a local press advert or advertising feature.
- 4 (1%) from having picked up a NEF leaflet.

These figures suggest that the majority of NEF beneficiaries (75%) would have approached the BLAC network for help and advice in establishing a business anyway, and that the partnership should have been more pro-active in their approach to promoting the scheme in order to reach unsupported business starts. This report has already illustrated the impact the fund has had on business survival rates amongst NEF beneficiaries and the extent to which this has impacted on business survival amongst all BLAC-assisted starts. The Small Business Service⁶ has not published county-level business survival rates for two years, so it is not possible to

⁴ These estimates of new business starts are generating using data on the number of firms opening a Small Business Account with Barclays, together with estimates of Barclays market share. There is a risk that the figures could include accounts opened by not-for-profit organisations such as charities and local voluntary/community groups, although Barclays believe that this is likely to be minimal.

⁵ There are of course other business support organisations that assist new starts, including Princes Trust and InBiz. Even taking the work of other organisations into account (the InfoNet estimated 750 business starts for BL4N, InBiz and Princes Trust), this still leaves a substantial number of new starts not receiving support/advice from the business support network.

⁶ SBS produce business survival data using VAT registration and de-registration data from the Inter-Departmental Business Register.

say what impact NEF has had on survival rates amongst all new start businesses in Northumberland.

More than 90% (388 or 91%) of the beneficiaries that have responded to the post award questionnaire also reported that their business would have been established without support from NEF, although **the majority (250 or 59%) felt that their business would have started on a smaller scale**. In contrast, 40 (10%) said that their business would not have been established without the NEF award received, equating to the loss of 100 jobs and £680,000 in private sector investment in the Northumberland economy. Those respondents that felt that their business would have started on a smaller scale were not asked to quantify the extent this would have been true. We cannot therefore quantify what impact the absence of NEF would have had on jobs and investment for these businesses.

4.6 Improving the Quality of Business Starts

It is difficult to quantify what impact the introduction of NEF has had on the quality of business starts in Northumberland. However, there seems to be two ways in which the fund has had a positive effect

- Businesses are better informed and better prepared for self employment as a result of the business counselling services.
- Businesses are better funded and better equipped to start trading.

The majority of beneficiaries interviewed as part of the evaluation and that completed a post-award questionnaire rated the service provided by the BLAC very highly: for some the counselling sessions resulted in wholesale changes to the direction of their business proposal; whilst for others it provided the opportunity to discuss their proposal and business plan with an independent third party.

It was repeatedly remarked that the counselling sessions had been excellent, very helpful, informative and supportive. Furthermore, many beneficiaries understood why they needed to go through the formal planning process and appreciated that it left them better prepared for running their business.

However, the **majority of beneficiaries interviewed did not contact Business Link specifically with regard to the NEF**; many of whom have indicated that they would have accessed the one-to-one counselling service and prepared a business plan anyway. This is re-affirmed by the non-beneficiaries interviewed as part of the evaluation, the majority of who were also very satisfied with the service received from the BLAC counsellors; and felt better prepared and more content with their business proposal as a result of their counselling sessions (including some that had not gone through the business planning process). **Again, this strengthens the argument that the NEF (and the BLAC network services) should have been better and more widely promoted to reach entrepreneurs in the pre-start phase that are planning to commence trading unassisted.**

The beneficiaries interviewed also remarked that the NEF had affected **capitalisation** within their businesses, allowing them to buy equipment they otherwise would not have been able to. The handful of beneficiaries interviewed by the InfoNet who felt that their business would have been established to the same timescale and scale without the fund indicated that they would have been able to access funding from alternative sources such as commercial banks, family or friends.

A NEF beneficiary with no previous business experience approached the Hexham BLAC for advice on registering a new business. He stressed that the advice available at his local Business Link was of equal importance to him as the funding; and that going through the NEF application process (the Business Plan and Cash Flow Forecast) had really helped him to focus on the direction of his business.

A beneficiary looking to establish a photographic services business approached the Berwick BLAC for advice. He received help with his Business Plan and Cash Flow Forecast, as well as some advice on conducting market research to determine the viability of his business. He received around ten advice sessions and the service he received proved to be integral given that he had no previous experience of self employment.

4.7 Post Award Services

In addition to improving the quality and preparedness of new business starts in Northumberland, the other objectives of the fund are to:

- Open the eyes of beneficiaries to the other services available through the Business Link Advice Centres and the wider business support network.
- To encourage businesses to seek advice in the future.
- Impact on business survival rates in the County.

Most of the BLACs try to keep **regular contact** with new business starts to ensure that they are not experiencing any difficulties; to re-assure them that help is available as and when required; and also to invite them to networking events with other businesses. The NEF Guidance Notes state that applicants must make themselves available for post-start up counselling sessions. From these meetings and telephone contact business survival is monitored.

The majority of businesses interviewed had rated the service received from the BLAC network very highly and stated that they would not hesitate to contact them again in the future. Indeed, seven of the 17 beneficiaries interviewed have already been back in touch with the BLAC since they started trading. Whilst for some this was seemingly to touch base, for others it has involved attendance on the Training Workshops and to discuss business development ideas.

That said, the interviews with new starts that did not access NEF support uncovered very similar results: a high level of satisfaction with the service from Business Link and warm intentions to revisit the BLACs for support in the future.

5.0 PROBLEMS AND CONSTRAINTS.

Based on interviews with the NEF Project Team, BLAC managers, business counsellors and 29 beneficiary and non-beneficiary businesses, this section includes:

- A review of delivery problems and barriers to take up of the scheme and how these were resolved, if at all, during the lifetime of the scheme.
- Consideration of the recommendations included in the Interim Evaluation report and the extent to which these have been adopted.

5.1 Delivery Problems

The delivery problems identified through the interim and final evaluations can essentially be split into three sections:

- The NEF Partnership and the Application Process.
- Advertising and Promotion.
- Barriers to Take-up.

Problems within the partnership related to misunderstanding between the BLACs and the NEF Project Team and their respective roles in delivering the scheme. Some of these misunderstandings relate directly to the application process and are therefore considered together.

a) The NEF Partnership and the Application Process

The application process was designed to make new businesses better prepared when they start trading by requiring applicants to:

- Access the fund through the BLAC network.
- Prepare a business plan and a 12 month cash flow forecast with support from a business counsellor, thereby encouraging them to take a holistic view of their business proposal and to think about market research, the businesses potential customers, costs and potential income.

- Under go a training needs assessment and to participate in the appropriate training workshops, as recommended by the BLAC Business Counsellor.

The complexity of the application process, particularly when comparing it with other funding streams (in particular the Prince's Trust and the Regional Micro Loan Scheme) is an area of complaint from some BLAC officers and was also highlighted by a handful of the non-beneficiaries interviewed during the evaluation.

From a BLAC perspective, there are mixed views. Some of the managers and counsellors did not regard the application process as being over burdensome and reflected on the level of preparation and evidencing required by a commercial bank when opening a business bank account or seeking a loan. Others, however, commented on the amount of paperwork that is required as part of the application process – the application form, cash flow, business plan and individual reports from the BLAC counsellor and manager.

The interim evaluation identified areas of misunderstanding between BLfN and NCC with regard to the role of the NEF Project Team in processing applications. When processing an application, the NEF team needed to determine whether the figures included in the application form, business plan and cash flow were consistent and seemed realistic; and also whether the application met the eligibility criteria with regards to eligible and total costs. As the accountable body, NCC had a responsibility to ensure that all applications seemed genuine and to ask additional questions as appropriate. NCC did not seek to test the **viability** of the project per se, but looked for completeness and consistency of the information included within the application pack.

The business plan is the element of the application process that (at the time of the interim evaluation) came under the most fire from both the BLACs and NCC. During the first year of the project, the NEF Project Team felt that a minority of business plans had not been sufficiently reviewed by the BLAC counsellors and managers before being submitted with the application form and cash flow forecast to NCC. Some were deemed to lack sufficient information in certain key areas and as a result failed to provide a sufficiently robust business plan. This generated questions and queries from the NEF Project Team for additional detail to strengthen the application;

which in turn caused some unease amongst business counsellors and a feeling that their abilities are being questioned. **It should be noted, however, that more than three-quarters (76%) of applications are approved without question, with offer letters sent out the same day**

The NEF Team is minded to approve all applications (96% approved at 31 Dec 2005), but only if sufficient information is provided.

An applicant was looking to establish a photographic studio in a rural village in central Northumberland. He was looking to purchase capital equipment and met all of the eligibility criteria, but had failed to a) provide any evidence of a local market b) outline his experience as a photographer and c) to include details of his salary in the cash flow forecast. These issues were resolved and the applicant received a £1,000 grant and a £900 loan.

At the time of the interim evaluation, some business counsellors attributed part of the problem with business plans to **pressure from clients** to complete the application process as quickly as possible; and also suggested that the **Business Plan was too comprehensive** for some types of business.

In contrast to some messages from the BLACs, the majority of **beneficiaries** interviewed said the application process had been straight forward and very sensible. In fact, many beneficiaries said they understood why they needed to go through the planning process and appreciated that it left them better prepared for running their business. Generally people thought the **application process could not be improved**, although assistance from business counsellors was integral.

Since the interim evaluation, the quality of applications received has improved progressively, which the Project Officer has attributed to a learning curve for BLfN. At the time of the evaluation, BLfN was developing a common business plan to meet the need of all partners, including NEF, Princes Trust and SENET as well as commercial banks. Introduced in late 2004, the form is available electronically and includes much more comprehensive guidance on what is required in each section of the business plan. According to the Project Officer, the new format has contributed to the improved quality of applications and has reduced the number returned to

applicants for further clarification or information. In 2004, 18 (6%) of the 303 applications received were either rejected or withdrawn and 75 (25%) were queried before approval. In 2005, 13 (3%) of the 418 applications received were rejected and 69 (16.5%) queried, representing a marked improvement.

The comprehensive nature of the application process has resulted in an increase in the average number of counselling sessions required for each business start. This increase, however, is consistent with the ethos of improving the quality and preparedness of new business starts, which was behind the introduction of the NEF.

b) Advertising & Promotion

According to the Application Form submitted for Single Programme funding and the subsequent independent Appraisal Report, the NEF was to "...be **promoted** as part of the overall promotion of services available from Business Link for Northumberland and in particular through the Business Link Advice Centre Network."⁷ In addition, the Appraisal Report⁸ recognises that many of the outputs for NEF are in fact indirect and contribute towards outputs for the BLAC network, which should therefore assume responsibility for promotion of the scheme.

BLfN stated that large scale promotion of the NEF was avoided due to a number of customer complaints during the first few months of the scheme. According to results from the Small Business Service Customer Satisfaction Survey, there were 11 complaints specifically about the NEF during the first two quarters of 2004,⁹ with reference by survey respondents to "misleading information" and "confusion" about the fund. BLfN also expressed concerns over the capacity of the BLACs to cope with a large increase in the number of pre-start clients; and that more pro-active marketing of NEF may have resulted in many pre-start clients perceiving NEF as an entitlement rather than a discretionary fund.

With regards to capacity, the majority of BLAC managers interviewed felt that NEF had little impact on the number of pre-start clients visiting their centres. Indeed, at

⁷ Application for Single Programme Funding: Northumberland Enterprise Fund (20th June 2003).

⁸ Appraisal Report: Northumberland Enterprise Fund (August 2003)

⁹ These figures are based on (approximately) a 30-35% survey sample of all BL4N customers (i.e. pre-starts and existing clients). By simply "grossing-up" the figures to represent a 100% sample, there could have been as many as 30-35 actual complaints over the same period.

the time of the interim evaluation only the Hexham and Morpeth BLAC Managers reported notable increases in numbers through the door, and attributed much of this increase to office relocations into high street premises. To some extent, this is likely to reflect the low key approach adopted for advertising and promotion of the scheme.

In addition, BLfN is required to act as an “honest broker” for all of the funding schemes that it is involved in and not just NEF. Therefore, any change in marketing and promotion of NEF would have needed to be extended to include Princes Trust, Kick Start and SENET amongst others. During the second half of 2004 and the course of 2005, BLfN ran a regular standard advert in the local press that outlined the range of services available through the BLACs and mentioned Access to Funding.

In addition to the general advert, there have also been:

- A series of **case studies** in the local press that have referred to NEF, many of which have been landmark awards (e.g the first award in Berwick and the 50th in Alnwick).
- Attendance at a number of networking and enterprise events in the County.
- Leaflet drops to community venues (reported in Berwick upon Tweed and Wansbeck).

Case studies were deemed by BLfN to be the fairest way to play the role of “honest broker” for all new start funding schemes and to offer the best value for money given their limited marketing budget. During the course of 2005, BLfN used negotiated free press space with the local newspapers for case studies and advertising features to illustrate what can be achieved with support from the BLAC and by accessing financial support through NEF, Princes Trust and SENET. The free space was negotiated with five local newspapers with one case study or advertising feature per month, which according to BLfN equated to around 60 articles during the course of 2005, approximately 60% of which referred to NEF.

Figure 10 below shows that the advertising has seemingly contributed to a 50% **increase in the number of first session pre-start clients** during 2004/05 and 2005/06 relative to 2003/04. Notable increases were reported in the Berwick upon Tweed (74%), Hexham (70%) and Morpeth (61%) BLACs.

Between 2004 and 2005 the average number of NEF applications per month increased from 30 to 35, equating to an annual increase in applications of 15%. Whilst it not possible to say with any degree of accuracy the extent to which this increase can be attributable to the BLfN advertising campaign, it seems fair to assume that it is partially responsible. This is especially true, given that the proportion of beneficiaries that quoted BLfN as being the place where they first heard about NEF has remained unchanged at 75% during the course of the project. What can of course be questioned is the extent to which the increase in NEF applications could have been greater had the scheme been more vigorously marketed.

All of the intermediaries interviewed had ideas about how the fund could be better promoted and what role they could play in the process. In particular, Prince's Trust described the need for a joined-up marketing campaign, involving posters, leaflets, joint advertising with other funding organisations, adverts in bus shelters and a new business awards scheme for the County. Biz Fizz also expressed an interest in helping to deliver the NEF in the Alnwick area alongside the BLAC and suggested that they could help to mop up some of the new starts that have not sought support from BLfN.

Figure 10: Number of Pre-Start Clients (First Advice Sessions)

	2003/04	2004/05	2005/06	% Change 2003/04 – 2004/05	% Change 2003/04 – 2005/06
BLAC					
Alnwick	223	265	263	18.8	17.9
Berwick	131	214	228	63.4	74.0
Blyth	298	427	438	43.3	47.0
Hexham	296	415	504	40.2	70.3
Morpeth	220	284	353	29.1	60.5
Wansbeck	221	295	301	33.5	36.2
North'ld	1389	1,900	2087	36.8	50.3

During the 2004/05 financial year, the Wansbeck Business & Enterprise Forum and partners paid for the production of a promotional brochure outlining all of the funding support available in the district, covering the Prince's Trust, Wansbeck Action Team for Jobs, Prime, SENET, the Regional Micro Loan and the NEF, amongst others. The brochure was distributed to local job centres, libraries, InfoPoints and community centres to raise interest in self employment and raise awareness of the support that is available at a grass roots level. According to BLfN, the majority of partners (including the Wansbeck BLAC) reported an increase in the number of local residents

approaching them about support for self employment. However, financial support for the printing costs of the leaflet was withdrawn by the Business Forum and the leaflet is now produced “in-house” by BLfN. It is no longer externally printed and is not distributed to the community venues mentioned above, which has limited its usefulness in promoting entrepreneurship. It is now a county-wide document prepared by BLfN, which is e-mailed or printed out on request.

The Business Link managers and counsellors highlighted the importance of the **wider partnership** in referring pre-start clients requiring support in developing a business plan, seeking funding or general information, advice and guidance, including Jobcentre Plus, local commercial banks and accountants, the Blyth and Wansbeck Action Teams for Jobs; and Prince’s Trust.

Indeed, all six BLACs described strong local partnerships involving the aforementioned organisations. As mentioned earlier, in Blyth Valley and Wansbeck, these partnerships have been formalised, and meet quarterly.

Based on interviews conducted with intermediary organisations, it appears that only Prince’s Trust and to a lesser degree In Biz actively promoted the scheme and referred clients to the BLAC network to access the NEF (although some clients are referred for other reasons). The other intermediary organisations were aware of the fund and had some (limited) understanding of how the NEF works and what it is able to support, and therefore were unsure whether the scheme would meet the needs of their clients. As part of the interim evaluation, the intermediate organisations interviewed felt that there was a need for some awareness-raising sessions for the wider partnership in order to bring them up to speed with the scheme and how it operates, especially given the changes that have been implemented since February 2004. Since then, the NEF Project Officer has reported regular contact with other support organisations, including Kick Start, Job Centre Plus, Princes Trust and through the quarterly partnership meetings in Blyth and Wansbeck. In addition, the Project Team has participated in exhibitions and awareness raising events with the Action Team for Jobs bus tours. In spite of this, the proportion of clients that first heard about NEF from Business Link for Northumberland was unchanged between the time of the interim and final evaluations, suggesting that improved partnership links have had limited impact on referrals.

c) Barriers to Take-up

Whilst the NEF is a welcomed addition to the resources available in supporting new business starts, it did come under a considerable amount of criticism from the BLAC managers and counsellors and from **some** of the beneficiaries interviewed as well.

This section of the report:

- Considers the extent to which the fund meets the needs of residents in Northumberland.
- Identifies barriers to take-up of the fund.
- Recommends changes to widen its appeal.

The BLAC counsellors indicated that not all clients were put forward for NEF support, some because they could not meet the eligibility criteria and some because other funds simply offered a better alternative given personal timescales and/or funding requirements. It should be re-emphasized, however, that NEF was not established to meet the needs of all pre-start clients. Indeed, NCC sought to position it above the funding requirements of businesses that normally seek support from Kick Start and Prince's Trust, but below the venture capital funds that are normally associated with established businesses.

The results of the post award survey suggest that there were issues in the ability of some pre-start clients to meet the requirements of the NEF, with **253 out of 423 (60%) respondents suggesting that it was Easy or Very Easy, against 146 (35%) claiming that it was Okay and 19 (5%) that it was Hard or Very Hard.**

One of the main appeals of the NEF is that it is one of only a handful of schemes that offers grant as well as loan support to new start business; and based on the results of a survey of beneficiaries conducted by the InfoNet, the scheme seems to have made a positive impact. In particular, it allowed for full capitalisation for some businesses much earlier and using better quality equipment than would otherwise have been the case; and some beneficiaries interviewed felt that it had helped to reduce the level of personal risk associated with establishing a new business.

Nonetheless, reports from the BLAC network and comments from intermediary organisations suggest that the fund is not designed to reach the clients that need it the most for two main reasons:

- The requirement for applicants to spend and provide receipts for £3,000 expenditure in order to claim a £1,000 grant; and to provide proof of a two-thirds contribution to set up costs for awards in excess of £3,000.
- The requirement for eligible capital expenditure to be **paid for in advance** of receiving the NEF award.

Whilst there is an appreciation that NCC as the accountable body for NEF may be reluctant to release a grant or loan without some financial commitment from the applicant, the 3:1 ratio between eligible capital expenditure and level of grant was regarded as too high for many potential applicants. This was been a particular problem in **Wansbeck** and **Berwick upon Tweed**, where many BLAC clients simply did not have the financial resource or the means to access the amount of money required from other sources. The situation was exacerbated by the payment of grants in arrears on the presentation of receipts. According to some of the BLACs **the fund, by design, was effectively shaped to meet the needs of new businesses that do not require gap funding to become established.**

A building restoration firm in Berwick approached the BLAC to crystallise his thoughts on establishing a business and to develop a business plan. The business had considerable eligible capital requirements, but because the client was unable to meet the private investment requirement of the NEF, he applied to Project North East for a £3,000 loan instead

The other main issue raised by the BLAC is that the NEF **could not fund the purchase of commercial vehicles.** Seemingly, time served tradesmen tend to have many of the tools and much of the equipment they require to start up in business from previous employment, leaving a vehicle as their major capital expenditure before trading can start. Business counsellors cited examples of applicants that have applied to the SENET Loan Fund (which acts as a lender of last resort) and the Regional Micro Loan Fund, both of which can support the purchase of vehicles.

Other barriers identified by the InfoNet are largely in line with those reported by the Project Manager in June 2004¹⁰, namely:

- The fund could only support **full time businesses**.
- NEF could not fund **existing businesses**, with the exception of applicants that had been trial trading through New Deal or had registered an interest in the NEF through a BLAC before trading commenced. However, based on interviews with non-beneficiaries, it would seem, that many businesses may have missed out on the scheme as they were not aware of the NEF and in many cases were not aware of the services provided by the BLAC network.
- The terms and conditions of the scheme only permitted the inclusion of **pre-purchased** assets as a personal contribution to set up costs if they had been bought within the **preceding 3 month period** and official receipts could be presented. This proved to be an issue for tradesmen or people that were looking to turn a hobby into a profession.
- Many applicants have **low capital set up costs** either because of the nature of their business or because they are introducing their own equipment and tools as assets within the business. Remembering that the smallest grant supported through the NEF was £500, the minimum eligible capital expenditure for any applicant was £1,500, although many new business starts below this threshold could (and do) seek support from the **Action Teams, Kick Start** and the **Prince's Trust**.
- The **complexity of the scheme** and the work required to submit the application. Even with the assistance of the Business Counsellor, reports have been fed through to the InfoNet of some BLAC clients deciding against applying for NEF support due to the information and time requirements of the application form, business plan and cash flow forecast. This seemingly added to the attraction of other funds. However, the scheme was not designed to be easy. Indeed, the purpose of the application process was to provoke serious consideration by the applicant of all aspects of their business proposal before starting to trade. Reports provided by the BLACs were not consistent with the

¹⁰ Evaluation report prepared and submitted to Julia Betts by Alan Steedman, Ted Burnett and Matthew Lowe.

results of the post award questionnaire, which reported that only 18 out of 423 (4%) respondents felt that the application process had been Hard or Very Hard.

- The requirement for applicants to have opened a **business bank account**, which has proven to be a problem for some BLAC clients.

The barriers outlined above are anecdotal, based on the experiences of the Business Advice Centre Managers and Counsellors. However, some of them are supported by the results of the **beneficiary** and **non-beneficiary** interviews conducted as part of the evaluation. For **beneficiaries**, the biggest problem with the scheme is seemingly the requirement for equipment to be purchased and paid for before the applicant can make a claim for the money. Although the majority of businesses interviewed appreciated that there is a need to minimise risk, in some cases this requirement almost prevented beneficiaries from accessing the grant.

The main barriers for **non-beneficiaries** interviewed related to their need to start in business very quickly¹¹ and therefore did not have the time to go through the application process; or they had already started trading before they found out about NEF (and in some cases the services offered by the BLAC network). Other reasons for their not applying included the match funding requirement and low eligible capital costs.

A beneficiary was told about the grant and loan support he could receive from NEF when he visited Blyth Valley BLAC and spoke to a business counsellor. The beneficiary successfully applied for both the grant and loan, and although his business would have been established without any help, the loan in particular allowed him to purchase better testing equipment that he otherwise would not have been able to buy.

As described in Section 4, take up from the loan fund has been much lower in terms of both number of applicants and awards made. Although there is evidence that the loan was well received in some quarters, particularly amongst businesses with larger set up costs, a number of barriers to take-up were also been identified. In particular, problems associated with the contribution required from other sources and the

¹¹ This has been acted upon, with new flexibilities allowing businesses to express an interest in NEF prior to starting trading.

release of funds after the payment for eligible goods are seemingly exacerbated by the larger sums available through the loan scheme.

Beneficiaries have also indicated that the requirement for applicants to apply and draw down the loan and grant at the same time is itself restrictive, as many new businesses seek to minimise costs at the outset. Although the cost of the loan is very low compared with high street banks and indeed other soft loan funds available in the North East, **some of the benefits of the low cost finance are lost through higher monthly repayments resulting from a short repayment period (24 months)**. The repayment periods offered by other business support organisations in the Region are generally longer than that offered by NEF. In particular, loans available through Princes Trust, Prime and Project North East have a repayment period of three years, whilst for SENET, Spirit of Enterprise and the Regional Micro Loan the maximum is five years. Loans available for new start businesses through the high street banks can involve repayment periods of up to 10 years and interest rates (APR) of between 9 and 15% depending on the amount borrowed.

5.2 Recommendations from the Interim Evaluation

Section 5.1 has highlighted a number of problems with the NEF relating to partnership arrangements, marketing and promotion and barriers to take-up of the fund by prospective entrepreneurs. The same issues were raised in the Interim Evaluation report in 2004 and a number of recommendations were made to help alleviate problems within the partnership and maximise take up of the fund (which at the time was at risk of under subscription). This section reviews the recommendations, any action taken after the interim evaluation and the impact the changes have had on the scheme. A summary of the recommendations and whether they were implemented or not is set out in Figure 11 below.

Some of the recommendations relating to the delivery of the scheme were acted upon, but not in a comprehensive way and some, not in the lifetime of the original NEF scheme. With regards to the tensions that existed between the partners during the first eight months of the scheme, particularly with regard to their respective roles and issues over the quality of applications and business plans, problems seemed to be smoothed during the course of the scheme with limited action from both parties.

The NEF Project Officer visited the Blyth BLAC to discuss with the manager and counsellors problems that had arisen with the application process and the business plan in particular. However, the offer to visit all BLACs on a regular basis was not taken up. The NEF Project Officer also provided all of the BLACs with a file containing printed instruction papers and documentation relating to the application process, which seemed to go some way to alleviating any confusion over what is required from the client, the business counsellor and BLAC manager. However, the Service Level Agreement was not reviewed by the partnership during the final 12 months of the scheme.

During 2004 and 2005, BLfN was the only organisation through which applicants could submit an application for NEF, subject to them undergoing a business planning process with a professional business counsellor. In the interim report, InfoNet suggested that it may be worthwhile expanding the NEF partnership to include the commercial business support sector (high street banks, solicitors, accountants). For example, NEF could have been packaged as a bank service delivered by their in-house small business advisors, with the proviso that client details be passed to BLfN for post-award contact and support. The feeling within the Project Team is that Banks are too target driven and not structured to give advice on all aspects of starting a business in the way that BLfN can. However, under the new NEF scheme, operational from April 2006, In Biz has been approved as an organisation that can submit NEF applications to NCC. In Biz delivers the self-employment option of the Government's New Deal scheme, helping clients develop a business idea and taking them through a process of trial trading. During the original NEF scheme, In Biz clients could only apply for NEF once their trial trading period was complete; whilst through the new programme (discussed in Section 6) they can access funding at the start of trial trading. Biz Fizz in Alnwick and the Northern Pine Tree Trust have also joined BLfN and In Biz as approved routes for NEF applications.

Figure 11: Summary of Recommendations from the Interim Evaluation			
Recommendation	Objective	Implemented?	Comments
Partnership & Application Process			
NCC & BLfN to jointly review the draft Service Level Agreement prepared by the NEF Project Officer	The SLA will set out agreed roles & responsibilities of the partners, thereby alleviating any misconceptions.	X	No attempts were made to review the draft SLA following the publication of the Interim Evaluation
Project Officer to visit all BLACs as part of a rolling training/support programme.	To discuss the Business Plan and areas of applications that have generally been weak.	X	The offer from the NEF Project Officer to visit all BLACs on a regular basis was not taken up.
Prepare a Manual or Handbook for use by business counsellors in preparing applications with clients.	A NEF `Bible' that goes into more detail than guidance notes and that is updated periodically to ensure that all BLAC staff are singing from the same hymn sheet	✓	
Extend the formal NEF partnership to include the commercial business support sector e.g banks	To widen the net and maximise the number of new start businesses that are aware of and apply to NEF.	X	This was considered but not acted upon, as it was felt that the commercial business support sector could not offer the quality and intensity of assistance required by a start-up business.
Advertising & Promotion			
Re-allocate Single Programme funding to cover the cost of additional promotion work.	An option built into the SP Application that provides the option for NCC to undertake additional advertising if take-up of the fund is below expectations.	X	According to the NEF Project Team, additional workload and uncertainty associated with the ERDF recovery exercise meant that the opportunity for NCC to advertise the scheme was lost.
NEF Project Officer to undertake a series of briefings with intermediary organisations, banks, accountants and JC Plus.	Re-launch the scheme with the wider partnership and bring them up to speed with changes to the project.	✓	

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Adverts by BLfN to make explicit reference to NEF, rather than the general Access to Finance label.	Increase awareness of the scheme, but stressing that grants & loans might be available towards eligible capital costs.	X	BLfN adverts continued to refer to “access to funding”, with no explicit mention of NEF. This has been attributed to the requirement for them to act as an “honest broker” for all funding streams.
Business Counsellors to raise the profile of NEF with all pre-start clients.	Emphasize what the fund is able to support and that a conditional offer may help to lever in additional funding from other commercial sources.	X	As NEF is a discretionary fund, there is continued apprehension within BLfN with informing all clients about NEF, especially in case when the fund clearly is not an option.
Case studies to be prepared jointly by BLfN and NCC for publication in the local press.	BLfN has negotiated free press space for newsworthy case studies, but lack the staffing resource to effectively utilise this opportunity.	X	BLfN has continued to prepare case study material themselves
Roll out the Wansbeck Business & Enterprise Forum partners brochure to the other five districts	Through distribution to local community venues, the brochure proved to be an effective way of marketing the support available in Wansbeck for people interested in establishing their own business.	✓	
Develop a system to monitor the effectiveness of the marketing media adopted.	Provide information to shape future marketing campaigns and ensure value for money.	X	This was not appropriate given the lack of advertising!
Barriers to Take up			
Approach NSP about the possibility of reducing the requirement for a two-thirds ‘personal’ contribution to start-up costs for the NEF loan facility.	Improve the attractiveness of the NEF loan facility to prospective entrepreneurs.	X	The project team felt that any relaxation of the rules for loans would have resulted in only a marginal improvement in take-up of loans and would have added to the complexity of the scheme.
Approach the NSP about the possibility of using the loan facility to purchase commercial vehicles.	Improve the attractiveness of the NEF loan facility to prospective entrepreneurs and to trades people in particular.	X	This was informally discussed with NSP, but not implemented.

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<p>Consider the possibility of increased flexibility for the loan scheme in terms of payment holidays and delayed draw down of loan funding.</p>	<p>Improve attractiveness of NEF loan to prospective entrepreneurs. Many of the new start businesses interviewed expressed a preference to keep costs down to a minimum during the first 3-6months of trading.</p>	<p>X</p>	<p>The NEF Project Manager registered concerns over who would have managed repayments from the loan scheme if the loan period extended beyond the life of the project. However, given that NEF was initially intended to run for 23 months (Feb 04 – Dec 05) and that the repayment period for NEF loans was 2 years, all loan agreements would have extended beyond the lifetime of the project.</p>
<p>Discuss with the Wansbeck Initiative the possibility of offering additional financial support (from NRF) to residents living in eligible wards in the form on a low interest loan.</p>	<p>This will help Wansbeck residents to finance the minimum £1,500 eligible capital costs in order to secure the minimum £500 grant.</p>	<p>X</p>	<p>An NRF Application was prepared and submitted but was unsuccessful.</p>
<p>Discuss with Kick Start the implications of paying suppliers of eligible capital goods/services on behalf of beneficiaries.</p>	<p>Alleviate the problem of having to pay for eligible capital expenditure in advance of receiving a NEF award.</p>	<p>X</p>	<p>The NEF Project Team felt it impractical to set up a system for which there was no concrete evidence of demand and that would need to be promoted to prospective clients. However, substantial evidence was included in the interim report and the amended payment system could have been promoted by the BLACs, given that the majority of clients first heard about NEF from BLfN!</p>

In spite of recommendations by the InfoNet that a more vigorous approach to marketing should be adopted, especially as many BLAC managers felt that NEF had had little or no impact on the number of enquires about self employment, no change to the method and vigour of advertising was adopted by BLfN during 2005. In the Single Programme Application for NEF, NCC built in the option of reallocating some of the Single Programme funding to cover the cost of additional promotional work and briefings if required. The Interim report recommended that this happen with immediate effect in order to raise the profile of the NEF around the County. However, this option was not taken by the NEF Project Team.

The Interim report also recommended that NCC undertake awareness sessions with the wider partnership in order to bring the intermediary organisations up to speed with the scheme and how it operates, especially given the changes that have been implemented since February 2004. Interviews conducted as part of the interim evaluation indicated that (of Biz Fizz, Blyth Valley Action Team for Jobs, In Biz, Kick Start, Prince's Trust, Wansbeck Action Team for Jobs) only Prince's Trust and to a lesser degree In Biz were actively promoting the scheme and referring clients. The NEF Project Officer reported regular contact with other support organisations during 2005, in particular with Kick Start, largely in relation to the development of a new NEF scheme which will see Kick Start relinquish their involvement in self employment to NEF. The NEF Project Officer also took part in exhibitions/awareness raising events with the Action Teams 'bus tours' and met with most of the other fund providers through the Wansbeck Business & Enterprise Forum.

The interim report recommended that the profile of the NEF be raised amongst all potential entrepreneurs visiting the BLACs; and that Business Counsellors should a) inform ALL pre-start clients about NEF and what it is able to support; b) stress that the fund is able to provide one third of set up costs and up to 100% of capital costs; and c) emphasize that the two-thirds match funding requirement need not come from personal funds or savings and that a conditional offer letter from the scheme may help to lever in support from other commercial sources. Based on discussions with the BLfN Start-up and Enterprise Manager, reluctance remained amongst Business Counsellors to tell all clients about the scheme. This partly related to the need for BLfN to act as an honest broker for all start-up funding options; but also due to

difficulties in explaining to some clients why they were not eligible to apply to NEF. Similar reasons were also offered as to why BLfN's approach to advertising has not changed and why adverts have continued to refer to "access to funding" and not explicitly to NEF. This has already been discussed in some detail in section 5.1.

As mentioned earlier, the Wansbeck partnership brochure, which outlined the funding and support available to residents in the district from a range of organisations, has been rolled out to the rest of the County. However, it is no longer professionally printed and is not distributed to community venues in the way it was previously in Wansbeck, which has limited its usefulness and impact on entrepreneurship.

It was also recommended that NCC and BLfN discuss with the Wansbeck Initiative the possibility of offering additional financial support (from NRF) to residents living in the eligible wards. Ideally, the support would be in the form of a low interest loan that would have enabled residents to secure the match funding necessary when applying for a NEF grant. This was raised with the Wansbeck Initiative, but was declined on the basis that NRF money could not be used to set up a separate enterprise fund. However, a similar approach to that proposed in the Interim Evaluation report has been adopted by Tedco in South Tyneside, using clean money from TWeDCO and the NRF, suggesting that the decision was based on Wansbeck Initiative priorities rather than funding regulations.

Due to pre-occupation with the ERDF Recovery Exercise referred to in Section 2, many of the recommendations to be implemented by the NEF Project Team were not considered. In particular, the option for NCC to re-allocated Single Programme funding for advertising, highlighted as a top priority in the interim evaluation, was not acted upon. With regards to increased flexibilities and breaking down barriers to take-up of the scheme, the recommendations were considered by the NEF Project Team, but the only one implemented was the relaxation over evidence of funding for awards of less than £3,000. In addition, for some loan beneficiaries, the NEF Team has re-scheduled the loan repayments if the business had indicated problems in being able to pay, although this was very much on a discretionary basis.

According to the NEF Project Manager, there were impracticalities associated with introducing loan holidays or delayed draw down of funding. In particular, there were

concerns over who will manage repayments from the loan scheme if the loan period extended beyond the life of the project. However, given that NEF was initially intended to run for 23 months (Feb 04 – Dec 05) and that the repayment period for NEF loans was two years, surely all loan agreements would have extended beyond the lifetime of the project? Furthermore, the BIC was employed to manage loan repayments and surely would have continued to do so beyond the end of the original project? The possibility of paying suppliers on behalf of beneficiaries has been introduced within the new NEF scheme, although it has not been publicised and will also be offered on a discretionary basis.

The possibility of the NSP relaxing rules with regards to the two-thirds personal contribution to eligible capital costs and to use the NEF loan for the purchase of commercial vehicles was unlikely and probably should not be regarded as a lost opportunity. Based on discussions with the NSP Monitoring Officer and the NCC Project Development Team, there was little scope to relax the funding requirements of the applicant. At the design stage of the fund, a 67% contribution from the applicant was not seen as being unreasonable: it still amounted to considerable public sector support and it helped to demonstrate commitment from the beneficiary. **Private sector investment** is also an **output** recognised by the NSP for Single Programme. The NEF Monitoring Officer also felt that **the NSP was unlikely to sanction the use of the NEF loan fund for the purchase of vehicles**. Any request from the NEF Project Team would likely have to be passed on to One NorthEast for a final decision. That said, the inclusion of commercial vehicles as eligible expenditure could have potentially led to a massive increase in the number of applications for the NEF loan scheme, which could have had implications for the stability of the fund in the short to medium term.

6.0 BEST PRACTICE & FUTURE RECOMMENDATIONS.

Drawing on the interviews with beneficiaries and the NEF partnership, this section outlines key lessons from the project and how these should be (and have been) incorporated into future projects and initiatives.

The Northumberland Enterprise Fund has been a welcomed addition to the range of support available for new start businesses in the County. It has filled a gap left by the demise of the Rowan Fund in 2000 and benefited from offering both grant and loan support to beneficiaries. The fund was welcomed by both beneficiaries and also by Business Link for Northumberland and the Business Link Advice Centres; adding an extra string to their bow; and brought the County into line with other parts of the region and with Tyne & Wear in particular in terms of incentives to encourage entrepreneurship.

The achievements of the fund in terms of jobs created and private sector investment, and the impact on business survival rates has been better than expected. The only disappointments have related to the level of interest in the NEF Loan Fund, which failed to meet its first key milestone (200 awards); and also to the impact on the number of jobs per business start, which was marginally below the forecast.

The fund has, however, faced a number of problems, not least the misunderstanding with Government Office for the North East regarding evidence of funding and what the project was able to claim for through ERDF. This put the future of the project at risk and at one point the scheme was suspended for three weeks in an effort to compile sufficient information in the form of receipts to enable a valid ERDF claim. The NSP provided an initial cash injection to get the project up and running and keep it fluid until the ERDF claim dispute with GoNE was resolved. Under the original format of the scheme the ERDF claim was expected to be 35.38% of the sum of operating costs, grant paid out and evidence of funding from the applicant. Under the revised scheme, NCC were able to claim 35.38% of operating costs, grant paid and receipts from applicants. The result was that NCC was able to claim £1,400 for every £1,000 of grant paid out. The additional revenue has been banked and is being used to fund a new NEF scheme launched in April 2006, together with an estimated £250,000 in loan repayments due during the course of the project.

Overall, the full single programme allocation from the NSP has been drawn down although only £501,000 was been paid out in loans. The balance has been used to cover operating costs and to help fund the new NEF scheme.

The partnership arrangements have also proved challenging, with some confusion over what the respective roles of Northumberland County Council and Business Link for Northumberland should have been in delivering the fund. Whilst there is still disagreement over advertising and promotion of the scheme, other issues relating to the quality of applications and to business plans in particular have largely been resolved. These issues should have been resolved before the project was even launched and should have been set out in a service level agreement. Other problems with the scheme were less easy to resolve and to a large extent were the result of funding guidelines. In particular, the need to pay for eligible capital expenditure in advance of receiving a NEF award; and the fact that the fund could not support the purchase of commercial vehicles, which for some sectors is the biggest capital expense. The former was of particular significance, and according to BLfN it favoured new businesses that were able to access funds, putting it out of reach of many potential beneficiaries in the less affluent parts of Northumberland.

The new NEF scheme does not include a loan facility, but has three tiers of grant and has been designed to reflect some of the barriers and problems highlighted in the original scheme:

Tier 1 is available to anyone in employment or not working and not in receipt of any of the working age benefits referred to under Tier 2 below. The grant is up to £750 and a maximum of 50% of eligible capital costs. As a result a grant of £750 will require £1,500 worth of receipts to be provided within 3 months of the offer letter. The grant is paid to the beneficiary on the production of the valid receipts.

Tier 2 is a 100% grant that is available to the registered unemployed (i.e, claiming JSA) or other working age benefits (IS, IB, SDA, etc) for one month or more. The grant is up to £1,000 for eligible capital expenditure. On receipt of an application and evidence that they are registered for benefit, the applicant will receive an offer letter. Upon acceptance of the offer letter and after de-registering from benefit, the applicant

is able to draw down £500, with the balance of the grant payable on the production of receipts for £1,000 of expenditure.

Tier 3 provides a grant of up to £1,000 and 100% of capital expenditure for people on the New Deal self employment option. Tier 3 is open to In Biz clients who under the new scheme can apply for NEF funding at the start of their trial trading period. £500 is payable on acceptance of the offer letter and the remaining of the grant is payable at the end of trial trading and when the applicants has come off JSA. However, before the final payment is made, the beneficiary's business plan needs to be reviewed by BLfN.

Other enhancements:

- No minimum grant.
- Age limit is now 16.
- The grant can used to fund commercial vehicles.
- Tier 1 businesses must be full time (30 hours plus), but guidelines are more relaxed for Tier 2 and Tier 3.
- NEF Mk2 is funded using "clean money" that can be matched against other funds if an when required.

The scheme has been well received by BLfN, who have applauded the improved flexibility which it is hoped will bring significant benefits to potential entrepreneurs living in Wansbeck and Berwick upon Tweed in particular.

Under the new NEF scheme, the Sunderland BIC is being paid £4,000 per quarter (a lower fee to reflect the loss of the loans element of the scheme). From 1st April 2006 the NSP is paying £75,000 pa for operating costs which will cover the BIC fee, salaries and advertising/promotion. Advertising and promotion will be multi-faceted, covering promotional meetings with JobCentres and the other intermediary organisations listed in Appendix 1; a promotion leaflet and posters; and press advertising and editorials focusing on South East Northumberland in particular.

The NEF Project Team has sought to make the fund more accessible by broadening the number of access points for the scheme, with In Biz, Biz Fizz and the Northern Pine Tree Trust now working alongside BLfN as delivery agents for the new NEF.

APPENDIX 1: ORGANISATIONS CONTACTED

Partners

Business Link for Northumberland

6 Business Link Advice Centre Managers and Counsellors

Northumberland County Council Regeneration Team

Northumberland Strategic Partnership

One NorthEast

Intermediaries

Biz Fizz

Blyth Action Team for Jobs

InBiz

Kick Start

Prince's Trust

SENET

Wansbeck Action Team for Jobs

Businesses

17 Northumberland Enterprise Fund Beneficiaries

12 Non-beneficiaries



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The Northumberland Information Network is a partnership between:

ONE North East, Northumberland Strategic Partnership, Northumberland County Council, Northumberland Learning & Skills Council, Business Link for Northumberland, Connexions, Northumberland Care Trust, Northumberland CDRPs, Northumberland DAAT and GO-NE.





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