

Appendix A

Universal Business Support Service – Overview of Full Business Case

1. Introduction

The Universal Business Support service builds on the extensive knowledge and experience built up through the ERDF match funded 'Enterprising West of England' (EWOE) programme, which will come to an end in March 2020.

Managed by Business West and delivered along with the four local authorities of the West of England, Princess Trust and YTKO, the Partnership provided a broad set of business support projects across the West of England (WoE). The project includes sector blind start up, growth and resilience services, innovation/ consultancy grants, community gateway outreach, resource efficiency IAG and specific tailored support for young people. To date this has enabled over 800 residents to be enterprise ready, over 400 businesses receiving no less than 12 hours of dedicated business support and 170 new employment opportunities created across the sub region.

EWOE was designed to deliver a set of specific business support interventions, with the aim of increasing business and employment growth in SMEs, across all sectors, in contrast to the majority of public sector funded projects, programmes and initiatives targeting high/ fast growth 'scale up' businesses. Recognising that one approach is not necessarily right for all businesses, the EWOE programme was able to provide a range of initiatives to businesses allowing flexibility and suitability by enabling all residents and SMEs access to a business support service, supporting an environment of entrepreneurship and business resilience that created a broad, sustainable business base generating employment and improving productivity in the local economy, helping to address the issues of inclusive growth highlighted in the WECA's Local Industrial Strategy.

2. Service Delivery

The proposal is to learn lessons from the EWOE programme and create a Universal Business Support service, delivered under the banner of the WECA Growth Hub. This will ensure coordination of existing and future Growth Hub products and services and work towards the single front door of support for businesses and residents. The experience and learning generated through the delivery of EWOE can be used to help improve the future delivery model and by removing the burden of ERDF project reporting requirements, greater time can be spent on delivering services, ensuring improved value for money.

The service will allow a broad range of complementary business support products to be delivered, meeting a diverse range of business needs. As businesses grow they can then be referred to further support within the partnership, the Growth Hub network and additional services provided locally and nationally. The partners will ensure that there is a strong communications network in place for service users, to ensure that residents and businesses can be sign posted to and take advantage of support available to them.

In order to deliver the objectives of sustainable, inclusive growth and the commitments made to support the Climate Emergency, each service will also embed information, advice and guidance on low carbon interventions, products, services and practices, which will act as an introduction and wider referral service to more in depth sustainability projects delivered locally and nationally. Additionally the service will also be able to work with a broader range of business types, now the constraints of ERDF finances are no longer an issue. This will

unlock the potential to be able to support social enterprises, community interest companies and where possible charities.

The model is set up to enable the Growth Hub to directly contract Partner to deliver against a specific set of services which are out lined in section 2. The four local authorities will each undertake a procurement exercise to engage the most locally appropriate provider, supporting each of their social value objectives.

3. Delivery Partnership Overview

The following table indicates the breakdown of Service Delivery via partner. All services will be universally available to residents of the West of England.

Partner	Service	Delivery
Bath&NE Somerset	Cross sector SME pre start, early growth and established business service. Inc up to 12 hours of support delivered via 1-2-1s and demand led workshops. The service will also work with established businesses on the delivery of the HR toolkit and act as a direct referral and promotions service for projects and initiatives delivered by Invest in Bath and Achieve B&NES.	To Be Procured
South Gloucs	Providing a range of responsive workshops with a guaranteed minimum of three hours face to face support - delivered by a variety of local business, training providers and other organisations. Targeting pre start, early growth and business resilience services.	To Be Procured
City of Bristol	Enterprise coaching, advice and support and grant schemes which promotes both private and social enterprise models and works in partnership with intermediary / community-based organisations to target socio-economically disadvantaged communities across North and East Bristol.	To Be Procured
North Somerset	Universal pre start, early growth and business resilience service, delivering a range of responsive workshops and guaranteed minimum of three hours face to face support. Focusses on delivering services in business convenient and socially inclusive settings.	To Be Procured

4. Programme Costs			£m
WECA	Investment	Programme	1.67
Development	Funding		
Anticipated Match Funding			1.742
		Expected source(s) of match funding: Direct Partner match: 1.192 Business Match: 0.55	
Total Cost			3.412

5. WECA Spend Profile

	2020/2021	2021/2022	2022/2023	Total £ m
WECA Investment Fund	0.556	0.556	0.556	1.67

6. Estimated Outputs

	Pre / early start	Post start up / established	Business Created	Jobs Created
South Glos	600	996	150	230
City of Bristol	75	85	24	60
North Somerset	150	200	45	60
B&NES	750	750	186	200
Total	1575	2031	405	550

7. Bristol Project

The UBS in Bristol will focus on advice, support and grant schemes for start up entrepreneurs and early stage growing small businesses based in **disadvantaged communities** in the **North West, North East and East** of the City and from **under-represented groups in enterprise** – principally, young people, women, black and minority ethnic groups and disabled people. A similarly targeted, parallel project will focus on South Bristol co-funded by SUD ERDF, WECA Investment Fund, and private match sources.

The proposed budget is £900,000 in total over 3 years with co-funding as below:

	2020/2021	2021/2022	2022/2023	Total £ m
WECA Investment Fund	0.150	0.150	0.150	0.450
Bristol City Council	0.100	0.100	0.100	0.300
Private / SME beneficiary	0.050	0.050	0.050	0.150
Total	0.300	0.300	0.300	0.900

Outputs and Interventions

As stated above, the Bristol project will support 75 pre start up entrepreneurs and 85 post start up / early stage, growing businesses and social enterprises using a 'high intensity' support model of at least 12 hours per entrepreneur / business (comprising a mix of workshop and 1to1 methods) with the objective of creating 24 registered new businesses (private or socially owned) and 60 new jobs in new and existing businesses supported. Achievement of these outputs is expected to require a minimum of 720 low intensity but

'meaningful' interventions of at least 1 hour support (information, diagnostic and brokerage) with eligible clients / businesses from the target areas and groups, over the project duration.

On this basis, the deliver cost in Bristol is estimated to be £1,250 per entrepreneur / business supported and £333 per hour of support - somewhat higher than that of the other local authorities (£200-250 per hour) which are not opting to focus on high intensity support of disadvantaged entrepreneurs to the same extent. The cost per 'high intensity' (12 hour) support output is £5,625, which is closely comparable to that of the ERDF approved South Bristol Enterprise Support Project.

Commissioning Delivery

Within the context of the approved WECA framework for UBS within the Productivity Challenge FBC, it is proposed that BCC Economic Regeneration will commission either a single lead agency and / or a consortium of partner with a lead agency to deliver the North & East Bristol UBS project. The budget will be up to £0.9 m over a 3 year period, including the preparation and verification of quarterly claims against defrayed expenditure for the WECA 50% co-funding, which will be paid via BCC, and for the 33% BCC co-funding. The contractor / lead agency and partners, will be selected by public open tender, and required to have identified sources for the remainder 17% funding from private /charitable or SME beneficiary match funding, which must also be committed to spend prior to payment of claims. Selection criteria will prioritise successful prior experience of delivery of public-funded business and social enterprise support based on community outreach and engagement of entrepreneurs from disadvantaged areas and under-represented groups in a similar urban context, and the financial capacity to manage multiple funding sources.

8. Economic Impact Assessment

The exact outputs for the Universal Service are yet to be set, as the local authorities will need to be procured and each area's specific outputs will need to be negotiated separately in relation project budget.

As a proxy for GVA impact the project review for EWoe recently undertaken by Wavehill, provides the basis of the potential impact of the Universal Business Support service. Among the resident respondents who had started a business the average turnover was £27,037 a year after the programme had completed. Given 47 per cent of individuals established businesses since engagement with the EWoe programme, scaling this to the population estimates that the increase in turnover amounts to **£9.8 million**.

Prior to the programme the average turnover of the supported established businesses was £241,594. Following the intervention of the programme, the total turnover among businesses was an estimated £350,729, an average growth rate of 45.2%. Total turnover among the beneficiary businesses increased from £108 million at the baseline to £152 million in year after the programme.

The survey respondents indicated that, on average, they would attribute 37 per cent of this to the support they received on the programme. Taking these figures and applying to the established businesses on the programme estimates that an average of £27,815 in additional turnover was attributable to the programme. **In total £11 million in turnover was attributed to the programme by the beneficiary businesses.**

Using average turnover ratios to estimate the GVA, the established businesses on the programme are estimated to have contributed £43 million in GVA to the West of England CA area. Following programme intervention GVA increased with turnover to £56 million with an average increase of £30,000 in GVA per business. **GVA attributed to the programme is estimated to be £13.5 million.**

GVA from the residents who started a business is estimated at **£3.5 million** across all those supported in the EWoe programme.

In GVA terms the total uplift for EWoE was in excess of £17m. The total programme cost including both ERDF and public/ private match came to £3.8m, this then provides a cost benefit of 4.47, which is considered to represent strong value for money and return on public investment.

The beneficiaries will be individuals (potential entrepreneurs) and SME businesses eligible and qualifying for the programme. Individuals are not subject to State Aid, and any undertakings will be subject to the De Minimis approach to determine if they are in breach of State Aid legislation. These individuals and business beneficiaries are unknown at present, but will likely be sole traders, social enterprises and private limited companies (of micro, small and medium size).

9. Alignment with Local Industrial Strategy and Employment & Skills Strategy

This model of delivery will support the objectives of the WECA's Local Industrial Strategy (LIS) by:

- Ensuring that growth is inclusive, with a focus on opportunities for employment and progression for all
- Giving businesses the conditions for growth, including adopting new technology and management practices

The service directly supports the delivery of the LIS through its focus on supporting SMEs to start-up, grow, and innovate, and creating the right business environment and support networks to become more productive. The strategy looks to the Growth Hub to increase productivity in the business community and the packages of business support and advice delivered will include the promotion and uptake of modern technologies, innovation, management practices and cleaner business models, all of which are identified in the LIS as key components of tackling the long tail of productivity in the regions firms.

Although 72% of businesses in the West of England employ under 10 people and over 70% have a turnover of less than £200k, micro-businesses are often forgotten and left behind as the spotlight of publically funded support is focussed on rapid growth scale ups.¹ The service will therefore addresses a market failure in providing universal, face to face business support regardless of size, sector, balance sheet and background.

There is evidence that improved processes leads to increases in turnover and productivity for SMEs. In fact, research shows that increasing the effectiveness of management practices by one standard deviation generates a 3-7% increase in yearly sales growth (Scale-up UK: Growing Businesses, Growing our Economy, April 2016.) However management coaching and training is expensive, especially for an early stage SME with tight cash flow, but with the correct guidance, support and investment, micro and low-medium productivity businesses can achieve more.

The West of England is a region of high productivity, thriving industries and home to a wealth of opportunity. The region however experiences significant inequality, with sweeping pockets of poverty and deprivation embedded into local communities, with only 39 per cent of start-ups in 2018 being based in the 50 per cent most deprived areas of the West of England. In addition the LIS states that companies with a more diverse workforce are more likely to

¹ NOMIS 2019

produce strong financial results suggesting increased diversity can improve productivity. However challenges also remain in the diversity of entrepreneurship within the region

The project aims to challenge these issues by delivering in isolated areas to harder-to-reach groups improving access to services and supporting established businesses to grow, creating new employment opportunities through the delivery of targeted start up and growth services in community locations via 'pop-ups'. Experience has shown that fostering start-ups from a wider range of communities across the region will create more innovative businesses and employment opportunities

The Joseph Roundtree Foundation² estimates that the informal or gig economy in the UK is estimated to represent 12.3 per cent of GDP or around £270 billion³ and approximately 20 per cent of people of working age have done some sort of informal work during the last year in areas where Community Links has conducted research⁴.

By enabling residents to formalise what is often cash in hand work, a range of benefits are created including increases the opportunity to grow and increase earnings potential, through improving business practices and access to additional growth services, which in turn increases their contribution to the local economy and reduces benefit dependency.⁵

The service will address the strategic objectives of the Employment & Skills Plan by delivering the following outcomes:

SO2: Enabling all young people to achieve their potential

There are currently 15,290 people claiming out of work benefits in the West of England, of which 20% are aged 16-24, of which nearly half of these are in Bristol. The West of England also has lower rates of individuals in self-employment (14%), comparative to the rest of the UK (15%) and the South West of England (17%). (*Department of Education 2019*)

This disparity widens when comparing the rate of NEET young people across the South West. The West of England Combined Authority's Bristol (7.4%) and Bath & North East Somerset (7.3%) council wards possess two of the highest rates in the region, compared to 4.6% in Wiltshire, 3.5% in North Somerset, reflecting clear wealth and opportunity inequality. These poor outcomes from people from disadvantaged backgrounds are holding the region back from fully prospering. Data from EWoE also shows that 42% of the participants are aged between 16-24.

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² JRF (2013) Supporting people to legitimise their informal businesses

³ Schneider and Ernste, 2002; Schneider, 2011

⁴ Community Links, 2006–2011

⁵ JRF (2013) Supporting people to legitimise their informal businesses

Options Appraisal

Option 1 – Do not extend the EWoE model to the Universal Business Support Service

This would see the end of the partnership and the loss of the learning amassed through the delivery of EWoE, which would impact on the employment and business growth potential of the bid.

Option 2 – Commission the service externally to the EWoE partners

Increases in employment and business growth could potentially be experienced, however this would incur additional set up time and costs reducing the value for money of the existing bid.

Option 3 – Extend the EWoE model to the Universal Business Support Service

There is greater opportunity to build on the existing learning of EWoE and develop an improved service able to deliver increased outputs.