

## **One NorthEast**

### **Draft Strategic Action Plan for Enterprise and Business Support (Version 3)**

**February 2006**

#### **Foreword**

One NorthEast intends to develop and operate the best business support service in the UK. This is fundamental to the Agency's work on closing the productivity gap between the North East and the national average.

The Strategic Action Plan for Enterprise and Business Support will address the region's productivity and participation record by helping to increase the number of new starts and by working to improve the productivity of existing companies, with the ambition and capacity to grow, whatever their size or sector. At the same time, the strategy will focus on the key sectors needed to develop a high growth, knowledge based economy in all parts of the region.

The development of these business support services will lead to:

- A region wide Information, Diagnostic and Brokerage (IDB) service for new starts and existing businesses, client driven and delivering a high quality service
- A single client management system, based on an approach with three tiers - strategic account managed, account managed and general support
- A portfolio of publicly subsidised funded solutions based on the needs of companies, with support limited to areas where demand needs to be stimulated or where the market is unable or unwilling to provide the solutions needed to help North East companies to grow
- The establishment of an Investment Bureau to provide funding for business solutions to companies in the most efficient way and ensuring a suitable return on investment for the North East.

These new, more efficient services will take account of the experience of best practice across the region and build upon the progress already made within the North East in rationalising business support services and developing client driven support. This approach will take some time to become embedded as new arrangements are put in place and existing commitments come to an end or are realigned.

It is expected that the impact of these developments will lead to:

- An increased business start up rate for the North East, which helps to close the gap with the rest of the country
- Business growth, as measured by gross value added, which increases the employment and profits in companies and new starts across the region, and

- The accelerated growth of the key sectors identified in the Regional Economic Strategy as strategically important to the future prosperity of the North East economy and its communities.

One NorthEast will work with other key stakeholders to address a range of challenges to improve business support in the North East. These will need to focus on reducing confusion in the market place and aligning all relevant funding to develop a truly client driven service.

The Agency is also keen to move to a situation where public sector support is treated by both the provider and the client as an investment in the business, rather than seen as a subsidy or grant. In the long term, One NorthEast wishes to reduce the extent to which publicly funded solutions (i.e. grants) are needed across the region unless there is a strong, evidence-based argument to support them.

## 1 Introduction

1.1 Business support is a central element of One NorthEast's strategy to help develop the regional economy. One NorthEast believes that now is the time to capitalise on work, which has already been undertaken in the region and nationally to rationalise and improve business support to deliver a step change in provision. This needs to be underpinned by a clear strategic direction on what will be supported and why, and by implication what will not be supported and why.

1.2 The overarching aim of enterprise and business support in the North East is to provide businesses and individuals with access to high quality advice and business solutions that will enable the business base of the region to grow at a higher rate and therefore, directly contribute to GVA growth in the region.

The revised Regional Economic Strategy (RES) makes clear the important role that new and existing businesses make to the twin drivers of productivity and participation, which in turn are critical to economic success.

The RES succinctly presents the challenge facing the North East – fewer companies, lower start up rates, and lower productivity than the national average. Addressing these issues requires both a change in attitudes toward enterprise and entrepreneurship and a targeted and tailored approach to business support services.

1.3 The framework set out in this document takes forward the work of One NorthEast in preparing the Strategic Action Plan for Enterprise and Business Support (SAP). The purpose of this document is to set out how One NorthEast will take forward this agenda by maximising the impact of the Agency's own funds. It is expected that as a high level strategic plan, this document will influence the priorities and funding of national, regional, sub-regional and local agencies.

There are four fundamental principles, which underpin the approach.

- The Information, Diagnostic and Brokerage (IDB) service is customer driven and demand led (rather than provider led) and enabling access to business solutions. It is separate and distinct from these solutions, which are provided by the private sector through services and support and the public sector (where required) through subsidies and bespoke programmes
- Public sector supported solutions (projects, initiatives, bespoke additional support) will still be required, and will be primarily focussed on delivering value added to the regional economy and subject to rigorous appraisal to ensure that they are client driven and would not be available without public sector support
- IDB capacity and business solutions are best determined through a combination of competitive tendering and stakeholder (including the Agency) proposals, responding to the principles, priorities and guidance set out in this framework and taking account of the strategic objectives set out in the Regional Economic Strategy. This will determine the number and types of

- Whilst the SAP proposes one “joined up” model of business support it will not expect one size to fit all. Indeed best practice indicates that this is not desirable.

1.4 This section sets out the general approach and gives detailed information with regard to:

- Business Support (Existing Companies)
- Supporting New Starts
- Encouraging An Entrepreneurial Culture
- Investment Priorities
- Solutions
- Investment Bureau

## **2 General Principles**

### **2.1 Investment rather than spend**

In order to maximise the contribution that business support can make to the business base and the economy of the region, business support will be treated as an investment. The aim of this is to maximise the return on GVA per £ spent. This requirement to maximise value added to the economy will have to be managed carefully and alongside other nationally set targets such as penetration and satisfaction levels and the RDA Tasking Framework. For enterprise awareness and start-up support, a longer-term view will need to be taken in terms of the return on investment.

### **2.2 Productivity, Participation and Geography**

There are two main driving principles behind enterprise development activity: **participation** – enterprise/volume starts - as a way into work and **productivity** – enterprise as a way of developing more high quality and high growth businesses. The region will need to take into account the attributes and needs of different locations/communities in addressing both of these principles and the delivery approach will need to be tailored appropriately, taking account of, for example, challenges in rural areas and disadvantaged communities.

### **2.3 The Information, Diagnostic and Brokerage Model**

The Information, Diagnostic and Brokerage (IDB) model will continue to be the

principal method of driving demand for and providing access to business support interventions and solutions (including skills support) in the region. The only exceptions to this will be where the IDB model cannot work effectively, for example, when interfacing with networks, or groups of companies or where there is a need to raise awareness or change attitudes. Support for business starts (enterprise) and established businesses needs to become more clearly integrated and, therefore, start-up support should also be delivered through the IDB model as far as possible.

#### **2.4 The Quality of the Broker**

The success of the IDB model of business support will be heavily reliant on the quality of the broker. There is therefore a need to ensure that brokers' knowledge and skills meets an appropriate and consistent standard, in line with emerging national guidelines.

#### **2.5 The Quality of the Brokered-in Service**

The quality of the brokered in service is fundamental to the success of business support in the North East. Working with suppliers to ensure the quality of provision will be essential. Clear systems and processes are being put in place to assess, and continually quality-assure, provision to customers.

#### **2.6 One Model but not One Size**

For the regional approach to be effective two key elements will be needed:

- **A tiered approach, based on IDB and Account Management** to ensure that the business support offer reaches the “right” businesses with the most effective messages. This targeting will include attitudinal aspects, sectoral aspects as well as standard demographics. Segmentation of the potential start up market will also be required to ensure that support is more heavily targeted where maximum impact can be achieved.
- **Thorough assessment**, to ensure that businesses have their requirements effectively assessed for likely return on investment for the economy as they come to the point of first contact with business support in the region. This assessment stage could include a criteria related to the skills and ambition of the management team, past performance of the business, along with standard due diligence and the judgement of the individual broker.

For some businesses, access to the web based system will be sufficient to meet their business development needs, while others will go on to receive increasing levels of support.

#### **2.7 Start-up Activity**

New start support will be based on **IDB and Account Management** as far as possible, with the primary objective of increasing the number of new starts in the North East. The key will be to integrate with and capitalise on the work of promoting enterprise and pre-start activity to provide the best possible early

support to new businesses.

## 2.8 Market Solutions

Where the private sector is not providing a business solution to an identified customer need or where solutions are available from the private sector but businesses are not accessing them sufficiently, then there may be a role for the public sector to [drive demand or enable access](#).

There are two main situations where this could occur.

- First, where the solution is available but businesses are unable to access it because of cost, and where some form of subsidy or grant with upside to incentivise businesses and increase demand may be appropriate.
- The second is where the solution is not available in the market place, for example due to the innovative nature of the solution or the limited regional market for the solution. Again, public sector support may be appropriate in some cases.

The “market need” for a solution delivered [with the support of public sector subsidies](#) must be rigorously tested to ensure that there is no existing private sector solution. In this case, the value for money of the proposed intervention should be assessed with the following considerations:

- Level of contribution from the business
- Return on investment to the business and the economy of the intervention
- Exit routes for public sector funding.

There may also be cases [where providers come forward](#) to offer “novel” business solutions and seek funding from the public sector to enable it to be introduced within the region on a pilot basis to prove demand. In these cases, the considerations listed above will also apply.

## 2.9 Measuring Impact

In order to move away from simply measuring activity towards more effectively measuring impact, the performance measures collected and how they are used will be key. A significant amount of work has been undertaken nationally on how to best use GVA as a performance tool.

This will form a key element of performance measurement, but it will be supplemented with other considerations such as the type of business, the strategic imperative to develop particular sectors, and the location of business such as rural areas or disadvantaged communities.

### 3 Business Support for Existing Businesses

#### 3.1 The Business Base

Successful business underpins successful economies. The development of new and existing business is a major driver of productivity in the region. There is strong evidence that the greatest overall productivity gains are achieved through high growth existing companies. In order to maximise opportunities there is a need to ensure that existing businesses have access to, and can act on, high quality external advice.

The North East has over 56, 865 businesses in a broad range of sectors. The majority employ less than 10 people, and turnover of less than £500,000. Potential exists in all types and sizes of companies. A brief profile of the businesses in the North East is outlined in the tables below.

<b>Businesses By Sector 2004</b>						
Agriculture, Fishing & Mining	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail & Repairs	Hotels & Restaurants	TOTAL
4,045	4,450	15	6,245	11,920	5,400	
Transport, Storage & Communication	Financial Intermediation	Property & Business Activities	Public Admin & Others	Education	Health & Social Work	56,865
2,490	555	13,450	5,295	665	2,340	

<b>Businesses By Employment 2004</b>						
North East	0- 4	5 - 9	10-49	50-249	250 +	Total
Number of businesses	43135	6475	5915	1040	305	56,865

#### 3.2 The IDB Model

The IDB model is the principal method of driving demand for and providing access to business support intervention and solutions (including skills support) in the region.

#### 3.3 Region-wide IDB Service

A region wide service, a key element of which will be IDB, primarily branded Business Link, will increase efficiency and will make it easier for businesses to access consistent support. General IDB will be largely provided by the contract for the core BL branded service. A new regional service will be in place from April 07. [The regional Skills Brokerage Service will be put in place during 2006-07 and will be delivered under the national Train to Gain brand. In the North East, partners are working closely together to ensure both the regional IDB and Skills Brokerage services are fully integrated.](#)

Additional IDB and Skills Brokerage outside of the core service will only apply where there is unmet demand for specialist IDB services and/or a regional priority in adding to existing provision, such as to support the objectives of the sector teams. Specialist brokerage would normally be expected to be branded BL. Where it is not, it will need to be fully integrated with the general IDB service to minimise duplication and confusion and offer the best service for the customer.

### **3.4 Diversity of the Region and its Business Base**

The region has a diverse business base, with varying strengths and challenges locally and sub-regionally. A region wide model will specifically take account of the types of businesses, the geography of each area, and local partnership arrangements, which assist delivery. This will ensure that regional delivery supports both regional and local priorities.

### **3.5 Quality of the Brokers**

All customer-facing staff carrying out the IDB function will be trained to an agreed quality standard. Trained advisers will carry out the diagnostic of the business and broker in to the company the particular support required by the business to achieve its goals. All advisors will need to meet the emerging National Accreditation Framework, once agreed. This will include business brokers, account managers and relationship managers and it will apply to all organisations, including One NorthEast and any subsidiary bodies such as sector groups where staff are involved in IDB activities/services.

### **3.6 Levels of Support**

All businesses will be entitled to access elements of the IDB service and receive support appropriate to their situation. All companies will be entitled to access the IDB model, irrespective of size, sector or location. However, an in-depth diagnostic or brokered in support service will not be appropriate to all businesses. Nevertheless, all companies are entitled to the right information at the right level, relevant to the needs of their business.

### **3.7 Brokered-in Services**

Brokered-in solutions will typically be provided by the private sector. The services, or solutions, brokered-in will be delivered by the private sector, unless there is a clear and demonstrable market failure in the provision of a service or solution, which means it has to be provided within the public sector. The overarching premise is private sector first, public sector second.

(That does not mean that public funding cannot be used to subsidise a service or solution provided by the private sector, if this is consistent with policy objectives and there is clear market failure.)

### **3.8 Public Subsidy**

[In the long run, it is expected that the customer will pay for brokered-in services for general business support.](#) Initially, services, or solutions may be subsidised by



the public sector, but this should be regarded as a temporary solution, addressing a market failure, and not a permanent situation. Public funding should only be used to subsidise a business purchasing the service or solution where there are demonstrable benefits in terms of productivity or participation gains – over time we will move towards a model of “grant with upside”.

However, when it comes to considering public subsidy for skills support, the significant funding which is channelled through further education and higher education institutions must be taken into account. The FE/HE sector has an important role to play in providing skills solutions to business.

The SAP acknowledges that there is a fundamental commitment in the North East to working with further education and higher education institutions to continue to improve the responsiveness of FE & HE provision to business need and enable increased access to this support from business.

### **3.9 Impartiality**

Brokers will be customer-focussed, independent and impartial, and not involved in the provision or servicing of solutions. They will be impartial in terms of the provision and the provider and will also be independent from the funding stream and outputs associated, where they access public subsidy for clients.

This is a central tenet of the business support framework. Brokers act in the best interest of the business, not themselves or the organisation they represent. The diagnosis should be a high quality diagnostic and the brokered in services or solutions should be the most appropriate options available to the business.

#### **4 A Tiered Approach**

4.1 There will be three tiers to business support in the region, supported by a high quality web based information system. Business support will be made available primarily in three tiers and businesses will usually fall into one of three categories:

- Strategic Account-Managed
- Account-Managed
- General Support

Companies will be able to move between these tiers of support, and movement and progression between tiers will be encouraged. Businesses will fall into the respective category depending upon their characteristics, potential and aspirations.

4.2 Underpinning this tiered approach to business support, there will be single web-based system to access information about business support in the region. This will build upon the national [businesslink.gov](http://businesslink.gov) site

Information will be provided to businesses through a high quality, frequently refreshed web-site that is easily navigated. The web-site will be of relevance to all businesses. It will provide the whole range of general information needed by business.

## 5 Strategic Account Management

- 5.1 There will be two types of upper tier companies and these will be **Strategically Important companies** and **High Growth companies**. This reflects that both are important to the region but their support requirements differ. Strategic account managed companies are likely to require a long-term relationship with business support and high growth companies will need access to the right services and solutions at different times to fulfil their growth potential.
- 5.2 Strategically important companies are of continuing regional significance. They are strategically important to the region, by virtue of their size and/or their economic significance. One NorthEast will identify strategic account managed companies against agreed criteria and will provide lead support to them through a [Strategic Account Management Service](#).
- 5.3 Currently, elements of Strategic Account Management are provided through the UK Trade & Investment's national Investor Development Programme. This provides the link to the National Investor Development Forum to lobby jointly on key investor issues with the other Regional Development Agencies. Work is needed to develop this further, especially to allow access to support via the Investment Bureau. We also need to consider how different elements of the service will be branded. Businesses, which have been identified as strategically important, will need a long-term and consistent service of the highest quality and the strategic account manager will need to ensure that all relevant public sector support is accessed and co-ordinated.
- 5.4 High growth businesses will be defined and selected by their potential and the aspirations of the business, not solely by their turnover or size. High growth companies will be identified and account managed as part of One NorthEast's Strategic Account Management Service. These companies should be capable of a significant increase in turnover per annum over a period of three years. High growth account managed companies will receive a high quality support service, which will differ in intensity depending upon the needs of the business, to ensure they fulfil their growth potential.
- 5.5 Strategically account managed companies will have access to bespoke solutions, where necessary supported by One NorthEast and other public funds. To maximise their economic contribution to the region, bespoke solutions will be developed based on best practice. This will include sector specific support for high growth companies, with a selection and appraisal process, which takes account of the potential of the company. Bespoke solutions [will be brokered in and will be delivered](#) and managed separately from the account management function.
- 5.6 The costs of strategic account management and bespoke solutions will be seen as an investment and will be linked to the scale of benefits to the regional economy. The main determining factor in making funds available for account management and the provision of bespoke solutions will be the return on investment in terms of value added to the regional economy. Other factors, such as the location of companies and their importance in developing the sector according to the long-term objective set out in the Regional Economic Strategy,

will also be taken into account. This will also apply to solutions provided in other tiers of the support structure)

## **6 Account Management**

- 6.1 There will be three types/groups of Account Managed (middle tier) companies, although a number of companies will fall into one or more of the categories. These are:
- Companies prioritised by One NorthEast's sector teams
  - Locally-important companies
  - Growth companies
- 6.2 Sector-based Account Managed companies will be appraised and selected on the basis of their importance to the objectives of the sector programme plans and their value added to the regional economy. Other businesses in the sector will be provided with support through the web-based information system and via "General Support". Sector-based account managers will carry out the diagnostic service and broker-in services/solutions to the business. Sector-based specialist brokers will not provide any of the solutions themselves. They will adhere to the general principle of impartiality. (Sector teams, which are not acting as impartial brokers may provide business solutions)
- 6.3 Where possible, Sector-based Account Managers will be integrated with the regional delivery model and will not provide solutions. The main delivery vehicle for IDB will be the region wide service currently provided through Business Link. Sector-based account managers should operate in an integrated way with this provision to ensure duplication and confusion for the customer are minimised. Where appropriate, co-location and information exchange should be used to co-ordinate services.
- 6.4 Locally-significant companies will be assessed and selected by the regional provider of IDB, working with local stakeholders, on the basis of their importance to the local and sub-regional economy. Identifying locally significant companies will allow businesses in locally important sectors, such as agriculture and tourism in rural areas, to be prioritised for account management. There will be flexibility in terms of selection, allowing small, medium and large sized companies to be prioritised.
- 6.5 Account managed growth companies will be assessed and selected by the regional provider of IDB on the basis of their importance to the objectives of the Regional Economic Strategy. This recognises that there are companies with significant growth potential but which do not fit the definition of 'High Growth' (which are Strategically Account managed).

## **7 General Support**

- 7.1 General Support will be available to companies seeking short term, one off or highly specific advice, and where the web based information service is insufficient to meet client needs. Many companies will not need or require the long-term support provided through the account management system, but will require more than the web-based information. General Support will provide high quality IDB, to the same standards as the account managed system, to undertake diagnostics and brokerage support to assist the client. Although delivering in volume, this will be a key component of business support in the North East.
- 7.2 There are a substantial number of businesses in the North East and it is unrealistic to expect that they can all have access to the full range of business support services. However, high quality information services will be made available to all those business requiring it and the General Support service will also be available to all businesses for which this is appropriate. General Support is most appropriate to those companies seeking short-term, one off or highly specific advice that cannot be met through the web-based information system alone.

## **8 Other Principles of the Tiered Approach**

- 8.1 Specialist account managers/brokers, in technical areas of expertise such as the Environment or ICT where there is a proven market need, will be supported but will still be required to work through the regional provision model. This does not automatically mean that the service has to be branded Business Link, but co-branding would be considered. Services would need to demonstrate that they would be operated in a wholly integrated way with the general IDB service. Cases will need to be considered on an individual basis and clarity for the customer will be a key consideration.
- 8.2 This "Tiered Approach" will also be used to support priority sectors. Within sectors, companies will be supported in each of the tiers, as appropriate. This will include businesses accessing General Support, Account Managed Companies, which could include specialist sector account managers, and Strategically Account Managed business.
- 8.3 There will be movement between the Tiers of support and businesses will move between the tiers of support dependent upon a number of factors, primarily driven by the needs of the business and its potential to contribute to the objectives set out in the Regional Economic Strategy.
- 8.4 All account managers/brokers should be fully accredited and qualified. They should be capable of high quality diagnosis and the identification of potential services and solutions.

## 9 Indicative Scale of Activity, Costs and Benefits

This table will need to be populated with information on the range of companies to be supported in each of the tiers and the costs and outputs associated. One NorthEast is keen to work with partners and stakeholders to begin to agree these ranges.

<b>IDB Structure</b>				
<b>Tier</b>	<b>Companies</b>	<b>Numbers per annum</b>	<b>Brokers/Account Managers</b>	
Strategic Account-Managed Companies	Companies of regional significance  Companies with High Growth potential		One NorthEast's Strategic Account Management Programme and partners on a case by case basis	
Account Managed	Prioritised by sector team Locally significant Growth		Business Link <sup>1</sup>	
General Support	All companies		Business Link <sup>1</sup>	
Web based information	All companies		Business Link <sup>1</sup>	
<sup>1</sup> Regional provision post 2007				
<b>IDB: Indicative Costs</b>				
<b>Tier</b>	<b>Numbers per annum</b>	<b>Brokers/Acct Managers</b>	<b>Number of Account Managers<sup>1</sup></b>	<b>Costs per annum</b>
Strategic Account-Managed Companies		One NorthEast's Strategic Account Management	40	400
Account Managed		Business Link		
General Support		Business Link		
Web based information		Business Link		
Account Managers within the BL service likely to have a mixed portfolio of Account Managed companies and also be involved in General Support.				

<b>Combined Impacts: IDB and Solutions</b>					
<b>Tier</b>	<b>Brokers/Account Managers</b>	<b>Costs per annum</b>	<b>Solution Budget</b>	<b>Value Added</b>	<b>Job Equiv.</b>
Strategic Account-Managed Companies	One NorthEast's Strategic Account Management	-			
Account Managed	Business Link				
General Support	Business Link				
Web based information	Business Link				



## 10 New Start Companies

- 10.1 Statistics show that there is a gap of 165 businesses per 10,000 people between the North East and national averages. In terms of business start up rates, the North East has the lowest rate in England. While rates have increased year on year, the national rate has grown at a faster pace. Of those businesses that do start up, however, survival rates in the North East are around the national average. It appears clear then, that the deficit in terms of the business stock is largely accounted for by the low numbers of businesses being created.

In the North East the typical number of new VAT registrations each year is circa 4,600. This number has to increase markedly, over a period of time, if the region is to close the gap with the national average in terms of number of businesses per head of population.

The definitions of pre-start, start up and new starts are:

Pre start	A person or group of people considering starting a business
Start Up	A person, or group of people, taking the preparatory steps to beginning trading, such as business and marketing planning.
New start	A business which has been trading for less than two years
High growth new starts	New starts capable of reaching £1m turnover within three years.

- 10.2 The IDB model is one of the principal ways that support will be delivered to new start businesses. New businesses will be able to access the right information at the right level. Awareness-raising of enterprise will sit outside the IDB model and One NorthEast will take forward this work through an enterprise commissioning framework. There will need to be close linkages between the awareness raising activities and the IDB and enterprise support services.
- 10.3 All other general principles of business support will apply to new start companies. For example, it is expected that brokers will be impartial and will not be involved in the provision or servicing of solutions and that the brokered-in services will typically be provided by the private sector.
- 10.4 There will be a high quality, web-based system to access information about support to new businesses in the region. The site will be frequently refreshed and easily navigable and will build upon the national [businesslink.gov](http://businesslink.gov) site. The web-site will be of relevance to all businesses. It will provide general information needed by many smaller and younger businesses and provide links to more specialist advice required by larger or niche companies.
- 10.5 There will be 3 tiers of support to new start businesses in the region, supported by this high quality web based information system. New businesses will fall into one of three categories:

- High Growth
- Account-Managed
- General Support

Companies will move between tiers, and movement and progression between tiers will be encouraged. New businesses will fall into the respective tiers depending upon their characteristics, potential and aspirations.

- 10.6 There will be a limited number of high growth start-up companies, with significant growth potential, supported. High growth new start companies will be capable of reaching a high turnover within the first 3 years of trading. There will be a target for high growth new start companies supported per annum, with appropriate solutions developed to support accelerated growth. This target will be reviewed on a regular basis.
- 10.7 High growth start-up companies will be Account Managed. Account Managers will have sufficient time to provide a high quality service to ensure that high growth companies reach agreed turnover targets.
- 10.8 Account Managed (middle tier) new start companies will comprise:
- Locally significant new starts
  - Sectorally important new companies.

This will allow One NorthEast, Business Link, sub regional partners and stakeholders to prioritise the types of new starts, which can contribute to strategic objectives.

- 10.9 Selected new start businesses will be Account Managed in their first 2 years of trading. (Business failure rates are highest in the early years of trading) Account Managers will need to meet with businesses regularly in the first year of trading. In effect, this will act as a form of mentoring to the new business. It will not substitute for bespoke solutions designed to support new starts.
- 10.10 New starts selected for Account Management will be defined and selected by their potential and aspirations, not solely their turnover or size. The region needs to increase the number of new starts year on year and to improve survival rates to close the enterprise gap. Account Management will allow for a long-term relationship to be established with entrepreneurs at an early stage and represents a pro-active approach to supporting new businesses.
- 10.11 New starts selected for Account Management will take account of high priority target groups such as young people, women and graduates. Given the scale of the enterprise gap, the North East needs to stimulate new businesses amongst the wider population with a focus on some groups with latent potential and/or already under-represented in terms of new start-ups. This will include young people, graduates and women.

- 10.12 Account managed new starts will need to be identified by One NorthEast or Business Link working with local stakeholders. Account managed new starts will be selected and account managed by either a One NorthEast Sector Team or Business Link (working with other stakeholders). A number of stakeholders are likely to be involved in the provision of solutions. Solutions may include specialist mentoring and intensive support in the early phase of new businesses, particularly for some priority groups, such as young people, graduates and women.
- 10.13 Both strategically managed and account managed new starts will have access to bespoke solutions, where necessary supported by One NorthEast and other public funds. To support the development of strategically account managed companies, and to maximise their economic contribution to the region, bespoke solutions will be developed based on best practice. This will include sector specific support for high growth companies, with a selection and assessment process, which takes account of the potential of the company. Bespoke solutions will be delivered and managed separately from the account management function.
- 10.14 General Support will be available to individuals seeking short term, one off or highly specific advice about setting up in business, and where web based information is not sufficient to meet client needs. General Support is most appropriate for some new starts, seeking short-term, one off or highly specific advice that cannot be met through the web-based information system alone.
- 10.15 A web-based system will provide high quality and relevant information to all new start businesses. It is expected that this is the first 'port-of-call' for pre start businesses. (The web site will also help those interested in starting a business to further test the suitability of entrepreneurship to their circumstances)
- 10.16 Viable new start business propositions will receive 1-1 adviser support. It is estimated that one third of potential new start businesses are not interested in taking forward an initial idea and a further third do not follow up on an initial one to many session. The remaining one third of businesses will be assessed at an early stage before progressing to 1-1 adviser time. In some situations lifestyle businesses will be relevant to the local economy, such as in rural areas, and these factors will be taken into account by local delivery arrangements.
- 10.17 The costs of account management and bespoke solutions are an investment and will be linked to the scale of benefits to the regional economy and contribution to the RES. The main determining factor in making funds available for account management and the provision of bespoke solutions will be the return on investment in terms of value added to the regional economy and/or contribution to closing the enterprise gap identified. Other factors, such as the location of companies and the importance in developing the sector according to the long-term objective set out in the Regional Economic Strategy, will also be taken into account.

10.18 The costs of account management and bespoke solutions in key target groups such as young people and enterprise in disadvantaged communities will reflect the additional challenges of supporting enterprises within the client group. The Agency is committed to supporting enterprise development in disadvantaged areas and with groups with limited experience of starting a business. This untapped potential is an important source of new ventures and it is likely that the level of account management may be greater than for other groups. The Agency accepts that additional costs may be incurred in providing IDB to certain target groups. One NorthEast will need to work with partners and key stakeholders to populate these tables with agreed targets and costs.

<b>IDB New Start</b>		
<b>Tier</b>	<b>Numbers/annum</b>	<b>Brokers/Account Managers</b>
High Growth New Start Companies		One North East Business Link <sup>1</sup> Sector Teams
Account Managed		Business Link <sup>1</sup> Sector Teams
General Support		Business Link <sup>1</sup>
Web based information		Business Link <sup>1</sup>
<sup>1</sup> Regional provision post 2007		

<b>IDB: Indicative Costs</b>			
<b>Tier</b>	<b>Numbers per annum</b>	<b>Number of Account Managers<sup>1</sup></b>	<b>Costs per annum</b>
High Growth New Start Companies			
Account Managed			
General Support			
Web based information			
<sup>1</sup> Account managers likely to have a mixed portfolio of Strategic and Account Managed companies, and also be involved in General Support.			
<sup>2</sup> Regional provision post 2007			

<b>Combined Impacts for New Stats IDB and Solutions</b>					
<b>Tier</b>	<b>Brokers/Account Managers</b>	<b>Costs per annum</b>	<b>Solutions Budget</b>	<b>Value Added</b>	<b>Job Equiv.</b>
High Growth New Start Companies					
Account Managed					
General Support					
Web based information					

## 11 Investment Criteria and Priorities

- 11.1 One NorthEast is committed to maximising value for money and impact from investment while at the same time taking account of long-term priorities, which will underpin the transformation of the regional economy. In addition to the support provided through the IDB service, One NorthEast will provide funding for solutions for businesses, where there is a clear market failure and a value for money case for intervention.

One NorthEast has set a framework for support and it is expected that stakeholders, including the Agency will develop proposals, which will help deliver high quality, high impact client driven solutions. This will include maximising financial contributions from other stakeholders and beneficiary businesses.

- 11.2 Agency funds provided for business and enterprise solutions will be considered as an **investment, not purely a grant or subsidy**. The RES has set a challenging agenda to improve the economic performance of the region. Business support and enterprise has an important role to play through increasing employment, productivity and profitability. One NorthEast will facilitate business growth through the combination of IDB and solutions support.
- 11.3 The key measurement of impact will be **gross value added**, defined as the value added to a product or service by the labour and enterprise of individuals and enterprises. At its simplest, this can be regarded as wages and profits. While increased jobs and sales are useful indicators, they do not fully capture the value to the economy resulting from solutions investment. They also cannot be used to assess the effect on productivity, one of the key indicators of competitiveness. While value added is a more difficult indicator to forecast and monitor, the Agency is committed to embedding it within business and enterprise performance management systems.
- 11.4 Organisations involved in both IDB and solutions will be required to design and operate monitoring and evaluation procedures, which incorporate gross value added. All those involved in IDB and the delivery of solutions will have to operate a performance management system which facilitates the assessment of value added as the key measurement of performance. It is expected that regular information on value added as a result of intervention will be provided by beneficiaries, i.e. companies, and not by estimates or forecasts.
- 11.5 Solutions will have to deliver sustainable benefits i.e. any impact as a result of solutions support needs to be sustainable. Solutions where increased value added is likely to be temporary or dependent on subsidy will not be supported. One NorthEast is seeking to secure sustainable change in terms of jobs, productivity and profitability. This requires solutions to provide support which enables new starts and existing businesses to maintain higher levels of activity when support has ended. Solutions likely to lead to temporary improvements based on subsidy will not be supported.

- 11.6 Value added will reflect the priorities of the Agency and take account of the sector, location and type of business. While the need to secure value added from public sector investment is paramount, the Agency recognises the contribution to the local, sub-regional and regional economy of different types of business, some of which will have relatively low value added.
- 11.7 The Agency has prioritised a number of sectors where value added varies considerably and this will be understood and taken into account in the provision of solutions. One NorthEast has established a number of priority sectors and a dedicated team involving Agency staff working with stakeholders and businesses will support these. A number of priority sectors are characterised by micro and small businesses, some of which are involved in relatively low value added activities. The Agency will seek to work with these companies to increase value added, rather than focus solely and exclusively on sectors and companies with high value added.
- 11.8 The gross value added from new starts will take account of the need to increase the number of new starts in the region, even where value added may be low. There is a need to markedly increase the number of new start businesses in the region and establish a culture where starting a business is regarded as the norm. In the long run this will establish a higher level of new starts year on year and ultimately increase business density. The need to increase the number of new starts means that assessing solutions solely on the basis of potential value added is not appropriate, and other factors, such as the type and location of business and type of entrepreneur also need to be taken into account.
- 11.9 Value added will take account of the nature of the support and the time frame with regard to return on investment. Solutions funding will involve both actions with an immediate impact, such as support for marketing, with support in areas such as innovation, where benefits will not be realised for a number of years. While focusing on value added is the major priority, the Agency is seeking to avoid a short term view of business and enterprise support, where solutions with long term benefits are not prioritised.
- 11.10 One NorthEast, working with other key partners, will set a target for £ of value added for every £ of public sector investment, with some exceptions for new starts, sectors and location. **The table below needs to be populated to set out the range of value added typically expected for every £1 of public sector investment.** These ranges once agreed, will be provided for guidance, and will be reviewed and updated on a regular basis. One NorthEast will need to work with partners and stakeholders to agree these ranges.

Type of business	GVA per head	£ GVA per £ public sector solution
Existing business		
Manufacturing business		
Tourism business		
Rural business		
New start business		
New start (disadvantaged areas)		

## **12 Solutions Funding**

### **12.1 Market Solutions**

For the majority of businesses and in the majority of cases, the information, diagnostic and brokerage function will lead to a solution provided by the private sector and paid for by the client. However, there are a number of circumstances in which some form of support from the public sector will be required to allow companies to take up appropriate solutions.

In the North East there will be a role for the public sector to provide solutions for business to help meet the strategic objectives set out in the Regional Economic Strategy. Public sector funded solutions will only be supported where the private sector is unable to provide a business solution to satisfy an identified customer need at a price, which the business can afford/is prepared to pay.

There are two types of gaps, which may attract support from the public sector. First, there are some instances where the solution is available in the market place, but companies are unwilling or unable to take up the solutions due to the costs involved and/or the perceptions of the value to their business of the service. In these cases, the provision of an incentive to make the service more affordable can play an important role in increasing demand. In some cases, businesses will need to be supported to take up new solutions for the first time. It is not expected that serial subsidy offering repeated rounds of support of the same solution to the same businesses would be supported.

The second is where the solution is not available in the market place in the North East, or parts of the region, for example due to the innovative nature of the solution or the limited regional/local market for the solution. Again, public sector support may be appropriate in some cases where there is a clear benefit to the business and the regional economy from making the solution available.

The “market need” for solutions should however be properly tested to ensure that there is no private sector solution. In this case, the value for money of the proposed intervention should be assessed with the following considerations:

- Return on investment to the business and the economy of the intervention
- Level of contribution from the business
- Exit routes for public sector funding

There may also be cases where the private sector will offer “novel” business solutions to the public sector and seek funding; in these cases the considerations listed above will also apply.

One NorthEast is committed to reducing grant dependency - which is a feature of business support in the North East - and the expectation of grant support for business solutions. This will involve persuading companies that business solutions are an investment which can be funded from the business's own resources.

## 12.2 Solutions for Existing Businesses

The Agency recognises that there are a number of areas where solutions funding will be important in delivering the scale of change needed to support the RES. This will involve a number of interventions rather than a single solution. There is no prescriptive list and any list will change over time. The scale and type of solutions will be kept under review by the Agency.

While some solutions are focussed on particular types of business support for which there is dedicated funding or an acknowledged market failure, One NorthEast would like to deliver solutions support, which is client responsive. This has to be developed in the context of most solutions being brokered and delivered by the private sector, and flexible solutions being limited to areas where market failure and return on investment justifies the use of public sector finance.

## 12.3 Solutions for New Starts

Increasing the business base is one of the most important tasks facing One NorthEast and other stakeholders. With regard to new starts, the following target groups are likely to require solutions and these will be a priority:

Support for residents of disadvantaged areas to start up a business or enter self employment
Support for young people to start up in business.
Support for women to start up in business
Support for ethnic minorities to start up in business

In terms of the types of solutions likely to be a priority the following will be considered:

Very small scale grants, where the beneficiaries would not be able to commence trading without some form of interim support. (This will be considered especially for priority groups) but where possible a "grant with upside" would be preferred.
Business planning, where the new entrepreneur is unable to afford the early costs of initial preparatory works prior to commencing trading
Supported business accommodation, in a limited number of cases, again where the initial cost or lack of provision locally act as a deterrent for particular groups
Small-scale "grants with upside", where the a form of repayment is considered once the business is established and meeting agreed financial forecasts

As with all solutions involving public sector support, a thorough appraisal process will be required to justify intervention. (In particular, a robust evaluation of the need for and impact of start up grants needs to be undertaken)



In the long run, One NorthEast is committed to the reduction of the dependence on grants and subsidies as available funding reduces.

### **13 The Investment Bureau**

- 13.1 One NorthEast is committed to improving the range, relevance and delivery of solutions to business in the North East. In particular the Agency is committed to a fewer and bigger approach, which will reduce duplication and confusion in the market place and provide greater consistency across the region.

In order to provide support to business more efficiently and effectively, the Agency will support the establishment of a region wide Investment Bureau. This will be a key channel for investing Agency funds available for the provision of business support solutions (subject to rigorous appraisal).

- 13.2 The Investment Bureau will be the vehicle for the provision of solutions funding, which address a market gap, and are relevant to the needs of businesses in the region. They will also offer a return on investment in terms of GVA and other factors outlined earlier.

The Investment Bureau will be responsible for:

- Simplifying application and decision making processes
- Helping agree and implement transparent eligibility criteria
- Ensuring that funding restrictions are as unobtrusive as possible for the client (with an emphasis on developing and promoting more flexible and customer focussed solutions)
- Developing and operating monitoring procedures which meet the needs of funding organisations, are robust, and have the understanding and cooperation of the businesses involved.

- 13.3 The Investment Bureau is a radical new development for the region and the potential benefits to business are considerable. The scale of benefits is dependent upon a number of other objectives, which the Agency has set for the Bureau.

The Investment Bureau will:

- Offer its services to other stakeholders and funding streams, and provide a facility for the effective delivery of solutions support to businesses in the region. Persuading other major investors to use the Investment Bureau as the preferred delivery mechanism is an important objective for the Agency

- Develop further the Agency approach of solutions support as investment, not grant or subsidy. In particular, consideration will be given, where appropriate, to the Investment Bureau securing a return for the investment, even where it is provided in the form of a grant. New approaches will take account of the scale of investment, the likely return and the costs of operating any new and more complex approaches.
  - Be responsible for facilitating solutions to meet the priorities identified by the Agency and other stakeholders. This will include solutions relevant to particular types of business, by size, sector or location, new and existing businesses and the needs of key client groups such as young people, women etc. In all cases, the provision of solutions will be subject to appraisal and subsequently provided to clients through the most efficient means.
  - Provide monitoring and evaluation information which allows the Agency and other stakeholders to assess what works and what is less successful and continue to develop a world class business support service.
- 13.4 Although the Investment Bureau will operate alongside the regional IDB service, and will be part of a single contract, a clear separation of roles will be established to maintain the independence and integrity of the IDB function provided to businesses.