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Business, Innovation and Skills Committee

Government Support for Business

Eighth Report of Session 2014–15

Report, together with formal minutes relating to the report

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Business, Innovation and Skills Committee

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Summary

Helping British businesses to thrive and grow is vital to the UK's long-term economic prosperity. The Government's ambition is for the UK to be one of the best places in Europe to start, finance and grow a business. In order to facilitate this, the Government offers support to business in accessing finance, promoting exports, developing manufacturing and encouraging growth at a local level. Our inquiry considered the wide range of support that is on offer, and in particular those support programmes run by the Department of Business, Innovation and Skills.

Access to finance is fundamental to the success of business of all sizes. However, we heard varying evidence about the availability of finance, in particular for SMEs. Too many business still report that they find it difficult to get the financial support they need. By drawing on the British Business Bank's expertise, the Government should be able to develop a better understanding of the blockages in the system, why they occur, and whether changes in regulation or funding are needed to address them. The British Business bank also has a clear role to play in enhancing SME access to finance though clearly signposting the services available from alternative finance providers. In particular, it should develop a menu of alternative finance providers for each different area of financial support.

The Green Investment Bank is another area where the Government can build on a good base. As a means of providing investment to companies developing green infrastructure it has had a positive start. However, the bank could be inhibited by the absence of borrowing powers. We believe that for the bank to realise its potential, this must be addressed.

There is much that is positive to be said about the support on offer to businesses from Government. However, if that support is too complicated for businesses to understand or too poorly communicated for businesses to be aware of, then it will not be used by many businesses. The Government has stated its desire to create a simple and effective business support offer. Despite this, we have found that businesses seeking support still face a complex and unclear offer of support from the Government. The Business Growth Service was launched during this inquiry and, has the potential to bring together the different elements of Government support for business. But the Government must ensure that it compliments rather than competes with the existing suite of support products.

Glossary

AMSCI: Advanced Manufacturing Supply Chain Initiative

BBB: British Business Bank

BIS: The Department for Business, Innovation and Skills

Business Growth Service: See www.greatbusiness.gov.uk/businessgrowthservice/

Crowd-funding: The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the internet

EFG: Enterprise Guarantee Scheme

GIB: Green Investment Bank

GREAT Campaign: See www.greatbusiness.gov.uk/

Gross Value Added: The value of goods and services produced in an area, industry or sector

LEP: Local Enterprise Partnership

MAS: Manufacturing Advisory Service

Peer-to-peer lending: A method of debt financing that enables individuals to borrow and lend money directly (i.e. without the use of an official financial institution as an intermediary)

RGF: Regional Growth Fund

SME: Small or Medium sized Enterprise

The Department: The Department for Business, Innovation and Skills

UKEF: United Kingdom Export Finance

UKTI: United Kingdom Trade and Investment

1 Introduction

Government support for business

1. In 2014 there were 5.2 million private sector businesses in the UK.[1] Over 5 million of these were small or medium-sized enterprises, each employing fewer than 250 people.[2] Those small or medium-sized enterprises accounted for over 50 per cent of total UK private sector employment and over 50 per cent of UK Gross Value Added output.[3] Helping these businesses to thrive and grow is therefore vital to the UK's long-term economic prosperity.

2. Ensuring the UK is "one of the best places in Europe to start, finance and grow a business" and encouraging "investment and exports as a route to a more balanced economy" are key to the Government's Plan for Growth.[4] This Plan includes a range of measures to support businesses, including:

- Initiatives to improve access to finance for new start-ups and business growth;
- Schemes to provide investment across the UK;
- Assistance promoting exports; and
- Increasing green investment.[5]

3. The Government has described its approach to business support as "helping businesses get the right support at the right time".[6] It considers that "it is the role of Government to encourage the development of a responsive and competitive private sector marketplace" by working to "address specific market failures or equity shortfalls" and providing "a range of schemes and interventions to fill these gaps".[7] In pursuance of these objectives, there are over 600 publicly-funded schemes to support businesses, many of which are targeted at specific industry sectors or locations.[8] The main Government-backed schemes, alongside their funding and objectives, are outlined in the Appendix.[9] Our inquiry set out to review the Government's approach to business support and consider the extent to which its interventions are working to address the needs of businesses across the UK.

1 *Business Statistics*, Standard Note, SN/EP/6152, House of Commons Library, November 2014
2 *Business Statistics*, Standard Note, SN/EP/6152, House of Commons Library, November 2014
3 Department for Business, Innovation and Skills (GSB 22) extract
4 HM Treasury and Department for Business, Innovation and Skills, *The Plan for Growth*, PU1141, March 2011, p 5
5 HM Treasury and Department for Business, Innovation and Skills, *The Plan for Growth*, PU1141, March 2011, pp 6–7
6 Department for Business, Innovation and Skills (GSB 22) extract
7 Department for Business, Innovation and Skills (GSB 22) extract
8 Government Website, 'Finance and support for your business', accessed 4 February 2015
9 Department for Business, Innovation and Skills (GSB 36) extract

This inquiry

4. We launched our inquiry into government support for business in September 2014. We sought evidence relating to:

- The Government's approach to business support;
- The take-up of the Government's support offer by businesses; and
- The impact of the Government's support programmes.[10]

5. We received over 30 submissions of written evidence and held five oral evidence sessions. During these sessions we heard from business groups, academics, business owners, local enterprise partnerships, UK Trade and Investment (UKTI), UK Export Finance (UKEF), the Manufacturing Advisory Service (MAS), British Business Bank, Green Investment Bank, officials from the Department of Business, Innovation and Skills (the Department) and the Minister, Rt Hon Matthew Hancock MP.[11] We thank everyone who helped with this inquiry.

6. This Report does not look in detail at the implementation of every Government-backed initiative. It instead focuses on specific areas of work and the extent to which the support on offer addresses business needs in those areas. We start by looking at two Government-backed institutions working to improve access to finance for businesses: the British Business Bank, including the Enterprise Finance Guarantee, and the Green Investment Bank. We then consider the support offered to businesses involved in exports and manufacturing, focusing on the work of UK Trade and Investment (UKTI) and the Manufacturing Advisory Service (MAS). Thereafter, we discuss the communication and coordination of Government support measures at a local and national level, including the introduction of the new Business Growth Service, which was launched during the course of this inquiry. We conclude by outlining factors which we heard continue to limit the overall effectiveness of the Government's support offer: the complexity of the overall support landscape, the identification of appropriate policy outcomes and the long-term stability of support schemes.

10 The full terms of reference for this inquiry may be found here, accessed 4 February 2015

11 The full list of witnesses for this inquiry may be found here, accessed 4 February 2015

2 Access to Finance

British Business Bank

Background and objectives

7. Businesses "require finance for working capital and to invest for future growth".[12] Ensuring that finance markets work for businesses is therefore vital to support the UK economy. In 2012, the Government announced its intention to "build a single institution that will address long-standing, structural gaps in the supply of finance", bringing together all Government finance support for small and mid-sized businesses into one place.[13] It stated that the resulting British Business Bank would have "a clean balance sheet and an ability to expand lending rapidly to the manufacturers, exporters and high-growth companies that power our economy".[14] In 2013 the Government stated that the British Business Bank would have the following objectives, amongst others:

- To support the development of diverse debt and equity finance markets for businesses, promoting competition and increased supply through new finance providers;
- To increase the provision of finance to viable but underserved businesses, in particular improving the provision of long-term finance; and
- To bring together the management of the government's existing business finance schemes, creating a single portfolio and simplifying access.[15]

8. On 1 November 2014 the British Business Bank began operating independently from the Department of Business, Innovation and Skills. It stated that its goal was:

> To change the structure of finance markets for smaller businesses, so these markets work more effectively and dynamically. This will help businesses prosper and build economic activity in the UK.[16]

It aimed to achieve this by increasing the supply of finance available to smaller businesses, creating a more diverse and vibrant finance market for smaller businesses and increasing smaller businesses' understanding of the options available to them.[17]

Traditional finance markets

9. When the Government announced its intention to establish a British Business Bank, it was proposed as the solution to finance issues that affected all "viable but under-served

12 Department for Business, Innovation and Skills, *Boosting finance options for Business* (March 2012), p 10

13 Department for Business, Innovation and Skills, 'New business bank to support up to £10 billion of business lending', accessed 4 February 2015

14 BBC News, 'Cable promises £1bn business bank', accessed 4 February 2015

15 Department for Business, Innovation and Skills, *Building the Business Bank*, BIS/13/734, March 2013, p 4

16 British Business Bank, 'What we do', accessed 4 February 2015

17 British Business Bank, 'What we do', accessed 4 February 2015

businesses".[18] Our inquiry therefore questioned whether access to finance had improved in recent years and whether this intervention was still justified. We found differing views. For example, the Federation of Small Businesses told us that "many small businesses are still finding it difficult to access the finance they need".[19] Its research showed that "47 per cent of small businesses believe credit is unaffordable and 24.8 per cent of small businesses have found the availability of credit is very poor".[20] In addition, it reported that "only 50 per cent of small businesses that applied for credit were granted finance".[21] In contrast, the British Bankers' Association told us that:

> The banking industry is committed to supporting businesses to grow through providing finance to enterprises both large and small. Several datasets provide evidence that lending to SMEs is improving, and that businesses are confident that lending conditions will continue to be favourable.[22]

Stephen Pegge, Group External Relations Director at Lloyds Banking Group, further suggested that "businesses are more likely to get finance than they think they are" but there was "a certain perception" that funding was not available.[23] Phil Orford, the Chief Executive at the Forum of Private Business, accepted this, stating that there remained an "ongoing uncertainty" amongst businesses about the attitude of banks to requests for lending.[24]

10. When it came to the overall picture on whether access to finance for SMEs was improving, Keith Morgan, the British Business Bank's Chief Executive, said that it was "hard to see through the data".[25] He explained that demands from business for finance were changing:

> Our surveys and contacts show that whereas two years ago the major demand for finance was for working capital, the major demand for finance is now for investing in new fixed assets. That, of course, is very consistent with a sense that there are growth intentions among small businesses. […] Overall, the trend looks like it is improving, but we still think that there are some significant gaps in the marketplace, which is what has been driving us in terms of where we are focusing our activities for the first year.[26]

11. ***We have heard varying evidence about the availability of finance for SMEs. Given the importance of such access in supporting business, the Government should ensure it is drawing on the British Business Bank's expertise to maintain an overview of how the***

18 HC Deb, 21 March 2013, col 49WS

19 Federation of Small Businesses (GSB 18) para 6.1

20 Federation of Small Businesses (GSB 18) para 6.1

21 Federation of Small Businesses (GSB 18) para 6.2

22 British Bankers' Association (GSB 17) para 2.1

23 Q181

24 Q43

25 Q224 [Mr Morgan]

26 Q224 [Mr Morgan]

financial environment for SMEs is developing so that this information can be fed into policy development. The Government should work with the British Business Bank to establish whether regulation or funding is required to address the obstacles that businesses face when trying to access traditional finance. The Government should review and develop a comprehensive understanding of how these traditional finance markets are operating and, if necessary, it should develop new lending policies or models.

Alternative finance

12. Working to "increase the diversity of offers in the marketplace" is a key priority for the British Business Bank.[27] Despite this, we heard that owners of businesses often only considered traditional finance options, such as bank loans, overdrafts or personal funds when seeking capital for investment. As a result, Mike Cherry, National Policy Chairman at the Federation of Small Businesses, told us that "85 per cent of lending to small businesses" remained "with the four main high-street banks".[28]

13. Stuart Garner, Chief Executive Officer of Norton Motorcycles, told us that a "mind-set change" was needed from SMEs, so that traditional finance was not seen as the primary, or only, option for a business seeking financial support.[29] Mr Garner praised the British Business Bank for its "brilliant job" in supporting finance through non-traditional providers.[30] He told us of his positive experiences using alternative finance support with a finance company called URICA,[31] saying that, since using that provider, "the only reason why I need a legacy bank in my business at Norton is for a long-term property or as a clearing house".[32] Similarly, Matthew McDonnell, the Managing Director of Resimac, told us that discovering URICA as an alternative finance provider had "transformed" his business".[33]

14. We spoke to URICA about its work. One of its founding Directors, Ian Fitz-Harris, explained that businesses did not only require finance for capital investments, but also needed improved payment systems and supply-chain credit, which alternative providers could help supply. He believed that the British Business Bank was a positive development and that it understood the issues facing smaller businesses, and described it as "an excellent idea" and "well run".[34]

15. With this positive feedback in mind, it seemed that making sure businesses were aware of available alternative providers was key to improving uptake of these alternative finance

27 Q220
28 Q29
29 Q172
30 Q162
31 More information may be found here, accessed 4 February 2015
32 Q162
33 Q259
34 Q165

options. Stuart Garner, the CEO of Norton Motorcycles, told us that the British Business Bank should identify what type of finance was required by businesses:

> We need a menu to say, "Supply chain finance: these are the people to call. Invoice finance: these are the people to call." We are not doing a very good job of communicating what is available. We could probably fund so much more business if businesses actually knew what was available to them.[35]

Similarly, Carl D'Ammassa, Managing Director of Asset Finance at Aldermore Bank, said that his bank did not want SMEs to feel that when they had been rejected by their clearing bank, there was nowhere else to go, stating:

> There are lots of alternative funders out there, and they just need some direction".[36]

He concluded that "the important thing is the signposting".[37]

16. Keith Morgan, the British Business Bank's Chief Executive, saw the British Business Bank's role as "catalysing, accelerating and giving additional funding weight to those alternatives and delivering supply that is not there now, and alongside that increasing awareness of those alternative options".[38] He stated that, since its inception, the British Business Bank had "allocated £400 million of investment that will go into alternative lenders".[39] This objective was supported by the Minister, who said that the Bank should be:

> Supporting other providers of finance, whether challenger banks, whether peer to peer finance or whether investment funds and venture capital type funds, rather than directly investing in business, in order to make sure that our finance markets are more mature.[40]

17. ***The British Business Bank may not be able to change the culture of the traditional banking sector, but it has had success in growing the market for alternative finance. The British Business Bank has a clear role to play in improving the coordination and administration of support for businesses to access alternative finance. The Government should work with the British Business Bank to improve signposting of available support as a matter of priority, developing a menu of alternative finance providers for each different area of financial support.***

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35 Q172

36 Q214 [Mr D'Ammassa]

37 Q214 [Mr D'Ammassa]

38 Q221

39 Q221

40 Q347

Enterprise Finance Guarantee

18. The Enterprise Finance Guarantee (EFG), overseen by the British Business Bank, is a guarantee scheme which acts "to facilitate lending to viable businesses that have been turned down for a loan or other form of debt finance due to inadequate security or a proven track record".[41] The British Business Bank explained the scheme's work as follows:

> By providing lenders with a government-backed guarantee for 75 per cent of the value of each individual loan [...] the guarantee provides protection to the lender in the event of default by the borrower.[42]

The scheme is therefore aimed at encouraging commercial lenders to make investments, where the risk-profile would have previously prevented businesses access to finance.

19. The Department told us that "£338 million of lending was facilitated by an Enterprise Finance Guarantee" in the 12 months to the end of June 2014. In this period there were "nearly 3000" instances in which the scheme had allowed businesses to obtain loans that would not otherwise have been made.[43] We were pleased to hear that the scheme had had a positive impact in several sectors. For example, Creative England stated that the scheme was "in principle, a great way for small creative businesses to access debt finance for growth".[44]

20. However, Stuart Garner, the CEO of Norton Motorcycles, raised a specific concern about his experience of how the scheme could skew a bank's incentives away from supporting a business to succeed, and toward foreclosure and bankruptcy. This stemmed from the presence of the guarantee meaning that a bank could be sure of recovering 75 per cent of a defaulting loan. He explained that banks and finance companies could make a profit by calling in the loan at the first sign of financial distress because, in an experience with one of his companies, he had found that "claiming back that Government loan at 75 per cent plus what I had already paid made it a significant profit pot, and they could liquidise the loan".[45] As Mr Garner put it, his bank "would not have liquidated me if it did not have the government guarantee".[46] He recommended that, to remove this incentive, the guarantee should be restructured so that the guarantee available to the bank was reduced by a specified amount each year:

> The bank then has exposure to the loan. At the moment, the bank cannot lose. [...] By reducing that Government loan by a stepped amount every year, the bank is unable to liquidise that loan and step out, because it gets bought

41 British Business Bank, 'Understanding the Enterprise Finance Guarantee', accessed 4 February 2015

42 British Business Bank, 'Understanding the Enterprise Finance Guarantee', accessed 4 February 2015

43 Department for Business, Innovation and Skills (GSB 22) para 10.11

44 Creative England Limited (GSB 20) para 8.0

45 Q166

46 Q166

> into a loss. That means that it has to stand there and support small businesses, as the small business is liable to the loss itself.[47]

We were also concerned to hear reports about potential EFG mis-selling.[48]

21. ***While we heard a lot of positive feedback about the Enterprise Finance Guarantee scheme, we were concerned to hear that it included incentives for banks to use the loans as a tool for their liquidity, rather than to help businesses grow. We recommend that the Government takes note of the evidence that we received on this issue and reviews whether the scheme can be improved to prevent such perverse incentives that might see a bank choosing to foreclose a loan, rather than seeking solutions to keep the business concerned afloat. In its response to this Report, the Government should outline what actions it will take to address this issue.***

Green Investment Bank

22. The Government is committed to reducing carbon emissions by 80 per cent by 2050.[49] Achieving these reductions requires investment in renewable energy and energy efficiency in order to encourage the UK's transition to a green economy. The total level of such investment over the next ten years has been estimated at approximately £200 billion, with £110 billion required for new low-carbon generating assets and supporting infrastructure alone.[50] Despite the scale of this required investment, the Government has noted that "finance-related market failures continue to limit the scale and pace of investment in green infrastructure projects".[51] These market failures occur because green projects are "perceived to carry higher levels of construction risk" than other projects.[52] In order to help overcome this market failure, the Green Investment Bank was set up to "help mobilise the additional private investment in green infrastructure projects needed if the UK is to meet its environmental objectives.[53]

23. The Green Investment Bank "is a 'for-profit' bank, whose mission is to accelerate the UK's transition to a greener economy, and to create an enduring institution, operating independently of Government".[54] It became operational in November 2012 with an allocation of £3.8 billion funding from Government to March 2016.[55] This funding is used

47 Q166

48 RBS probes claims of mis-selling EFG scheme loans, www.ft.com, 15 January 2015

49 Climate Change Act 2008, section 1

50 Environmental Audit Committee, Twelfth Report of Session 2013–14, *Green Finance*, HC 191, para 10

51 Department for Business, Innovation and Skills (GSB 22) para 11.1

52 The Impact Assessment accompanying the establishment of the Green Investment Bank stated that there are "a number of market failures and barriers that manifest in financial markets and constrain the supply of finance, including: financial market capacity constraints, risk aversion due to imperfect information and information asymmetries, positive spill-overs in knowledge, high financing transaction costs and coordination problems. There are also government failures which induce policy uncertainty", accessed 4 February 2015

53 Department for Business, Innovation and Skills (GSB 22) para 11.2

54 Green Investment Bank, *2013–14 Results* (June 2014), p 1

55 Department for Business, Innovation and Skills (GSB 22) para 11.3

to finance "green projects on commercial terms and mobilise other private sector capital into the UK's green economy".[56] Shaun Kingsbury, Chief Executive of the Green Investment Bank, described its role as follows:

> We take on the difficult projects, getting involved in their development to help them become commercially viable and investable. Our finance and technical expertise helps to de-risk projects for other investors, particularly where the project involves technology or financial innovation. We help to strengthen and build new, emerging sectors of the UK green economy by raising awareness and developing products to provide new commercial, financial solutions. And, we are working to reduce the costs of capital for green infrastructure projects by helping to attract and connect long-term investors to long term, stable, profitable, operating assets, like offshore wind farms.[57]

24. The terms of the Green Investment Bank's State Aid approval from the European Commission specified that projects wishing to be funded by the Green Investment Bank must first prove that they have attempted to obtain funds from commercial lenders.[58] This is to ensure that, wherever possible, finance from the Bank is additional to market lending. The terms of the approval also specified the sectors in which the Bank should operate. This covered three priority sectors: offshore wind; waste; and energy efficiency, with eighty per cent of the value of the Green Investment Bank's investments being directed to these sectors. The Green Investment Bank is also able to invest in five other sectors: biofuels for transport, biomass power, carbon capture and storage, marine energy, and renewable heat.[59] The Green Investment Bank described its terms of reference as follows:

> A transaction must first sit within our permitted sectors, characterised by a market failure in the availability of finance; primarily offshore wind, waste and bioenergy and energy efficiency. We must be additional, meaning that our support of a transaction must fill a gap; crowding-in and not crowding-out other capital. And we must invest on terms equivalent to and not any better than would be provided by the market.[60]

25. We received positive feedback about the work of the Green Investment Bank in its first two years of operations. For example, Nick Molho, Executive Director at Aldersgate Group, told us that the Green Investment Bank had had "a very positive role in the sector", maintaining cross-party support whilst managing "to leverage just over £5 billion of investment in more than 30 green infrastructure projects" since it had commenced

56 Green Investment Bank, *Annual Report 2014* (June 2014), p 4

57 Green Investment Bank, *Annual Report 2014* (June 2014) p 8

58 Using taxpayer-funded resources to provide assistance to one or more organisations in a way that gives an advantage over others may be state aid. Some state aid is illegal under EU rules because it distorts competition. However, where it is unavoidable, state aid can be given legally by using one of a set of approved EU mechanisms for state aid or by getting approval for the particular scheme from the EU Commission.

59 *Green Investment Bank*, Standard Note SN05977, House of Commons Library, June 2014

60 Green Investment Bank, *Annual Report 2014* (June 2014), p 27

operations.[61] In the financial years 2012–13 and 2013–14, the Green Investment Bank invested £1.3 billion across the UK, attracting up to £4.8 billion in private investment.[62] Table 1 summarises the Green Investment Bank's activity in terms of capital committed and projects supported.[63] Figure 1 shows how these investments have been deployed across the Green Investment Bank's priority sectors.[64] The Secretary of State described the Bank's work so far as follows:

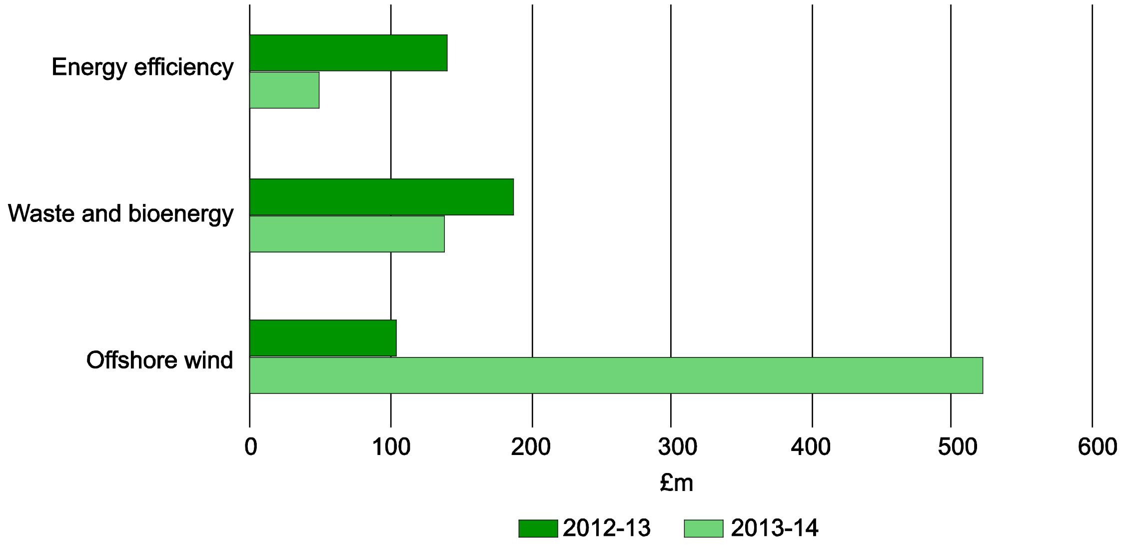
> The [Green Investment] Bank's current investments have supported 3,500 jobs in the UK's growing green economy and will cut CO2 emissions equivalent to taking over half the cars off London's roads. Green Investment Bank's plans for a dedicated offshore wind fund are a real boost for our industrial strategy in a sector where we have a strong competitive advantage compared to other countries. There are great opportunities for British companies and the industry has the potential to create 30,000 jobs for the UK.[65]

Table 1: Performance measurement of the Green Investment Bank[66]

Performance measure	2013-14	2012-13	Overall
Total number of projects	18	8	26
Capital committed (£m)	668	635	1303
Private capital (£m)	1879	1630	3509
Total funds mobilised (£m)	2547	2265	4812
Mobilisation ratio	1:3	1:3	1:3

61 Q142
62 Green Investment Bank, *Annual Report 2014* (June 2014), p 4
63 Green Investment Bank, *Strategic Report 2014* (June 2014), p 27
64 Green Investment Bank, *Strategic Report 2014* (June 2014)
65 Green Investment Bank, *2013–14 Results* (June 2014), p 2
66 Green Investment Bank, *Strategic Report 2014* (June 2014), p 27

Figure 1: Green Investment Bank investment in priority sectors[67]



26. Despite this positive start, there were concerns about both the Green Investment Bank's future development and the overall levels of green investment in the UK.[68] The Green Investment Bank was allocated £3.8 billion to March 2016. We heard that the Green Investment Bank would need borrowing powers to stabilise its operations after that date. This would facilitate a higher overall level of green investment. For example, the Aldersgate Group argued that borrowing powers were needed "urgently" and that "the timescale on which this will be allowed still needs urgent clarification for the [Green Investment Bank] to reach its full potential".[69] Nick Molho, Executive Director at the Aldersgate Group, told us that there was a strong economic case for giving the Bank greater borrowing powers, especially since "the bank has proven its competence".[70] He went on to explain this requirement as follows:

> When you look at the scale of decarbonisation that we are expecting the UK economy to deliver over the next 15 to 20 years, we are broadly looking at a tenfold reduction in carbon intensity. That is going to require a Green Investment Bank with greater financial firepower if it is going to be able to play a meaningful role in this transition.[71]

When it came to supporting offshore wind in particular, Dr Gordon Edge, Director of Policy at Renewables UK, reiterated this point, telling us that the Green Investment Bank "can only do more if it has more", [72] and:

> We are seeing a pipeline of projects lining up and needing finance across the board. We are seeing a number of banks and some institutions that are kind

67 Green Investment Bank, *Strategic Report 2014* (June 2014)

68 For example: Q142, Q145 & Q146

69 Aldersgate Group, *Two years of the Green Investment Bank: What next?* (October 2014), p 18

70 Q151 [Mr Molho]

71 Q150

72 Q154 [Dr Edge]

> of at the edge, but there are not enough of them really to bring forward the level of investment that we need. Having the [Green Investment] Bank there with extra firepower can give us the push now, and if we get that push now, we can start establishing an industry in the UK. If we hold back, we might lose the opportunity. […] We have several billion pounds a year of investment that will be needed in the very near future, so I think it is highly necessary.[73]

27. Shaun Kingsbury, Chief Executive of the Green Investment Bank, told us that it would "need borrowing powers in the next Parliament, for sure" but the absence of such powers "has not held us back to date".[74] He noted that, in terms of the Green Investment Bank's current work, "the restriction is not the availability of our capital, but finding bankable projects ready for final investment decisions".[75] We also heard that the Green Investment Bank had recently expanded into support for community-scale renewables,[76] but the process of state aid clearance to enable this work had been time-consuming.[77]

28. The Budget in 2011 stated that the Government would enable the Green Investment Bank to have borrowing powers "once the target for debt to be falling as a percentage of Gross Domestic Product (GDP) has been met".[78] The date envisaged for this condition to be met in Budget 2011 was 2015–16.[79] When giving evidence to us, the Minister told us that the Green Investment Bank was "performing well",[80] that he had "an open mind" on borrowing powers and was "looking to see" how the Green Investment Bank could expand its work.[81] During our inquiry, the Prime Minister told the Liaison Committee that the Green Investment Bank had made a "very good start" and he wanted "it to start borrowing as we see our deficit and debt situation ease".[82]

29. **The Green Investment Bank has an important role in supporting the businesses that will drive the UK's transition to a low carbon economy. In order to ensure the continued effectiveness of its work, and to help bridge the current gap in overall levels of green investment, the Green Investment Bank will need borrowing powers. It is welcome that the Government recognises the potential utility of such additional powers. But the delay in coming to a decision on their introduction has been unhelpful.** ***We recommend that the Government sets out plans to create borrowing powers for the Green Investment Bank in 2015–16. In its response to this Report, the Government should***

73 Q153

74 Q227

75 Q228

76 Q231

77 Q223

78 HM Treasury, *Budget 2011*, HC 836, March 201, para 1.112

79 HM Treasury, *Budget 2011*, HC 836, March 201, para 1.112

80 Q358

81 Q360 & Q358

82 Oral evidence taken before the Liaison Committee on 16 December 2014, HC (2014–15) 887, Q14 & Q16

set out the steps necessary to introduce these powers, with an assessment of how long each step would take, so that action can be taken on this issue early in the next Parliament.

3 Exports and manufacturing support schemes

UK Trade and Investment

30. UK Trade & Investment (UKTI) "is the UK's international trade and inward investment promotion organisation".[83] It is a non-ministerial government department, the aim of which is to help "businesses understand how to trade successfully in international markets".[84] In 2013–14 UKTI stated that it "provided significant support for more than £20 billion of exports".[85] UKTI has also achieved successes in the so-called BRIC countries (Brazil, Russia, India and China), where UKTI stated that:

> Exports of goods and services to high growth markets are at an all-time high. Since 2010, exports have increased by 52 per cent to China; 24 per cent to India; 39 per cent to Russia; and 37 per cent to Brazil. Over the same period, exports to established markets such as the USA and the EU have continued to increase.[86]

An outline of UKTI's 2013–14 performance against its key performance measures is given in Table 2.

Table 2 Performance of UKTI in 2013/14[87]

Objective	Resource (£m)	Output/Outcomes
To enhance the competitiveness of companies in the UK through overseas trade and investments	£111.6 (UKTI) £28.2 (BIS) £139.6 (FCO)	34,820 business assists £51.8bn additional sales for UK business £16.3 income
To attract a continuing high level of quality foreign direct investment	£45.6 (UKTI) £11.5 (BIS) £30.4 (FCO)	1,322 inward investment decisions 42,476 new jobs created 45,091 jobs safeguarded

31. We heard that "awareness of UKTI has increased significantly over the past 4 years, from an average of 51 per cent in 2010 to 65 per cent in 2014".[88] However, awareness of its

83 Department for Business, Innovation and Skills (GSB 22) para 6.1

84 Department for Business, Innovation and Skills (GSB 22) para 6.2

85 UK trade and Investment, *Annual Report and Accounts 2013–14* (March 2014), p 4

86 UK trade and Investment, *Annual Report and Accounts 2013–14* (March 2014), p 8

87 UK trade and Investment, *Annual Report and Accounts 2013–14* (March 2014), p 31

88 Department for Business, Innovation and Skills (GSB 22) para 6.18

work and the support on offer was inconsistent, with significant regional variations. Simon Moore, the International Director of the Confederation of British Industry, told us that it was "difficult for businesses, particularly outside London, to access UKTI if they do not have access to people".[89]

32. It was suggested to us that UKTI could be more effective in terms of outreach and awareness if it worked more effectively with trade associations, which could form a "bridge" between businesses and the Government.[90] For example Dr Marshall, Executive Director of Policy and External Affairs at the British Chambers of Commerce, told us that:

> There is certainly a role for increased partnership between UKTI and various trade associations and business organisations. [...] You have quite a lot of exporters who want the security of being able to access help either through a Government front door or through a business or trade association front door. Working in partnership allows you to do that.[91]

33. One of the most eye-catching Government objectives, in terms of trade and exports, is for the United Kingdom to be exporting £1 trillion of goods and services per year by 2020.[92] When it came to UKTI's role in achieving this target, the Department stated that:

> UKTI has a unique role to play in helping the UK meet the Chancellor's challenge of achieving one trillion pounds of exports by 2020. This is a motivating aspiration for UK plc, which requires every Government department to play its part.[93]

The Minister and his Officials told us that, while the target "originated from the Treasury",[94] it had been endorsed "at the highest level".[95]

34. At present UK exports are worth "around about £500 billion".[96] It therefore seems that significant progress is required to achieve the £1 trillion target. Despite having such a way to go, Nicola Bolton, the Acting Managing Director at UKTI, told the Committee that the organisation was "committed" to the target and "we are doing everything that we can do. It is an energising aspiration".[97] She assured us that UKTI was:

89 Q261 [Mr Moore]

90 PLASA (GSB 03) para 14

91 Q258 [Dr Marshall]

92 Department for Business, Innovation & Skills, Foreign & Commonwealth Office, UK Trade & Investment, UK Export Finance and Lord Livingston, 'Increasing the UK's exports and attracting inward investment', accessed 4 February 2014

93 Department for Business, Innovation and Skills (GSB 22) para 6.7

94 Q374 [Mr Warrington]

95 Q374 [Mr Warrington]

96 Q284 [Ms Batchelor]

97 Q316

> Working very hard and joining up across Government, working with the private sector and businesses, focused by markets and by sectors, towards the 2020 ambition.[98]

35. The Department further explained that UKTI had been set four targets to ensure it contributed to the "UK's ambitions" in this sector, as part of a new performance framework.[99] These included:

- To assist 50,000 businesses a year by 2015;
- To help generate "business wins"[100] of £20 billion this year, £25 billion in 2015–16, £32 billion 2016–17, £39 billion in 2017–18, £45 billion in 2018–19 and £50 billion in 2019–20;
- Ensure 80 per cent of our customers report positively on the quality of UKTI services; and
- Ensure 70 per cent of our customers report significant business benefit.[101]

The full framework is outlined in Table 3 below.

Table 3: UKTI Performance measurement framework[102]

The new performance framework is set out below - it will measure the impact of what UKTI does on the business performance of the exporters and investors we serve. The goals set out below are our aspirations for 2014-15

UKTI Performance Measurement Framework

	Trade	Inward investment
UK Economy (policy aim)	Productivity and GDP Growth; Innovation	Productivity and GDP Growth; Innovation
Business Outcomes	£additional sales: Total and per £spend; Jobs: (reported upon, NOT targeted)	£Turnover - current and anticipated (reported NOT targeted): Jobs: - current and anticipated (reported upon, NOT targeted)
Intermediate Business Impacts	50% improve medium-term productivity and profit (hard business performance); 75% for intensive support; 60% other tailored support; 40% outreach events; 2,500 increase R&D	70% significant influence (on location in UK or scale/scope of project)
Outputs (business Benefit)	70% report 'significant business benefit' - e.g. from barriers to new business overcome; changed behaviour to improve strategy;increased skills	60% overcoming barriers (shows how UKTI achieves influence)
Activity - volume (Productivity Measures) (See below for definitions)	50,000 Businesses Assisted of which: - 20,000 innovative businesses - 12,000 expect substantial growth - 4,500 new to exporting	750 involved successes;
Activity - quality	80% Quality (90% for high-intensity support) 80% Satisfaction (90% for high-intensity support)	80% Quality 80% Satisfaction

98 Q316

99 Department for Business, Innovation and Skills (GSB 22) para 6.14

100 In Q328 Nicola Bolton, the acting Managing Director of UKTI, defined business wins, as "the amount of business [companies] win as a result of working with UKTI" that would not have been achieved without UKTI's support.

101 Department for Business, Innovation and Skills (GSB 22) para 6.14

102 UK trade and Investment, *Annual Report and Accounts 2013–14* (March 2014), p 88

Given that the £1 trillion target has been endorsed "at the highest level", we were surprised that it was not included in UKTI's performance measurement framework.

36. We were pleased to review generally positive evidence about the performance of UKTI. For example the Federation of Small Businesses wrote to us and said that:

> Government export support is generally recognised as being effective by FSB members who have used them, with 57 per cent of FSB members who have accessed Government export support assessing it as quite of very effective.[103]

37. The performance of the UKTI should be judged against impact as well as awareness, with the long-term benefit to the UK economy being a fundamental driver for this organisation. ***We welcome the Government's ambition for UK exports to reach £1 trillion by 2020. However, we are not convinced that this is a target the Government expects to meet. The Government should provide clarity about whether this is an "energising aspiration" or a serious objective. If the latter, it should provide projections for how we should expect exports to grow over the next six years, given current predictions for the broader economy. It should then report progress against these projections each year in its annual review.***

UK Export Finance

38. UK Export Finance (UKEF) is the UK's "export credit agency",[104] which supports exports by assuming financial risks on behalf of British businesses when they export.[105] For example, amongst other products, UKEF sells insurance to exporters to mitigate the risk of overseas buyers failing to pay them for supplies.[106] This results in "a risk transfer from the private to the public sector".[107] Mr Garner, the Chief Executive Officer of Norton Motorcycles, explained his first-hand experience of using UKEF:

> The way that works is that, if we have £100,000 worth of motorcycles going to Australia. […] The banks are unwilling to lend against that, because they do not have the security of the motorcycles. The Government have enabled UKEF to underwrite that individual invoice, or the individual export contract, to give the bank the confidence to lend against the invoice when it does not have the asset of the invoice.[108]

This, he explained, enabled businesses to move away from relying on banks as the "first port of call" for export assistance.[109]

103 Federation of Small Businesses (GSB 18) para 7.3

104 Department for Business, Innovation and Skills (GSB 22) para 7.1

105 Department for Business, Innovation and Skills (GSB 22) para 7.1

106 Department for Business, Innovation and Skills (GSB 22) para 7.1

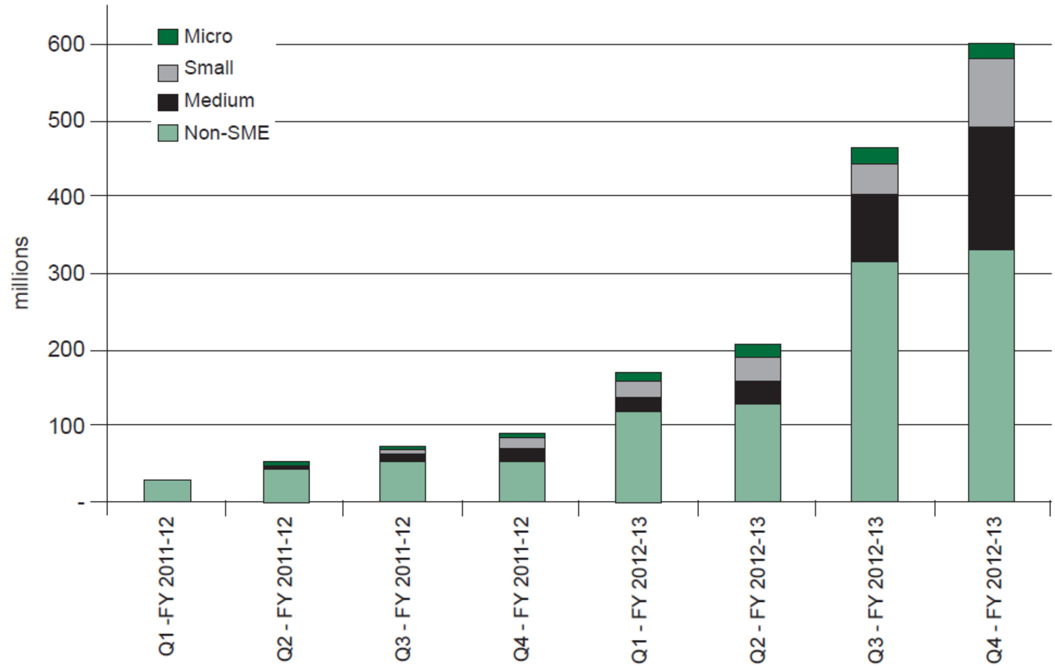
107 Department for Business, Innovation and Skills (GSB 22) para 7.1

108 Q170

109 Q172

39. The Department stated that there had been "a steady rise in the numbers of companies directly supported over the last five years, up to 130 in 2013–14 from just 10 in 2009–10".[110] Of those 130 companies, 92 were SMEs, however more than 50 per cent contracts, by value, was awarded to the non-SME sector, as shown in Figure 2.

Figure 2: Cumulative value of all contracts by size of business supported[111]



40. UKEF also highlighted that, by supporting an exporting company, it could have a positive impact on other supply-chain companies. For example, it told us that, when guaranteeing the sale of an Airbus aircraft, it "indirectly supports around 1,700 UK companies in the Airbus supply chain and an additional c. 3,000 if Rolls-Royce Trent engines are fitted to the aircraft".[112] Despite this increasing activity, the number of SMEs supported by UKEF constituted tiny fraction of the total 4.9 million SMEs in the UK.

41. UKEF received broadly positive feedback from the witnesses we spoke to as part of this inquiry. For example, Lloyds Banking Group told us that UKEF played "an important role in supporting businesses".[113] However, we heard some concerns about the reach and awareness of this facility. For example, the Engineering and Machinery Alliance told us that the fact that UKEF's products were principally made available through mainstream banks rendered them inaccessible to some businesses.[114] Similarly, Lloyds Banking Group concluded that "UKEF should be simplified and SMEs made aware of its benefits".[115]

110 Department for Business, Innovation and Skills (GSB 22) para 7.9

111 UK Export Finance, *Support for SME Exporters* (October 2013), p 11

112 Department for Business, Innovation and Skills (GSB 22) para 7.9

113 Lloyds Banking Group (GSB 25) para 6.2.1

114 Engineering and Machinery Alliance (GSB 07) para 7(i)

115 Lloyds Banking Group (GSB 25) para 6.2.2

42. David Godfrey, the Chief Executive Officer at UKEF, assured us that he was aware of these criticisms and was working to improve the UKEF's effectiveness. He told us that he believed closer working with the British Business Bank could help improve awareness of the UKEF:

> There are ways in which we think we can work more closely together. We can learn from them through their delegation model to delegate some of our authority to banks and brokers so that they can get more quickly and more efficiently into the private sector.[116]

43. There is no doubt that UKEF's activity is increasing. However, this increase is measured from a low baseline. In 2013–14 only 94 SMEs were supported through this scheme, out of a population of 4.9 million. There is a risk that SMEs, the very businesses that the support of UKEF could be most beneficial to, may be those which are excluded by the apparently complex nature of its products. ***There is potential for UKEF to engage more effectively with SMEs. We recommend the Government undertakes an assessment of potential demand and review how this scheme is marketed to SMEs, which should include consideration of the role of trade associations in raising awareness of this facility. In addition, we would expect the support offered via the UKEF to be included in a menu of financial services developed by the British Business Bank and Growth Hubs.***

Manufacturing

Manufacturing Advisory Service

44. The manufacturing sector is vital in creating highly skilled jobs, supporting innovation, and contributing to the desired increase in UK exports.[117] The industry employs around 2.6 million people in the UK[118] and its work accounted for 10 per cent of the UK's economic output in 2013. The Secretary of State has described the significance of manufacturing to the UK as "incontrovertible",[119] yet some of our witnesses told us that Government support for the sector had tended towards "grandstanding", with the sector getting "second-best" in terms of support or attention.[120]

45. The Manufacturing Advisory Service (MAS) was set up to help manufacturing companies improve their productivity and competitiveness through the provision of professional advice and expert support.[121] It aimed to create and safeguard jobs in the manufacturing sector, in addition to producing a measurable return in terms of gross value

116 Q339

117 Government Office for Science, *The Future of Manufacturing* (October 2013)

118 *Manufacturing: statistics and policy*, Standard Note SN/EP/1942, House of Commons Library, November 2014

119 Government Office for Science, *The Future of Manufacturing* (October 2013), p 8

120 Q291

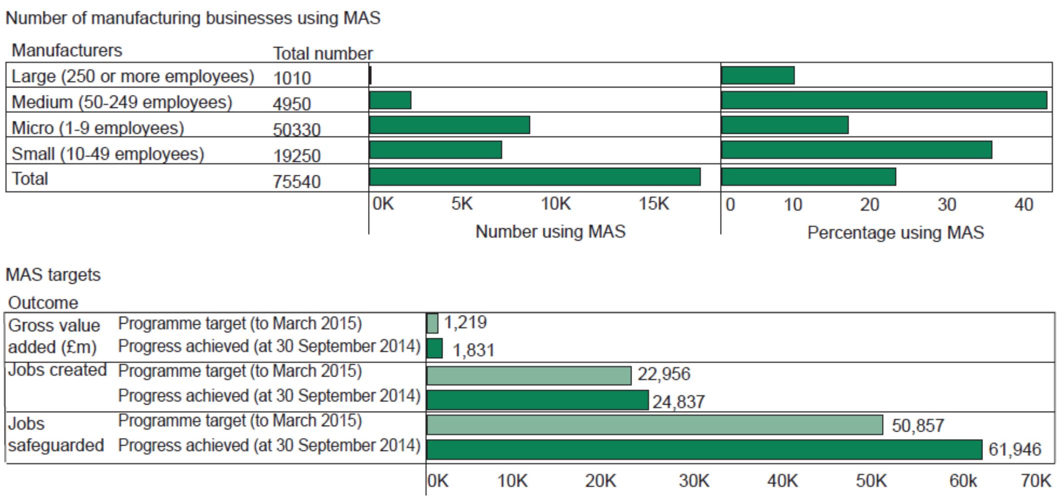
121 *Manufacturing: statistics and policy*, Standard Note SN/EP/1942, House of Commons Library, November 2014

added.[122] The Government has described the Manufacturing Advisory Service's performance to date as follows:

> MAS has performed strongly over the past three years, recording consistently high levels of client satisfaction and exceeding all its contractual targets. Manufacturers using the service have increased profitability by around 25 per cent on average based in sampling evidence. Since January 2012, MAS has helped over 17,250 manufacturers with the overwhelming majority (nine out of ten) saying that it represents good value for money and time invested and would recommend it to other firms. It has provided funding for around 9,000 in-depth business improvement projects which are forecast to help deliver £1.8bn of economic growth (Gross Value Added) and create 24,800 new jobs against targets of £1.2bn GVA and 23,000 new jobs.[123]

A summary of the Manufacturing Advisory Service's work with businesses of different sizes and progress towards achieving its targets is given in Figure 3 below.

Figure 3 Achievements and targets of the Manufacturing Advisory Service[124]



46. Despite the Manufacturing Advisory Service having exceeded its contract-specified outcomes, we heard a number of criticisms of its support for manufacturers. In particular, we heard that, although the Manufacturing Advisory Service can help improve business productivity in the short-term, it lacked the capability to provide the type of strategic advice that could drive significant future growth in the manufacturing sector. Dr Julie Madigan MBE, Chief Executive of the Manufacturing Institute, said that the Manufacturing Advisory Service's work was driven by productivity, or "getting the project out the door at the right quality, at the right cost and on time".[125] She agreed that, while this

122 *Manufacturing: statistics and policy*, Standard Note SN/EP/1942, House of Commons Library, November 2014

123 Department for Business, Innovation and Skills (GSB 36) extract

124 Business, Innovation and Skills Committee analysis of data provided in Department for Business, Innovation and Skills (GSB 22) annex B

125 Q296 [Dr Madigan]

was an important "strength", the focus on the short-term was also its "weakness".[126] Peter Templeton, Director and Chief Executive Officer of the Institute for Manufacturing, described the type of support that manufacturers needed to grow as follows:

> For manufacturing firms to grow, they really need to do three things in parallel. One is to execute the current business model and continuously improve that business model. Secondly, they need to have a clear vision of their chosen future state, bearing in mind the changes in external context and drivers and changes in technologies. Having selected their chosen future state, they need to build the capabilities […] over time, which requires investment. Where MAS is strong is in improving the current capabilities within the current business model, such as around production and so on. Where it has not focused, I would say, to date is on helping firms to really understand what markets they should be in, what product groups they should focus on and how they compete, and then on helping those firms to identify a chosen future and how they are going to get there.[127]

Similarly, Malcolm Evans, Chief Executive Officer of Manufacturing Accelerator, told us that "MAS shuffles a plant around and draws white and yellow lines on the floor" and it was "nowhere near multi-skilled enough" to manage the complexity involved in scaling up operations.[128]

47. The Minister described some of the criticisms of the Manufacturing Advisory Service as "a bit unfair",[129] and highlighted positive feedback from Manufacturing Advisory Service clients:

> 97 per cent of those companies that use MAS say that their advice was valuable, so that is a pretty impressive response rate, so we know that those who use it value it, and so think that it is good value for money and time invested.[130]

He further explained that ongoing work to integrate Government support schemes aimed at manufacturers with those aimed at growing businesses or supporting exports could help address concerns regarding the Manufacturing Advisory Service's ability to help manufacturer's scale up their operations.[131] Regarding this integration, the Department stated that:

> With MAS now part of the Business Growth Service, manufacturers with the most potential will receive expert advice on a broader range of key strategic issues, including access to finance, innovation and leadership and

126 Q296 [Dr Madigan]
127 Q296 [Mr Templeton]
128 Q294
129 Q372
130 Q372
131 Q373

> management as well as the current MAS offer. Referrals to UKTI, Innovate UK and other specialist providers will also be improved. This will address concerns about ensuring manufacturers get the right strategic and operational advice to scale-up and grow, when they most need it.[132]

48. The Department cited the GrowthAccelerator as a service which targeted "small and medium sized enterprises that have the potential to achieve high and rapid growth".[133] It explained that the GrowthAccelerator advised businesses in "raising finance, commercialising innovation, leadership and management, and strategy development and execution".[134] While this support was not tailored to manufacturing companies, the Department stated that GrowthAccelerator provided "the expertise, insight and networks firms need to achieve sustainable growth".[135]

49. *We agree with the Minister that reducing organisational barriers between business support organisations such as the Manufacturing Advisory Service, GrowthAccelerator and UKTI would help manufacturers access a better quality advice offer. In the response to this report, the Minster should set out the practical measures he is undertaking to achieve this, alongside an explanation of how progress bringing these two organisations together will be monitored. This merger should be carried out in a manner that ensures continuity of service to the businesses using UKTI and MAS.*

Advanced manufacturing supply chain initiative

50. The Advanced Manufacturing Supply Chain Initiative (AMSCI) was set up "to improve the global competitiveness of UK advanced manufacturing supply chains".[136] It provides funding for equipment, research and development work to improve manufacturing equipment or processes, and training or skills development.[137]

51. We heard some concerns that this initiative was not reaching small businesses in the way that it should. For example, Julie Madigan, Manufacturing Institute, told us that the scheme seemed "big-company-driven".[138] When we put this to the Minister, he told us that 44 per cent of the scheme's total £276 million funding had been allocated to SMEs.[139] However, he acknowledged that engaging effectively with small businesses was "difficult" for Government schemes.[140] He further told us that:

132 Department for Business, Innovation and Skills (GSB 36) extract

133 Department for Business, Innovation and Skills (GSB 22) para 1.4

134 Department for Business, Innovation and Skills (GSB 22) para 1.7

135 Department for Business, Innovation and Skills (GSB 22) para 1.7

136 Department for Business, Innovation & Skills and Deputy Prime Minister's Office, 'Advanced manufacturing supply chain fund to create thousands of new jobs', accessed 4 February 2014

137 AMSCI, 'Advanced Manufacturing Supply Chain Initiative', accessed 4 February 2014

138 Q306 [Dr Madigan]

139 Q369

140 Q370

> We are doing an evaluation, which we will publish. The evaluation is specifically going to look into the impact on supply chains and test whether we have met the goals that we set, in terms of ensuring that the benefits cascade down the supply chain.[141]

This evaluation is due to be published in March 2015.[142]

52. ***The Minister should report back to us with the results of his evaluation of the Advanced Manufacturing Supply Chain initiative when it is published in March 2015. This evaluation should pay particular attention to the extent to which the programme has supported SMEs. Lessons learned as a result of this process should be fed into the design of forthcoming supply chain initiatives. The Minister should write to us with an action plan when the review is published.***

141 Q370

142 Department for Business, Innovation and Skills (GSB 36) extract

4 Communicating and coordinating the support available

53. Throughout this inquiry, we heard that more work was needed to ensure that Government support for business was communicated effectively. The Department stated that this was a particular problem for smaller businesses, which "do not have the time or resources to go hunting for support and some report having found Government's offer confusing and difficult to navigate".[143] We heard about two approaches to improving business engagement with Government support: the use of Local Enterprise Partnerships (LEPs) and Growth Hubs to coordinate a response to local business needs, and the use of a single point of contact from Government to communicate national support schemes.

Local and national business support systems: the role of LEPs and Growth Hubs

54. Local Enterprise Partnerships (LEPs) "bring together public and private sector leaders in an area to provide strategic leadership on local growth priorities".[144] The Government stated that LEPs "play an important role in linking together national and local support for businesses […] by making sure that local priorities reflect the needs of businesses".[145] Similarly, Growth Hubs were described by the Government as "a local public/private partnership" which were "locally-driven and locally owned" but "monitored by Government to ensure they deliver a more coordinated business support landscape".[146] These Growth Hubs were in the process of being established in many areas as we took evidence, but the Department stated that these would eventually be "the key tool that LEPs have to bring together local and national business support".[147] We heard that there was therefore "quite a bit of onus" on the new Growth Hubs and LEPs to make the support offer effective as "those organisations are going to have to prove themselves to be knowledgeable and giving good quality signposting" to available support.[148]

55. A key criticism we heard directed at the local business support system was its variability. Although we heard that it was "good that people can focus on the businesses in their localities", this has resulted in a "patchwork that is not consistent across the country".[149] As a result, there was a "postcode lottery" of support provision.[150] Cathy Garner, Director of Strategy at Wave 2 Growth Hubs Programme, explained that many Hubs "have been going for less than a year", so were "variable across the country" as they

143 Department for Business, Innovation and Skills (GSB 22) extract

144 Department for Business, Innovation and Skills (GSB 22) para 8.1

145 Department for Business, Innovation and Skills (GSB 22) para 8.2

146 Department for Business, Innovation and Skills (GSB 22) para 8.5

147 Department for Business, Innovation and Skills (GSB 22) para 8.4

148 Q14 [Ms Hopley]

149 Q174 [Dr Edge]

150 Q174 [Dr Edge]

were “at different stages of development”.[151] For LEPs, it seemed that this variability was attributed to two causes: poor performance with insufficient arrangements for spreading best practice, and a lack of funding.

56. We heard from Naomi Clayton, Centre for Cities, that there were “various networks that exist to share best practice across the country” but little formal infrastructure to support them.[152] Matthew Cross, Invest in Bristol and Bath, suggested that “the Government’s role is about that coordination and network advice”.[153]

57. Our previous report on Local Enterprise Partnerships outlined our concerns about the future financial provisions for LEPs.[154] During this inquiry, the Department told us that, from 2013–14, each LEP received £500,000 per year, £250k of which must be matched locally.[155] As well as that core funding, the Department stated there was additional Government funding provided through: Growth Deals, Enterprise Zones, the Growing Places Fund and European Structural and Investment Funds.[156]

58. It was disappointing that many of the concerns we have heard previously about LEP funding have persisted. For example Mike Palin, the Executive Director for Strategic Economic Development, Liverpool City Region LEP, told us there was an issue with the total amount of funding available to LEPs which “immediately constrains what [LEPs] can do”.[157] He suggested that this meant that LEPs had to be “more innovative [and] engage with the market better”.[158] We agree with Mr Palin in that it is clear that, in the immediate future at least, increasing government funding within the existing resource allocation is unlikely and unrealistic. This puts the onus firmly on LEPs to be innovative and inventive in the ways that they raise resources.

59. Concerns about LEPs were stated most starkly by Stuart Garner from Norton Motorcycles, who told us that:

> LEPs are dead. It is a very slow, archaic organisation that doesn’t act as fast as businesses need to.[159]

We therefore put this suggestion to the Minister, who disputed the assertion that the overall system was not functioning. However, he acknowledged that there were LEPs that “could be strengthened” and those that were “progressing incredibly well”.[160] Given this

151 Q61

152 Q77 [Ms Clayton]

153 Q90 [Mr Cross]

154 Business, Innovation and Skills Committee, Ninth Report of Session 2012–13, *Local Enterprise Partnerships*, HC 598

155 Department for Business, Innovation and Skills (GSB 36) extract

156 Department for Business, Innovation and Skills (GSB 22) para 8.3

157 Q63 [Mr Palin]

158 Q63 [Mr Palin]

159 Q175 [Mr Garner]

160 Q392

inconsistency of performance, we were concerned that the Minister's vision for LEPs remained largely hands-off, even in terms of resources:

> There are LEPs that are highly innovative. There are LEPs that take a lower risk approach. This is part of the beauty of localism and is an inevitable part of asking local areas what their local needs for growth are. I do not think we should see those distinctions as a problem. We should see them as part of taking a local view.[161]

While we may not agree with the specific phrasing of Mr Garner's statement, it is clear that improvements need to be made to ensure a consistent and high level service is provided by LEPs across the country. The Government had a fundamental role in the formation of LEPs and now has a responsibility to support them when it is necessary.

60. The Government has a role in supporting LEPs to ensure they operate to a high standard across the board. ***The Government should step up its work in coordinating best practice amongst LEPs and Growth Hubs in order to make the most out of this system. We therefore recommend that Government makes specific commitment to raise standards across the LEP system, by undertaking an audit of both LEP's and Growth Hub's best practice, which should include an assessment of the extent to which limitations on available Government funding are responsible for poor performance. We further recommend that, where funding is an issue, and there are potential alternative sources available, the Government should encourage LEPs to be innovative in their efforts to secure further funding. The performance of Growth Hubs also needs to be monitored and assessed to ensure they are meeting the needs of businesses in their local area.***

A single point of contact?

61. The Government has stated that its support for business is being reformed into "three simple offers" with "joined up marketing to increase awareness".[162] However, a range of evidence to this inquiry has indicated that the support landscape remains complex and difficult to navigate. For example, we heard from the British Bankers' Association that "businesses often are confused as to where to look for non-financial support and advice";[163] from Matthew McDonnell, Managing Director of Resimac, that "as a small business it would be a lot easier if there was maybe just one port of call",[164] as support at present was "fragmented";[165] from Naomi Clayton, Senior Analyst at the Centre for Cities, that "better

161 Q392

162 Department for Business, Innovation and Skills (GSB 22) extracts

163 British Bankers' Association (GSB 17) para 4.4.1

164 Q260 [Mr McDonnell]

165 Q264 [Mr McDonnell]

co-ordination is needed",[166] and from the Federation of Small Businesses said that "much needs to be done to provide businesses with a more straightforward, effective offer".[167]

62. Given the complexity of the support landscape and the "alphabet soup" of initiatives on offer,[168] we questioned the Minister on where businesses should go to as a first port of call to find out about the support available to them. He told us that the Business Growth Service, set up in December 2014, should fulfil this function, as this new Service was bringing together:

> GrowthAccelerator, Manufacturing Advisory Service, IP Audit, Designing Demand and other schemes, and then hopefully at a local level through the Growth Hubs. It is precisely to bring together that plethora of schemes into one place.[169]

He went on to tell is that:

> Bringing it all together for domestic advice, with UKTI for international, is a really important step. With that, we then liaise with all of these different organisations, all of the main business bodies, all of the main banks, the accountancy firms and the law firms also, because they have an advisory role too, to make sure they know what Government support is available, if they think that is appropriate.[170]

63. There was clear demand in this inquiry for a single port of call that businesses could contact to be directed to the support that they required. The Government launched the Business Growth Service during the course of this inquiry, with the intention that this service would fulfil such a role. If the Business Growth Service can be developed into that single port of call, then it will be a valuable addition. If not, then it risks becoming another complication in an already intricate system. We have not seen evidence to suggest that there was an awareness amongst businesses that this service was being introduced. The Government has an obligation to make this new service valuable and effective. ***In its response to this Report, the Government should outline the steps it has taken, or will take, to ensure businesses are aware of, and make use of, the Business Growth Service.***

166 Q89

167 Federation of Small Businesses (GSB 18) para 1.1

168 Federation of Small Businesses (GSB 18) para 2.1

169 Q407

170 Q408

5 Conclusion

64. Our inquiry looked over a broad range of Government business support initiatives. We found positive feedback about many aspects of this support offer, with expectations of further positive developments as institutions such as the British Business Bank, Green Investment Bank and UKTI continued to develop their role. We heard about increasing "confidence" and "aspirations" amongst businesses, which were slowly "beginning to translate into more growth, investment and job creation".[171] However, the Government has stated that "more can be done" to improve the support it offers to businesses.[172] We agree. The Government should be working to ensure its support efforts better serve the 4.9 million SMEs which make up such a significant part of the UK economy, by working to reduce the complexity of the support it offers and increase its stability.

Complexity and policy design

65. Despite moves towards simplifying the support landscape, there remain a large number of schemes, each with different objectives, eligibility, funding and contact points. Over 600 different schemes are currently advertised on the Government's website, covering different locations, different industries, and being supported by different funding sources,[173] where businesses need "consistency and rationalisation".[174] Furthermore, we heard that, in terms of organisation and strategy:

> This whole area is confusing at the moment. You have LEPs. You have City Deals. You have Growth Hubs. You have unitary authorities. You have district authorities. You have county councils. You have that plethora that is out there, without very much steerage or guidance. This is one of the problems that you have. Without some steerage and guidance, everybody is left with a free-for-fall, and nobody is undertaking a needs analysis, if you like, of what business needs and what support is already out there. Again, from our evidence, you are very clearly seeing duplication. You are seeing overlapping. You are seeing a waste of public sector finances.[175]

66. We also heard concerns about the extent to which these schemes were addressing the needs of business, with suggestions that a focus on narrowly defined outputs rather than broader business or economic outcomes was limiting their overall effectiveness.[176] For

171 Q2

172 Department for Business, Innovation and Skills (GSB 22) extract

173 Government Website, 'Finance and support for your business', accessed 4 February 2015

174 Q9

175 Q10 [Mr Cherry]

176 For example in Table 3 on page 29 we showed that UKTI has an output target for "70 per cent of businesses to report 'significant business benefit'" after engaging with UKTI and an outcome target to "achieve a specific amount of additional sales, and report on the actual number of increased jobs"

example, Dr Adam Marshall, Executive Director of Policy and External Affairs at the British Chambers of Commerce, told us that:

> So many business support schemes around the UK are let on contracts that specify output targets, and the chasing of those output targets becomes the be-all and end-all of the scheme. You will have great individuals working in those schemes trying to get outcomes for the businesses they are working with, but output targets still reign. That is a cultural problem of the square mile we are in here around Westminster and Whitehall rather than anyone else. Moving that focus would be helpful.[177]

67. The Department stated that measures to improve its policy evaluation processes were being introduced, including a systematic review of spending and appointment of a peer review panel of expert evaluators.[178] Regarding this evaluation, the Minster told us that:

> In this process of simplifying the schemes on the advisory side, we measured the value for money and the return in order to assess whether these schemes should close if they were not good value for money. We talked a lot about the optics of it for the customer, making the customer journey easier, but one of the advantages of contractually bringing them together is that, instead of having separate pots of cash from the Government for each of these different schemes, if one scheme is more beneficial to business, then the money can migrate directly to it and the pots become fungible, which is a better way to run this.[179]

68. Despite the Government's desire to create a simple and effective business support offer, the support landscape remains complex and difficult to navigate. This hinders its overall effectiveness. It also dilutes the Government's ability to track the efficacy and value for money of each new initiative and to measure their performance. If the Government had a better handle on what each scheme was aiming for, the results it should bring about and where the gaps in business need were, then it would be able to make its overall offer more effective. A more robust understanding of desired outcomes and value for money would support the development of this policy area. ***The Government should undertake a regular needs analysis to ensure its support offer is genuinely addressing areas of market failure and business need. We therefore recommend that the Government ask the NAO to audit the value for money of the schemes it offers at present.***

Long-term stability in business support

69. In addition to being complex, we heard that the support landscape can seem unstable, or subject to a constant process of "revolution" as Government priorities changed. As Dr

177 Q283 [Mr Marshall]

178 Department for Business, Innovation and Skills (GSB 22) para 12.1

179 Q410

Adam Marshall, Executive Director of Policy and External Affairs at the British Chambers of Commerce, told us:

> Businesses are bombarded with action plans, strategies, etc—not just individual sectors but really across the piece. […] When it comes to business support—when it comes to export support and manufacturing support—Government operates in a state of continuous revolution, and that is to the detriment of businesses, who become aware of something after two years, become interested in it after five and see it as part of the furniture after 10. Unless we have those kinds of timescales in mind, it becomes very hard for them to grasp or really deal with the support that is being pushed at them.[180]

70. The Government should seek to establish cross-party consensus to ensure that its offer of support for businesses reflects business need. This means that points of information about or access to the support available should remain consistent. The Government should strive to improve the schemes in place and make them flexible enough to meet business needs, rather than engage in continuous revolution of the system.

180 Q269

Conclusions and recommendations

Traditional finance markets

1. We have heard varying evidence about the availability of finance for SMEs. Given the importance of such access in supporting business, the Government should ensure it is drawing on the British Business Bank's expertise to maintain an overview of how the financial environment for SMEs is developing so that this information can be fed into policy development. The Government should work with the British Business Bank to establish whether regulation or funding is required to address the obstacles that businesses face when trying to access traditional finance. The Government should review and develop a comprehensive understanding of how these traditional finance markets are operating and, if necessary, it should develop new lending policies or models. (Paragraph 11)

Alternative finance

2. The British Business Bank may not be able to change the culture of the traditional banking sector, but it has had success in growing the market for alternative finance. The British Business Bank has a clear role to play in improving the coordination and administration of support for businesses to access alternative finance. The Government should work with the British Business Bank to improve signposting of available support as a matter of priority, developing a menu of alternative finance providers for each different area of financial support. (Paragraph 17)

Enterprise Finance Guarantee

3. While we heard a lot of positive feedback about the Enterprise Finance Guarantee scheme, we were concerned to hear that it included incentives for banks to use the loans as a tool for their liquidity, rather than to help businesses grow. We recommend that the Government takes note of the evidence that we received on this issue and reviews whether the scheme can be improved to prevent such perverse incentives that might see a bank choosing to foreclose a loan, rather than seeking solutions to keep the business concerned afloat. In its response to this Report, the Government should outline what actions it will take to address this issue. (Paragraph 21)

Green Investment Bank

4. The Green Investment Bank has an important role in supporting the businesses that will drive the UK's transition to a low carbon economy. In order to ensure the continued effectiveness of its work, and to help bridge the current gap in overall levels of green investment, the Green Investment Bank will need borrowing powers. It is welcome that the Government recognises the potential utility of such additional powers. But the delay in coming to a decision on their introduction has been unhelpful. (Paragraph 29)

5. We recommend that the Government sets out plans to create borrowing powers for the Green Investment Bank in 2015–16. In its response to this Report, the Government should set out the steps necessary to introduce these powers, with an assessment of how long each step would take, so that action can be taken on this issue early in the next Parliament. (Paragraph 29)

UK Trade and Investment

6. The performance of the UKTI should be judged against impact as well as awareness, with the long-term benefit to the UK economy being a fundamental driver for this organisation. (Paragraph 37)

7. We welcome the Government's ambition for UK exports to reach £1 trillion by 2020. However, we are not convinced that this is a target the Government expects to meet. The Government should provide clarity about whether this is an "energising aspiration" or a serious objective. If the latter, it should provide projections for how we should expect exports to grow over the next six years, given current predictions for the broader economy. It should then report progress against these projections each year in its annual review. (Paragraph 37)

UK Export Finance

8. There is no doubt that UKEF's activity is increasing. However, this increase is measured from a low baseline. In 2013–14 only 94 SMEs were supported through this scheme, out of a population of 4.9 million. There is a risk that SMEs, the very businesses that the support of UKEF could be most beneficial to, may be those which are excluded by the apparently complex nature of its products. (Paragraph 43)

9. There is potential for UKEF to engage more effectively with SMEs. We recommend the Government undertakes an assessment of potential demand and review how this scheme is marketed to SMEs, which should include consideration of the role of trade associations in raising awareness of this facility. In addition, we would expect the support offered via the UKEF to be included in a menu of financial services developed by the British Business Bank and Growth Hubs. (Paragraph 43)

Manufacturing Advisory Service

10. We agree with the Minister that reducing organisational barriers between business support organisations such as the Manufacturing Advisory Service, GrowthAccelerator and UKTI would help manufacturers access a better quality advice offer. In the response to this report, the Minster should set out the practical measures he is undertaking to achieve this, alongside an explanation of how progress bringing these two organisations together will be monitored. This merger should be carried out in a manner that ensures continuity of service to the businesses using UKTI and MAS. (Paragraph 49)

Advanced manufacturing supply chain initiative

11. The Minister should report back to us with the results of his evaluation of the Advanced Manufacturing Supply Chain initiative when it is published in March 2015. This evaluation should pay particular attention to the extent to which the programme has supported SMEs. Lessons learned as a result of this process should be fed into the design of forthcoming supply chain initiatives. The Minister should write to us with an action plan when the review is published. (Paragraph 52)

Local and national business support systems: the role of LEPs and Growth Hubs

12. The Government has a role in supporting LEPs to ensure they operate to a high standard across the board. (Paragraph 60)

13. The Government should step up its work in coordinating best practice amongst LEPs and Growth Hubs in order to make the most out of this system. We therefore recommend that Government makes specific commitment to raise standards across the LEP system, by undertaking an audit of both LEP's and Growth Hub's best practice, which should include an assessment of the extent to which limitations on available Government funding are responsible for poor performance. We further recommend that, where funding is an issue, and there are potential alternative sources available, the Government should encourage LEPs to be innovative in their efforts to secure further funding. The performance of Growth Hubs also needs to be monitored and assessed to ensure they are meeting the needs of businesses in their local area. (Paragraph 60)

A single point of contact

14. There was clear demand in this inquiry for a single port of call that businesses could contact to be directed to the support that they required. The Government launched the Business Growth Service during the course of this inquiry, with the intention that this service would fulfil such a role. If the Business Growth Service can be developed into that single port of call, then it will be a valuable addition. If not, then it risks becoming another complication in an already intricate system. We have not seen evidence to suggest that there was an awareness amongst businesses that this service was being introduced. The Government has an obligation to make this new service valuable and effective. (Paragraph 63)

15. In its response to this Report, the Government should outline the steps it has taken, or will take, to ensure businesses are aware of, and make use of, the Business Growth Service. (Paragraph 63)

Complexity and policy design

16. Despite the Government's desire to create a simple and effective business support offer, the support landscape remains complex and difficult to navigate. This hinders its overall effectiveness. It also dilutes the Government's ability to track the efficacy and value for money of each new initiative and to measure their performance. If the

Government had a better handle on what each scheme was aiming for, the results it should bring about and where the gaps in business need were, then it would be able to make its overall offer more effective. A more robust understanding of desired outcomes and value for money would support the development of this policy area. (Paragraph 68)

17. The Government should undertake a regular needs analysis to ensure its support offer is genuinely addressing areas of market failure and business need. We therefore recommend that the Government ask the NAO to audit the value for money of the schemes it offers at present. (Paragraph 68)

Long-term stability in business support

18. The Government should seek to establish cross-party consensus to ensure that its offer of support for businesses reflects business need. This means that points of information about or access to the support available should remain consistent. The Government should strive to improve the schemes in place and make them flexible enough to meet business needs, rather than engage in continuous revolution of the system. (Paragraph 70)

Appendix

Advice

Scheme name	Funding received from Government (with time period covered)	End date (if applicable)	UK coverage	Primary objective	Target audience	Outcome being measured
Business Growth Service **(has integrated GrowthAccelerator, Manufacturing Advisory Service, IP Audits and Designing Demand)**	From May 2012 to April 2015 the budget for Growth Accelerator was £191m; from January 2012 to April 2015 the budget for MAS was £59.3m; from April 2012 to January 2015 the IPO (trading fund) budget for IP Audits was £1.5m; and from January 2012 to April 2015 the budget for Designing Demand was £3,9m. Additional funding of £160m for the Business Growth Service has been committed from April 2015 to March 2017.	Contracts expire at end March 2017	England (although IP Audits and Designing Demand continue to be delivered in the Devolved Administrations)	The service makes it easier for businesses with the right level of ambition, capability and capacity to improve and grow	Businesses with the right level of ambition, capability and capacity to improve and grow	• Between £1.6bn and £2.6bn GVA (Growth Value Added) generated • 38000 – 56500 jobs generated • High levels of customer and stakeholder satisfaction compared to predecessor services maintained or improved • Efficiency savings of 12% p/a implemented

Exports

<table>
<tr><th>Scheme name</th><th>Funding received from Government (with time period covered)</th><th>End date (if applicable)</th><th>UK coverage</th><th>Primary objective</th><th>Target audience</th><th>Outcome being measured</th></tr>
<tr><td colspan="7">UKTI Support for Exports

(Funding FY 2013/2014 £m)</td></tr>
<tr><td>Tradeshow Access Programme</td><td>23.6</td><td>N/A</td><td>UK-wide</td><td>Support attendance at tradeshows</td><td>All</td><td rowspan="8">As part of its role in contributing to the UK's ambitions on export growth UKTI proposes to deliver its contribution through the following targets:

1) To assist 50,000 businesses a year by end FY 2014/15;

2) To help generate business wins of £20bn this year, year, £25bn in 2015-16, £32bn 2016-17, £39bn in 2017-18, £45bn in 2018-19 and rising to £50bn in 2019-20;

3) to ensure 80 per cent of UKTI customers report positively on the quality of UKTI services; and

4) to ensure 70 per cent of UKTI customers report significant business benefit</td></tr>
<tr><td>Passport to Export</td><td>2.1</td><td>N/A</td><td>England (equivalent service also offered by Devolved's)</td><td>Build exporting capability</td><td>First-time exporters</td></tr>
<tr><td>High Value Opportunities</td><td>8.7</td><td>N/A</td><td>UK-wide</td><td>Providing access to world-class business opportunities</td><td>All</td></tr>
<tr><td>Overseas Business Networks Initiative</td><td>4.7</td><td>N/A</td><td>UK-wide</td><td>Practical business-to-business support provided through the British Chambers of Commerce and its partner organisations</td><td>All</td></tr>
<tr><td>Provision of International Trade Advisors</td><td>23.6</td><td>N/A</td><td>England (equivalent service also offered by Devolved's)</td><td>Individual experts to advise businesses wishing to export</td><td>All</td></tr>
<tr><td>Trade Promotion</td><td>19.3</td><td>N/A</td><td>UK-wide</td><td>General trade facilitation services</td><td>All</td></tr>
<tr><td>Sector-specific Activities</td><td>17.3</td><td>N/A</td><td>UK-wide</td><td>Specific sector-focussed activity to take advantage of UK expertise</td><td>All</td></tr>
<tr><td>Defence and Security Events</td><td>2.0</td><td>N/A</td><td>UK-wide</td><td>Promotion of UK Defence and Security Expertise</td><td>All</td></tr>
</table>

<table>
<tr><th colspan="8">UK Export Finance</th></tr>
<tr><td>Insurance</td><td>• Export insurance
• Bond insurance</td><td rowspan="3">None. UKEF charges premium to cover expected loss and admin costs; claims paid from accumulated reserves</td><td>None</td><td rowspan="4">Support can be provided in connection with supplies by any persons carrying on business in the UK of goods or services to persons carrying on business outside the UK.</td><td>To fill gaps in the private credit insurance market for the provision of insurance (commercial and political risk) against not being paid under an export contract or against the unfair calling of contract bonds</td><td rowspan="2">Any exporter but typically SMEs and MSBs</td><td rowspan="4">i) Number of exporters supported

ii) Value of support provided by UKEF measured by maximum liability

iii) Export contract value supported for products aimed at smaller exporters</td></tr>
<tr><td>Bank guarantee: trade finance products</td><td>• Bond support
• Export working capital
• Letter of credit guarantee</td><td>None (can be up to 2yrs horizons of risk)</td><td>To facilitate the provision of letters of credit, contract bonds and working capital facilities by banks, thereby freeing up cash flow for performance of export contracts</td></tr>
<tr><td>Bank guarantee: loan products</td><td>• Buyer and Supplier credit facilities
• Lines of credit
• Export refinancing facility (ERF)</td><td>None (loans can be from 2-18yrs horizon of risk)</td><td>To facilitate the provision by banks of medium and long-term loans to overseas buyers to finance the purchase of UK exports. The ERF is an optional add-on to the buyer credit facility to secure availability of long-term finance for loans in excess of c.£50m</td><td rowspan="2">Any exporter but typically larger companies; extensive supply chain benefits for smaller companies</td></tr>
<tr><td>Other support</td><td>• Direct lending facility</td><td>Up to £3bn – loans to buyers repayable at fixed interest rates; premium charged to cover expected loss and admin costs</td><td>None (loans can be from 2-18yrs horizon of risk)</td><td>The provision of fixed rate loans to overseas buyers to finance the purchase of capital goods/services from UK exporters, where such loans are not readily available from the private sector.</td></tr>
</table>

Finance

Scheme name	Funding received from Government (with time period covered)	End date (if applicable)	UK coverage	Primary objective	Target audience	Outcome being measured
British Business Bank	£3.9 billion of funding across all the programmes administered by the British Business Bank plc – across a number of years, which differs from programme to programme and covers past investments made plus headroom for future commitments In 2013/14, the British Business Bank facilitated £1.5 billion of lending and investment, including public and private sector funding. For every £ 1 of public funding, the bank attracts £2 to £3 of private sector funding. British Business Bank programmes are measured by the finance facilitated in the market, operating by different mechanism including investments and guarantees.	N/A	UK-wide	To change the structure of business finance markets for smaller businesses, so these markets work more effectively and dynamically.	SMEs (EU definition) and mid-cap businesses.	The British Business Bank's success will be measured against 4 strategic KPIs: 1. Total finance facilitated (public plus private sector) **Target:** £10bn by 2017.18 2. Diversity of supply of finance **Target:** >50% through non-major banks 3. Better provision of information to smaller businesses of finance options **Target:** increased average awareness of finance options through SME survey. 4. Managing taxpayers' resources efficiently **Target:** to earn greater than Government medium term cost of capital over next 5 years. British Business Bank programmes are subject to a rigorous evaluation process, comparing performance against KPIs and assessing VfM.

Green Investment Bank	£3.8 billion of funding allocated to GIB for period to March 2016.	N/A	UK-wide	GIB's role is to make commercial investments in green infrastructure projects across a range of sectors. It must achieve both strong commercial returns, demonstrating to the wider market that financing green projects can be a profitable business and deliver substantive green impact in accordance with specified green purposes.	Infrastructure projects seeking project finance. GIB also seeks to work in partnership with other finance providers (investment banks, fund managers and pension funds) to encourage additional private investment in green sectors.	The Green Investment Bank's success is measured against a number of strategic KPIs: committing capital, achieving financial returns; profitability; mobilising additional capital; innovation; green leadership; and high corporate governance standards.

Local Growth

Scheme name	Funding received from Government (with time period covered)	End date (if applicable)	UK coverage	Primary objective	Target audience	Outcome being measured
Local Enterprise Partnerships	£500k per year, per LEP from FY 13-14, £250k of which must be matched locally. First allocation of core funding during FY 12-13 totalled £125k per LEP.	Government funding confirmed at current level until March 2016.	England only	To contribute towards the core administrative costs of Local Enterprise Partnerships. This includes drafting their Strategic Economic Plans; the implementation of those plans; and monitoring and evaluation of the success of these plans	Local Enterprise Partnerships (i.e. not aimed directly at businesses)	Monitoring and evaluation plans are being put in place by each LEP, drawing on the standards in the national assurance framework, published on 12 December 2014. This a single assurance framework covering all government funding flowing through LEPs, to ensure they have robust value for money processes in place. It sets out what government expects LEPs to cover in their local assurance frameworks. These plans will enable LEPs to review the success of the interventions in the Growth Deals agreed with Government in summer 2014; and all subsequent Growth Deals.
Growth Hubs	Growth hubs are locally led and as such receive funding from a range of sources, including private sector match, EU and HEFCE funding. Government is providing £14m to LEPs for growth hubs in 2015-16 through the Growth Deal process; and 15 Wave 2 Cities are also receiving £6.4m Government funding in 2014-15 to establish growth hubs, from a £32m Regional Growth Fund programme managed by Lancaster University which also includes local business support.	Government funding confirmed until March 2016	England	To ensure the establishment of a national network of growth hubs which provide a single point of access in each area to business support (local, national, public and private), and are built on strong partnerships which represent both local and national interests. Government is working with LEPs to ensure that the new Business Growth Service is fully aligned with growth hub delivery; and that growth hubs simplify the local business support landscape.	All businesses (some growth hubs will provide enhanced services to high growth businesses, start-ups and priority sectors – working alongside national programmes and specialist organisations)	Growth hubs will be evaluated against a consistent set of criteria covering: number and type of businesses supported, jobs created/saved, impact of individual local schemes, type of support provided, number of businesses acting on advice, businesses that are unsuccessful, customer satisfaction, and match funding secured.

Regional Growth Fund	£3.2 billion.	Existing RGF money will be paid out by 31 March 2017, with the job and investment outcomes being achieved up to the mid-2020s in line with agreed delivery plans.	England	The RGF aims to: a. Stimulate enterprise by providing support for projects and programmes with significant potential for economic growth, leveraging significant private sector investment and creating additional sustainable private sector employment; and b. Support in particular those areas and communities that are currently dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity.	Grants of £1 million or more either directly to businesses, or to local or national intermediaries who support smaller investments by companies including SMEs.	Private Sector jobs created or safeguarded and private sector investment leveraged.

Other sources of support

Scheme name	Funding received from Government (with time period covered)	End date (if applicable)	UK coverage	Primary objective	Target audience	Outcome being measured
Knowledge Transfer Partnerships	£16m for 2014/15	N/A	UK-wide	Supports collaborative projects between businesses and universities undertaken by high calibre, recently qualified people (“associates”).	All size of companies and all sectors.	One of a range of programmes delivered by Innovate UK to stimulate and accelerate technology development and innovation in the areas which offer the greatest potential for boosting UK growth and productivity. Impact on participants will be measured. An evaluation of the impact of on participant businesses was published in 2010. It found that for every £1 invested, businesses grew by around £5. To complement this report, an evaluation of the impact on participating higher education institutions and associates will report in March 2015.
Innovation Vouchers	£3m for 2014/15	N/A	UK-wide	Helps businesses engage with the knowledge base and other forms of innovation advice to help develop new ideas and potential new commercial products.	SMEs only	One of a range of programmes delivered by Innovate UK to stimulate and accelerate technology development and innovation in the areas which offer the greatest potential for boosting UK growth and productivity. Impact on participant businesses will be measured One of a range of programmes delivered by Innovate UK to stimulate and accelerate technology development and innovation in the areas which offer the greatest potential for boosting UK growth and productivity. Impact on participant businesses will be measured. The programme was designed to allow a randomised control trial to be used in assessing impact. The trial will launch next month and is expected to run for 12-18 months. It will inform not only the impact of the programme but also include analysis as to its fit in the wider innovation landscape.

Smart Grants	£50m for 2014/15	N/A	UK-wide	Helps businesses engage in R&D projects from which successful new products, processes and services could emerge.	SMEs only.	One of a range of programmes delivered by Innovate UK to stimulate and accelerate technology development and innovation in the areas which offer the greatest potential for boosting UK growth and productivity. Impact on participant businesses will be measured. Programme evaluated in 2009, but this covered the period when it was delivered by the RDAs. A new evaluation is underway and will report in 2015.

Formal Minutes

Tuesday 10 February 2015

Members present:

Mr Adrian Bailey, in the Chair

Paul Blomfield
Katy Clark
Mike Crockart
Rebecca Harris
Ann McKechin
Robin Walker

Draft Report (*Government Support for Business*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 70 read and agreed to.

Summary agreed to.

A Paper was appended to the Report as an Appendix.

Resolved, That the Report be the Eighth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 10 February at 2.15 pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee's inquiry page at www.parliament.uk/bis.

Tuesday 11 November 2014	*Question number*
Mike Cherry, National Policy Chairman, Federation of Small Businesses, **Lee Hopley**, Chief Economist, EEF (the manufacturers' organisation)	Q1-31
Phil Orford MBE, Chief Executive, Forum of Private Business and **Dr Kevin Farnsworth**, Senior Lecturer, University of York	Q32-54
Tuesday 18 November 2014	
Naomi Clayton, Senior Analyst, Centre for Cities, **Matthew Cross**, Head of Inward Investment, Invest in Bristol and Bath, **Dr Cathy Garner**, Director of Strategy, Wave 2 Growth Hubs programme, Lancaster University Management School, and **Mike Palin**, Executive Director for Strategic Economic Development, Liverpool City Region LEP	Q55-105
Caroline Norbury MBE, Chief Executive Officer, Creative England, **Jim Farmery,** Director of Business Development, Creative England, and **Steve Futter,** Senior Account Manager, Solent LEP	Q106-140
Tuesday 2 December 2014	
Dr Gordon Edge, Director of Policy, RenewableUK, **Ian Fitz-Harris,** Marketing Director, URICA, **Stuart Garner,** Chief Executive Officer, Norton Motorcycles, **Nick Molho,** Executive Director, Aldersgate Group	Q141-175
Carl D'Ammassa, Managing Director of Asset Finance, Aldermore Bank, **Irene Graham**, Executive Director for Business Finance, British Bankers' Association, **Stephen Pegge**, Group External Relations Director, Lloyds Banking Group & Chairman of the Small Firms Advisory Panel, British Bankers' Association	Q176-216
Keith Morgan, Chief Executive Officer, British Business Bank, **Patrick Magee**, Chief Operating Officer, British Business Bank, **Shaun Kingsbury**, Chief Executive, Green Investment Bank, **Oliver Griffiths**, Head of Government Affairs and Policy, Green Investment Bank	Q217-256
Tuesday 9 December 2014	
Dr Adam Marshall, Executive Director of Policy and External Affairs, British Chambers of Commerce, **Lesley Batchelor OBE**, Director General, The Institute of Export, **Simon Moore,** International Director, Confederation of British Industry, **Matthew McDonnell,** Managing Director, Resimac	Q257-285

Dr Julie Madigan MBE, Chief Executive, The Manufacturing Institute**, John Baragwanath OBE,** Projects Director, Advanced Manufacturing Research Centre (AMRC), **Peter Templeton,** Director and Chief Executive Officer, Institute for Manufacturing, and **Malcolm Evans,** Chief Executive Officer, UK Manufacturing Accelerator — Q286-308

Nicola Bolton, Acting Managing Director, UK Trade and Industry (UKTI), **David Godfrey**, Chief Executive Officer, UK Export Finance (UKEF), **Janice Munday**, Director of Advanced Manufacturing and Services, Manufacturing Advisory Service, **Steven Barr**, National Director, Manufacturing Advisory Service — Q309-342

Monday 15 December 2014

Rt Hon Matthew Hancock MP, Minister of State for Business and Enterprise, and **Adam Micklewaite,** Deputy Director, Business Support Delivery, Department for Business, Innovation and Skills, **Guy Warrington,** Director, English Regions, UKTI, and **Jan Dixon,** Deputy Director, Regional Growth Fund — Q343-410

Published written evidence

The following written evidence was received and can be viewed on the Committee's inquiry web page at www.parliament.uk/bis. INQ numbers are generated by the evidence processing system and so may not be complete.

1 Advanced Manufacturing Research Centre (GSB0034)
2 Aldermore Bank (GSB0023)
3 Aldersgate Group (GSB0029)
4 All-Party Parliamentary Manufacturing Group (GSB0024)
5 Association of Convenience Stores (GSB0004)
6 British Bankers' Association (GSB0017)
7 British Chambers of Commerce (GSB0032)
8 British Marine Federation (GSB0006)
9 Campaign Against Arms Trade (GSB0009)
10 Centre for Cities (GSB0012)
11 Creative England Ltd (GSB0020)
12 Crediton Chamber of Commerce (GSB0015)
13 Department for Business, Innovation and Skills (GSB0026)
14 Department for Business, Innovation and Skills (GSB0036)
15 Department for Business, Innovation and Skills (GSB0022)
16 Department for Business, Innovation and Skills (GSB0030)
17 Dr Cathy Garner Wave 2 Growth Hub Programme, Lancaster University Management School (GSB0031)
18 Engineering and Machinery Alliance (GSB0007)
19 Federation of Small Businesses (GSB0018)
20 Federation of Small Businesses (GSB0027)
21 Finance & Leasing Association (GSB0019)
22 Innovate UK (GSB0002)
23 Lloyds Banking Group (GSB0025)
24 Lloyds Banking Group PLC (GSB0033)
25 Maestro Business & Academy Ltd (GSB0011)
26 National Federation of Roofing Contractors (GSB0008)
27 Pact - Producers Alliance for Cinema and TV (GSB0021)
28 PLASA (GSB0003)
29 The Association of Investment Companies (GSB0005)
30 The UK Manufacturing Accelerator (GSB0035)
31 UKIE (GSB0028)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/bis.
The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

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Second Report/First Joint Report	Scrutiny of the Government's UK Strategic Export Controls Annual Report 2012, the Government's Quarterly Reports from October 2012 to September 2013, and the Government's policies on arms exports and international arms control issues	HC 186
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Fifth Report	Adult Literacy and Numeracy	HC 557 (*Cm 8982*)
Sixth Report	The Extractive Industries	HC 188(HC 939)
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Third Report	The Kay Review of UK Equity Markets and Long-term Decision Making	HC 603(HC 762)
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Sixth Report	Draft Consumer Rights Bill	HC 697-I/II/III
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	Reports for 2010 and January to September 2011, the Government's review of arms exports to the Middle East and North Africa, and wider arms control issues	
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Fourth Report	Overseas Students and Net Migration	HC 425(*Cm 8557*)
Fifth Report	Apprenticeships	HC-I/II/III(HC 899)
Sixth Report	The Insolvency Service	HC 675 (HC 1115)
Seventh Report	Too Little, Too Late: Committee's observations on the Government Response to the Report on Overseas Students and Net Migration	HC 1015(*Cm 8622*)
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