

SOUTH EAST ENGLAND DEVELOPMENT AGENCY

BOARD MEETING ON 14 MAY 2009

ITEM 6

FINANCE SOUTH EAST – MAJOR PROGRAMME UPDATE

Recommendation

The Board is invited to **NOTE** the update to be provided by Finance South East (FSE) at the Board meeting.

Background

1. The Board meeting will be joined by Robert Spencer (Chair, FSE) and Sally Goodsell (Chief Executive). An update on performance and outputs will be provided at the meeting. This paper provides background for the discussions.
2. FSE was established jointly by SEEDA and the Business Link Providers in 2002 to help businesses gain access to funding at the various stages in their growth cycle. In 2006 FSE established an FSA-accredited subsidiary to enable it to play a fuller role in fund management alongside the other services it delivers in collaboration with partners.
3. FSE has received core funding from SEEDA since its creation in 2002. The Major Projects Committee recently endorsed the Chief Executive's recommendation to contract for the provision of funding of £1,625,000 to FSE to cover core operational costs for the next two years. The key performance indicators for the two years are attached at Annex 1.
4. Board approval was given 30th January 2007 for £5.65mn investment between 2007 and 2011 for the Innovation Funding Escalator and managed by FSE. The vision was to create a seamless regional funding escalator backing SME business ideas from conception through to commercialisation and growth. The objective was to address the fragmentation in the funding on offer to support innovative new business ideas. There are currently three strands of growth funding on the escalator:-
 - Commercialisation Fund (Proof of Concept) - is solely funded by SEEDA (£3m.);
 - Accelerator Fund (loan investment) - co-funded by BERR and Clydesdale Bank (£10m.); and
 - The SEED Fund (equity investment) – co-funded by SEEDA, a consortium of the region's universities and a commercial investor Prologis (£5m).

5. The Funding Escalator was added to at the end of last year when the SEEDA Transition Loan Fund (£3m) was established to address specific issues facing businesses as a result of the current economic conditions. This loan has proved particularly successful. 16 loans have been approved to date, awarding nearly £2m loans, preserving or creating 325 jobs. RDAs have agreed with BERR that the Transitional Loan Funds can continue until the Funds have been exhausted.
6. FSE have also been sensitive to the issues faced by companies by allowing capital repayment holidays extending the term of a loan leveraging support of partners and using funds like the transition fund to support this. They are also using positive PR to get out the message that FSE is open for business.
7. FSE has been awarded the loan Fund contract for the East of England region.

Transfer of Business Grants Team

8. SEEDA had been responsible for the delivery of both Grant for Research and Development (GRD) and the Grant for Business Investment (GBI) schemes in the South East Region. The delivery of the project monitoring and appraisal aspects of the grant programmes was transferred to FSE from 1 April 2009 who will deliver these programmes within the Funding Escalator framework under contract to SEEDA. Staff transferred on secondment arrangements. These arrangements means that all funds will now be managed in one place and it is our intention that companies could be offered other support, where appropriate, to suit their current state of development. These arrangements are consistent with the Simplification of Business Support and will ensure that the GRD and GBI will be branded under the 'Solutions for Business' portfolio.
9. SEEDA will continue to make the decision to award or pay grants. SEEDA will also be retaining the budget for both grants within the Agency and will ensure that there are proper arrangements to monitor on-going 'pipeline' projects so as to ensure effective monitoring of budgetary commitments. SEEDA will remain fully accountable to DIUS/BERR for the delivery of these national business support products.

Communications Issues

10. Examples of successful applications to FSE have been used –and will continue to be used – in communications work to raise awareness of funding available to South East Businesses. SEEDA has used case studies emerging from the Transition Fund (e.g. Mercator) on appropriate occasions and FSE is promoted in a variety of ways (e.g. through attendance at Venturefest).

Annex 1

| Key Performance Indicator | Targets | |
|---|---|---|
| | 1 st April '09 - 31 st March '10 | 1 st April '10 – 31 st March '11 |
| 1) Total value of all funds under FSE management. | £23m | £25m |
| 2) Amount of total private capital leveraged-in by the SMEs as a result of FSE offer of investment | £18m | £20m |
| 3) Total value of all third party funds which are in addition to funds provided by SEEDA or central government. | £8m | £8m |
| 4) Provide information on the total number of new investments in companies made by FSE. | 120 | 150 |
| 5) Total no. of companies (whether funded or enquiries) referred onwards to SEEDA partners. | 250 | 300 |
| 6) No. of companies with significant growth potential (whether funded or enquiries) referred to IGTs. | 150 | 175 |
| 7) Customer satisfaction with FSE | 75% | 80% |
| 8) Deliver Mentor training/induction days for the new mentors. | 1 | 1 |
| 9) Deliver Mentor CPD Days | 3 | 3 |
| 10) Hold regular meetings with IGT's to ensure regional co-ordination of IR services and provide expert input. | 4 | 4 |
| 11) Hold regular meetings with IGT's to ensure regional co-ordination of Mentoring services and provide expert input. | 4 | 4 |
| 12) Prepare and deliver funding workshops on behalf of the lead IGT to ensure regional consistency. | 4 | 4 |
| 13) Arrange Investment Panels on behalf of lead IGT to enable the specified number of companies to present | 6 | 6 |