

Financial Matters -25 March 2008
Hereford Leisure Centre

Finance options in the West Midlands

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What finance activity does the public sector support?

- **Grants** – a range of grants from proof of concept through to investment
- **Guaranteed loans/other loans** – even if the bank says No – from a variety of alternative finance providers.
- **Business Angels & Investbx**; equity investment by individuals
- **Venture capital** - via a range of funds;
- **Investment Readiness programme** - information, advice and one to one support to help raise cash from private and public sector sources through Business Link West Midlands
- **Information** on sources of private and public sector funding at www.westmidlandsfinance.com;
- **Recession** specific information on www.supportwm.co.uk and www.businesslink.gov.uk/realhelp.

Innovation/R&D Funding

- **Index Voucher Scheme** - £3,000 support coordinated through Aston University – www.indexvouchers.org
- **Innovation Networks** – www.2wm.co.uk/innovation-networks
- **R&D Tax Credit** <http://www.hmrc.gov.uk/randd/> - these can either reduce a company's tax bill or, for some small or medium sized companies, provide a cash sum.
- **Proof of Concept Grant** - www.advantageconcepts.co.uk
 - 75% of eligible spend;
 - Maximum grant of £30k for new start-ups and existing SMEs;
 - Region-wide and not sectorally restricted (predecessor fund limited in geography and sectors). Utilises both AWM and ERDF funding.

Grant for Research and Development

- Objective – to encourage SMEs (including individuals) to undertake Research and Development by subsidy.
- Available to SMEs **throughout** the West Midlands;
- Approx £2m per annum paid out to approx 50 businesses;
- Applications to AWM (www.advantagewm.co.uk);
- Turnround approx 45 days from receipt of complete application.

Grant for Research and Development

Type of grant	Employee numbers and financial limits	Grant as % of eligible expenditure	Grant range
Micro (small development projects < 1 year duration)	< 10 employees and sales or assets < €2m	45%	£5,000 - £20,000
Research (add new technical knowledge; 6-18 months)	< 50 employees and sales or assets < €10m	60%	£20,000 - £100,000
Development (lead to pre-production prototype or equivalent – 6-36 months)	< 250 employees and sales < €50m or assets < €43m	35%	£20,000 - £250,000
Exceptional development – 6-36 months	< 250 employees and sales < €50m or assets < €43m	Up to 35%	£250,000 - £500,000

Grants for Capital Investment – Grant for Business Investment (GBI)

- A **grant** of £10,000 upwards to a business to **help fund new investment projects** that lead to **long term improvements in productivity, skills and employment**;
- Limited revenue support available to start ups (particularly women led ones);
- Grant is minimum required to enable the project to go ahead, but cannot exceed specified % of capital expenditure;
- GBI is available **throughout the West Midlands for Small and Medium Sized Enterprises (SMEs)**, but to larger companies in “Tier 2” areas only;
- In 2007/08 £10.8 million offered to 90 businesses;
- Applications to AWM (www.advantagewm.co.uk);
- Turnround approx 30 days from receipt of complete application.

RDPE Programme Overview

- **The Rural Development Programme for England (RDPE)** is a funding scheme for land based businesses (farmers, growers, foresters, and primary processors), rural tourism organisations and other small rural businesses.
- **The RDPE programme will be delivered through a number of activities:**
 - Rural Capital Grant Schemes,
 - Strategic Investment Grants;
 - Action Plans.
- **For more information on the RDPE programme:**
 - Visit the new RDPE website section;
www.advantagewm.co.uk/working-with-us/rdpe/default.aspx
 - Cathy Meredith , Herefordshire Rural Hub, meredithc@hct.ac.uk:
01432 870033

Government guaranteed lending

- The government has launched a package of financial measures that will help enable banks to continue or resume lending to viable businesses with temporary cashflow difficulties.

The main scheme is:

Enterprise Finance Guarantee – available now!

- 75% guarantee of bank borrowings between £1,000 and £1,000,000;
- Eligible businesses are Small and Medium Sized Enterprises with turnover up to £25 million;
- Guarantee premium of 2%, but with potential for a premium rebate;
- Available via main banks and number of other lenders if they wish to apply.

New Government Schemes

Automotive Assistance Programme – Available now!

- Loans or guarantees to businesses with > £25 million turnover in respect of projects of > £5 million
- Guarantee generally not more than 75% of the loan
- Eligible Projects include capital expenditure and R & D projects , particularly aimed at meeting environmental and energy efficiency targets, reducing fuel consumption, reducing CO₂ emissions, etc in products or manufacturing processes
- Register interest at **berr.auto@berr.gsi.gov.uk**

Loans to businesses with viable business plans which cannot secure all the funding they need from mainstream finance providers

Lender	Range	Location
Princes Trust -18-30yrs	£250-£5k	Regionwide
Impetus – Marches Rural Reinvestment Trust	Up to £50k	Herefordshire, Worcs & Shrops
Advantage Transition Bridge Fund (42 loans approved of £7.024 million and affecting 2722 jobs)	£>50k to £250k	Regionwide
Other alternative finance providers of loans of up to £50,000 -see www.fair-finance.net		
Arrow Fund	£1k -7.5k	Regionwide
Aston Reinvestment Trust	£10k-50k	B'ham & NSolihull
Black Country Enterprise Loan Fund	Up to £10k	Black Country
Black Country Reinvestment Society	£10k-50k	Black Country
North Staffordshire Risk Capital Fund	£10k-50k	North Staffs
Midlands Community Finance	Up to £10k	East Staff
Michelin Development Fund	£5k+	Stoke-on-Trent
Coventry & Warwickshire Reinvestment Trust	Up to £50k	Coventry& Warks
Halal Fund –non interest based	£7.5k -£35k	Regionwide
From April 08 to Dec 08 AWM-backed CDFIs lent over £4m to 229 businesses		

Equity funding - Business Angels/private investors

- Equity funding is a way of raising share capital from external investors in return for handing over a share of the business. This may take many forms, including a share of future profits. The two main providers of equity finance for private investors are venture capitalists - also known as private equity firms - and business angels.
- **Support via Business Angel networks for businesses** seeking £25,000 and £250,000 (www.advantagewm.co.uk – “Finance for Business”).
- **Investbx** (www.investbx.com) – a virtual trading platform linking businesses with high net worth investors, enabling SMEs to raise up to £1.5m capital for growth in exchange for shares.

A range of regionally based venture capital funds

Source	Range
Mercia Technology Seed Fund (www.merciafund.co.uk) (AWM + universities + private) – still investing	£50k - £750k
Advantage Early Growth Fund (www.aegf.co.uk) (SBS and AWM + co-invest – still investing	£20k - £100k (and potentially to £200k)
Advantage Enterprise and Innovation Fund (www.catapult-vm.co.uk) (AWM and ERDF + co invest) – still investing	£500k - £2 million
Advantage Creative Fund - currently fully invested (www.advantagecreativefund.com) (AWM and ERDF)	£0 - £250k
Advantage Growth Fund (SBS and EIF + private) operated by Midven (www.midven.com) closed for new investments	£20k - £250k (and potentially to £500k)
Funds have to date invested approx £49.8m in nearly 217 businesses	
Enterprise Capital Funds - 8 funds which also target investments of up to £2m that have the potential to provide a good commercial return. www.berr.gov.uk	

Government Scheme to convert debt to equity

- The government has also recently launched a £75 million **Capital for Enterprise fund (CFE)** with £50 million of government funding which will allow companies to fund business development by selling debt in exchange for an equity stake in their business.
- The fund will provide equity and quasi-equity of between £250,000 and £2million for companies with turnover of up to 50 million euros, who have viable business models and growth potential in need of long term capital.

www.businesslink.gov.uk/realhelp.

Other - Deferral of payments to HMRC

Deferral of payments to HMRC – Available now!

- HMRC's Business Payment Support Service may allow businesses to spread payment of tax and NI liabilities over a period whilst temporary cash flow difficulties are resolved
- Contact point is the Business Payment Support Service – 0845 302 1435

Information, advice and support

- **Investment Readiness “Access to Finance”** programme through Business Link West Midlands – to help raise cash from private and public sector sources; www.westmidlandsfinance.com;

Business Link West Midlands –

- 0845 113 1234

- or

- www.businesslinkwm.co.uk

- www.westmidlandsfinance.com

- Recession specific information on www.supportwm.co.uk

Summary

- **Proof of Concept grants and other support for innovation**
- **Grants for Research and Development;**
- **R&D Tax Credits** (potential for cash back)
- **Grant for Business Investment** - for capital investment;
- **Grants for land based businesses** - RDPE
- **Loans** –via range of alternative finance providers
- **Enterprise Finance Guarantee Scheme;**
- **Business Angels & Investbx;**
- **Venture capital** - via a range of regional/national funds;
 - www.advantagewm.co.uk, click on “Finance for Business”
- **Deferral of payments to HMRC**
- **Information, advice and support from Business Link**

Summary

- There are a number of sources of finance for a range of circumstances (even when the bank says “no”!)
- Information available from:
 - www.supportwm.co.uk
 - www.advantagewm.co.uk, click on “Finance for Business”

Business Link West Midlands

0845 113 1234

or

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