Yorkshire Forward and Economic Development

Learning Legacy Module 7

Access to Finance

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YORKSHIRE FORWARD

The Region's Development Agency

Executive Summary

Access to Finance is a relatively specialised areas of business support, but one where there are clear market failures and where success helps businesses to grow and survive. Evidence indicates that private equity backed businesses create jobs at a faster rate, experience greater sales and export growth, and invest more in R&D than other private sector companies.

Yorkshire Forward's work on access to finance focused on two main themes:

- Supply side interventions to **improve business access to finance**
- Demand side interventions to **help businesses become 'investment ready'**

Work has included initiation of and involvement in a variety of programmes, ranging from those connected to ERDF programmes (e.g. the South Yorkshire Investment Fund that began in 2002), Connect Yorkshire, the Transitional Loan Fund that helped businesses to get through the recession, and more recently the creation of Finance Yorkshire.

Overall, Access to Finance shows a healthy return on investment, with every pound spent likely to generate somewhere between £4 and £14 back, depending on the nature of the project and the methodology used for calculation. Returns are more likely to be long term, strategic and will involve a degree of risk and unpredictability. Helping businesses to gain investment is by its nature a process where returns will only accrue after the investment has been made and had time to pay dividends. So GVA and jobs returns are likely to be some way downstream, whilst private investment levered and the number of businesses assisted offers a better early indication of success.

The main lessons learned and good practice points that have emerged are:

a) **A clear rationale based on target markets and specific market failures is crucial**. There are a multitude of mainstream finance providers, so a fund needs to be careful to focus on a niche where there is a genuine need that existing lenders are not meeting. Evidence and market analysis are key to doing that.

b) **Weigh up the balance between economic outputs and financial legacy**. Some potential investments in businesses will be strong financially but deliver poor jobs (or other) outputs; others may help greatly to deliver output targets but be shakier financially.

c) **Integrate investment readiness activity into access to finance activity**. Finance barriers are not just about market failures at the supply side, but also due to lenders quite reasonably deciding that some businesses are not good propositions for investment (e.g. if they lack a sound business plan). Support can counter this by helping businesses to plan and communicate their propositions in a way that will convince lenders that they warrant investment.

d) **Integrate Access to Finance with other business support activity**. Access to Finance is only one of a range of business support activities that includes promoting innovation, enterprise, exports and ongoing business support advice. Joining up this activity and providing easy access to it helps to meet business needs, avoid duplication or gaps, and to increase effectiveness. How to achieve this within a more complex and fragmented business support framework is likely to be a key challenge in the future.

e) **Keep support clear, simple and customer focused**. Businesses prefer to have fewer, larger funds rather than a complex range of funds. That will also reduce bureaucracy and create economies of scale. Hence whilst it's important not to exclude localities or specific types of business (e.g. social enterprises), having too many funds makes accessing them more difficult. Programmes need to listen to businesses, keeps things straightforward and speak to them in their own language.

f) Whilst simplicity is best, there are risks that large all-embracing funds might not be aware of needs and **opportunities in specific niche sectors**, or see these as more risky than they really are (e.g. cultural and environmental sector businesses). Funds need to avoid inadvertently missing out such sectors.

g) **Opportunities need to be well promoted**. It's all too easy to focus on working up a technically brilliant scheme but to leave communication of it as something of an afterthought. That will subdue success. There is merit in having a number of promotional avenues that work simultaneously, including direct promotion to businesses, promotion through business representative organisations, and referral mechanisms.

h) **Education and awareness are important**. Many businesses are insufficiently versed in the types of finance available, what is appropriate to them, and how to access funding.

i) **Attracting the right people and organisations to run programmes is crucial**. Access to Finance is quite a complex and specialised area. Ability to engage with businesses, to anticipate and respond to their needs, to work with partners across sectors, and to manage projects and systems are all essential. Finding people with these skills plus the necessary financial understanding and good judgement will mean putting due time and effort into recruitment or tendering processes up front.

j) Accept that in normal circumstances **Access to Finance is best suited to boosting enterprise and growth in the medium to long term** rather than securing risk free quick wins. It is a valuable strand of activity that can underpin long term economic success, with the potential to help some businesses grow rapidly. But exactly where and when is hard to predict. So it can work well as part of a package where other elements are more about quick wins in jobs and wealth creation.

k) **The role of Access to Finance can vary over the economic cycle**. Businesses are likely to find accessing finance toughest at times of downturn or recession. At these points a good access to finance scheme can make the difference to businesses surviving or not, and have swifter impacts than usual, especially in terms of jobs safeguarded.

l) There is potential to **make schemes financially sustainable** if the money recouped when loans are paid off can cover operating costs and be reinvested as loans. Achieving that requires planning from the start, the ability to go to the market at an early stage, raise funds for successor phases, and diligent programme management that keeps an eye on progress, costs and default rates. A careful balance needs to be struck in making loans. If no businesses fail then a programme may well be being too risk averse. But if too many default, then it may be being too cavalier in a way that will undermine its sustainability and success.

1. Task and Purpose

Two factors have driven the rationale for Yorkshire Forward's work on Access to Finance:

- Yorkshire and Humber requires greater SME start-up and growth rates, and
- Restricted availability of finance is a barrier to growth

An accessible flow of finance for business of all types, and at all stages of their lifecycle is vital for an economy to flourish. Finance enables new businesses to start and established businesses to survive and grow. Moreover, **evidence indicates that private equity backed businesses create jobs at a faster rate, experience greater sales and export growth, and invest more in R&D** than other private sector companies (BVCA, 2008).

Despite the UK having a large and internationally competitive financial market, it has long been recognised that market failures and barriers exist which limit access to finance, particularly for SMEs and businesses in emerging and high tech markets. Empirical evidence gathered over the last decade from Yorkshire Forward's business suggests that financial shortages have consistently been a key factor inhibiting business growth[1]. The more recent challenges facing the banking and finance sector and global economy since the onset of the credit crunch and recession have served only to heighten this issue and the availability and cost of finance has remained a key concern for many firms[2].

Concerns over the ability of the commercial finance market to support businesses with investment finance are themselves set within the context of a number of historic weaknesses within the Yorkshire and Humber (Y&H) economy. Evidence shows that, relative to other regions and the UK, Y&H has had lower levels of business start-ups and that SMEs make a smaller contribution to the economy in terms of employment and turnover (Yorkshire Futures, 2010). This is an important issue given that it is these firms that are likely to be key drivers of business growth. SMEs provide around 60 per cent of private sector jobs and account for half of all private sector turn-over (HMT, 2010).

Over the last decade various studies have sought to understand the barriers inhibiting access to finance for UK SMEs and to quantify the extent of the funding gaps[3]. These barriers provide a rationale for public sector intervention and can be broadly grouped into three categories (see Annex A). There are **structural market failures** on both the supply and demand side (e.g. related to imperfect information, relatively high transaction costs and insufficient investment readiness). **Market Issues** include costs and rewards that in practice incentivise larger investments. Furthermore **instability in financial markets** following the credit crunch has restricted the flow of and increased the price of credit.

Instability within businesses is also an issue. It relates to companies having an aversion to taking on equity finance (which can help to support long term growth) and also preferring to avoid borrowing as much money as they may need, and hence becoming undercapitalised. Both of these in turn relate to the need to enhance levels of knowledge and awareness about the various types of finance available, their appropriateness and how to access them.

Numerous studies have concluded that the various barriers have created a funding gap for SMEs in the provision of investment finance. The exact nature and size of this gap has been

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[1] This finding is supported by various studies across the UK; (URS, 2010), (BIS, 2010), (NESTA, 2009), and (BERR, 2009).
[2] Evidence of this was consistently reported by the Bank of England Agents through their summary of business conditions: http://www.bankofengland.co.uk/publications/agentssummary/index.htm
[3] Examples include; (HMT, 2003; BERR, 2009; and NESTA, 2009).

found to differ depending upon a range factors, including the amount and type[4] of finance sought, the stage a company is at in its life-cycle, the sector a company is operating in, and the health of the wider economy and capital markets. Box 1 shows how gaps vary by the amount of finance sought:

Box 1: The evidence of funding gaps for differing levels of funding

Up to £2m	The RDA's own business and economic intelligence identified a well established investment gap (both equity and loan finance) up to £2m for businesses, particularly early stage and technology/low carbon based enterprises, seeking lower levels of investment.
£250k - £1m and £2m+	In 2003, HMT described the gap in equity investment as being most acute for deals between £250,000 and £1 million, noting that it is also severe for businesses seeking up to £2 million and beyond.
£250,000 - £2m	In 2008, the Government's 'Enterprise Strategy' (BERR, 2008) suggested that those seeking between £250,000 and £2 million have particular problems accessing equity finance.
£500k - £2m to £5m	Analysis undertaken as part of the Northern Way's Private Investment Commission (2009) found evidence that the recession had exacerbated the equity gap and that the market was under providing equity finance in a range of values from around £500,000 to £2m-£5m.
£2m - £10m	Analysis by Sir Christopher Rowlands for BERR (2009) described a gap in growth capital[5] provision between £2m to £10m.

In summary, the above evidence suggests that ***two key investment gaps*** exist:

1. ***Up to £2m*** for early stage businesses, technology enterprises, businesses operating within emerging sectors (such as the low carbon sector), or for those operating within traditional sectors to and seeking to realise their growth trajectory.

2. ***Growth capital provision between £2m to £10m***. Growth capital is a broad term used to describe funding (both loan and equity investment) that enables established firms to expand (BERR, 2009). At a regional level there are likely to be few companies interested in deals of this size at any one time[6]. Companies that are seeking this size of investment are likely to be larger companies with a footprint spanning beyond Y&H. For these reasons, it is likely to be more appropriate that public sector intervention in the £2-£10m market is led nationally.

Annex B provides further details on different business investment options, including the sources of finance that firms might access at different stages in their growth. We will now look at what Yorkshire Forward and its partners did to address the issues identified.

[4] That is whether equity or loan finance. Equity investors inject capital into a business in return for a percentage stake in the business.
[5] Growth capital is a broad term used to describe funding (both loan and equity investment) that enables established firms to expand (BERR, 2009).
[6] Perhaps 20 companies at the very most.

2. Approaches Adopted

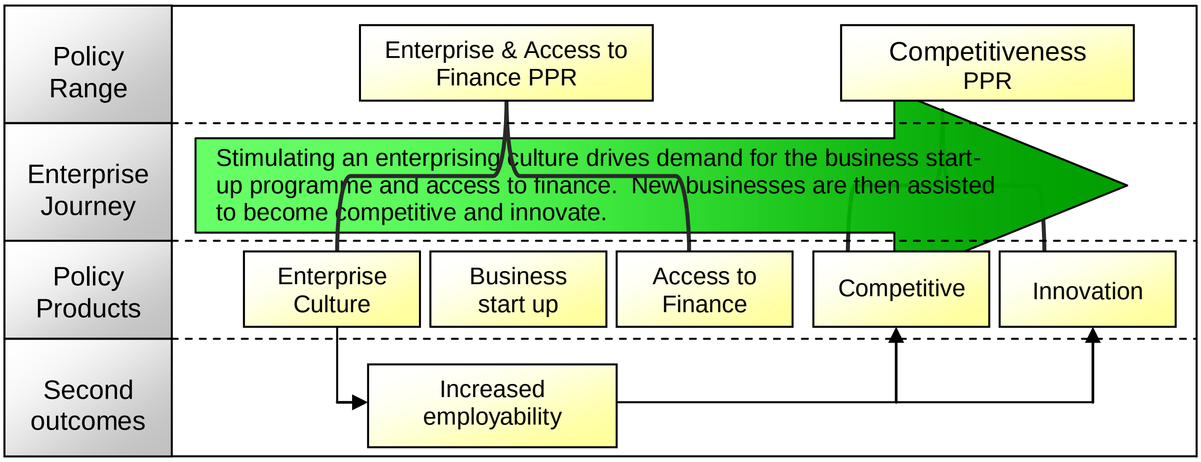
Yorkshire Forward saw a culture of enterprise as fundamental to a strong and sustainable economy. However, levels of enterprise in Yorkshire and Humber were behind the national average by some margin. In 2000, levels of business start ups[7] in the region were the second lowest of any English region - only 30 per 10,000 people per year compared to a national average of 39 per 10,000. The proportion of businesses surviving for at least three years was also below average, as were business R&D investment and levels of productivity.

Key challenges were characterised as:

- A culture and attitude restricting the number of people who feel confident enough to start their own business;
- business support provision lacking the flexibility to provide support from infancy to maturity and take into account the different dynamics of business growth; and
- barriers to entry for start ups such as imperfect information around the best options for financing a new business or to support subsequent growth and development.

These challenges were not all about access to finance per se. They also reflected other factors that influenced business birth rate and growth, which are covered elsewhere (see modules 5 and 6 on enterprise and business support). As such, Yorkshire Forward's work on Access to Finance was from the start integrated within a wider agenda to boost enterprise and economic competitiveness. The creation of the RDA enabled most of the issues affecting business to be dealt with together, although it took some years before business support was formally managed by RDAs.

The Agency's overall approach to guide its investments was established through the development of 11 distinct Policy Product Ranges (PPRs) - essentially the Agency's thematic priorities for investment. An Enterprise and Access to Finance PPR was developed which together with a Competitiveness PPR aimed to (1) stimulate an enterprise culture, (2) promote business start-ups, (3) increase access to finance, (4) increase competitiveness and (5) increase innovation. These five elements were based around an enterprise journey:



Yorkshire Forward's access to finance work aimed to support the achievement of three key outcomes (measured by outputs on jobs created and safeguarded, businesses assisted, private sector investment levered) and delivered through two key themes.

[7] based on VAT registration data – see Yorkshire Futures, Progress in the Region 2002

Key Outcomes

- Increase business survival rates and start-ups;
- Enable businesses to grow and improve their growth trajectory; and
- Leverage more finance into the region from the private sector

Key Themes

- Supply side interventions to **improve business access to finance** by working with banks, investment funds or other financial intermediaries to increase the supply of finance; and

- Demand side interventions to **help businesses become 'investment ready'** as well as to help them understand what type of finance they need and is available.

The remainder of this section deals the main activities under each Theme.

Key Theme 1: Improve Business Access to Finance

Based on an assessment of the regional economy, the view was taken that growing companies needed a better supply of finance. Perceptions of risk were seen as too high, with evidence of a lack of appetite for finance from businesses set against an economy with too few businesses starting up and surviving. Yorkshire Forward sought to use public funds to fill a number of gaps in commercial lending and to encourage businesses to draw down finance and start the growth cycle.

"It is vital that finance is appropriate in type, scale and timing and that it works and leverages effectively against that found from commercial providers at all of the life stages of the business groups that are targeted…so that market failure is ultimately overcome" (Yorkshire Forward, 2009).

Around 2002 the availability of European Regional Development Funds (ERDF) presented an opportunity to develop stand-alone loan and investment funds for businesses in Yorkshire and Humber. The way in which this was implemented was a pragmatic response to the conditions inherent within the ERDF programme.

Within Y&H, eligibility for and level of ERDF depended upon whether a locality was in an 'Objective 1' or an 'Objective 2' area. The Objective 1 areas (i.e. South Yorkshire) were able to gain a greater level of support than Objective 2 areas elsewhere in the region. This meant that two funds had to be established for Y&H – the South Yorkshire Investment Fund (SYIF) and the Partnership Investment Fund (PIF) which covered other parts of the region.

Both funds provided start-up and follow-on funding for viable SMEs with growth prospects that were unable to obtain finance because they lack a track record, or conventional security, or are seeking funding in amounts which private sector investors judge unattractive. Both aim to generate a legacy fund to be established by March 2014.

Case Study: The South Yorkshire Investment Fund (SYIF)

SYIF started in 2002 and invested £50 million of private and public finance in growth companies by December 2008. It will continue to manage investments until December 2013. SYIF offered from £15,000 to £2.5 million for businesses in or relocating to South Yorkshire. It was designed to provide an integrated approach to business investment by incorporating 'Money with Management' – a programme which provided every investee business with an experienced and skilled mentor or Non-Executive Director. It provided:

- Seedcorn finance: to back early stage technology-based ventures that mainstream providers saw as too risky or which required more hands-on support from a specialist investor.

- Business loans: Unsecured loans ranging from £15k to £50k for early stage businesses, and from £15k to £150k for established and profitable businesses.

- Equity-linked investments: Equity investments from £100k to £1m and mezzanine loans (with equity options or redemption penalties) from £150k to £1.5m. As the fund also offered a mix of both loan and equity linked investments it was able to back businesses, management teams and entrepreneurs seeking an investment of up to £2.5m.

As of 2008, SYIF had invested £45m (including £5.5m via the Money with Management programme). In addition it helped to attract other investments, bringing in £4 from the private sector for every £1 it invested. The outcomes of the fund will not be known until later in 2011, but 2008 forecasts suggested a £19m return on investment that would secure a permanent fund.

	To date actual	% of targeted outputs delivered to date
Jobs created	1,752	99%
Jobs safeguarded	5,590	117%
Businesses assisted	1,864	131%
Amount invested	40,427	95%
Private sector leverage ratio	3.7	

For more information see the 2008 Progress Report available via http://www.syif.com/

Case Study: Partnership Investment Fund (PIF)

Partnership Investment Fund

PIF became operational in 2004 and is the vehicle for investing £37 million in growth companies within Objective 2 areas in Y&H. The investing life of PIF came to an end in March 2009 and it is now managing its investments with the aim of generating a legacy fund by March 2014. When the initial lending period ended in December 2008, PIF had achieved 99.5% investment, investing in over 600 businesses. At the time of writing, it was too early to assess the outputs that will stem from these assessments.

	Loan Funds	Equity Funds
Fund Amount	£17.95m	£24.3m
Investment Range	£5k-£100k	£100k-£1m
Invested to date (Dec 09)	£17.95m	£24.3m
Companies Assisted	521	85

For more information see http://www.partnershipif.co.uk/pif/about-us/

A number of lessons were learned from the concurrent running of SYIF and PIF:

- Investment funds made available have been utilised and delivered results. That supports the case that access to finance products can have ***a valuable role in helping businesses to start up, survive and expand***.

- As a pragmatic response to the ERDF programme having both PIF and SYIF made sense. However, in reality it was judged to be ***confusing to have two separate funds in the one ERDF region***.

- ***Companies in areas outside the city regions are poorly served by professional and business services*** with the ambition and capability of gearing firms up for growth and securing the necessary capital to make it happen.

The experience of running the funds also brought into question the additionality of grant finance: "*If targeted carefully, grant finance is useful and has its place. But it has a high deadweight and may attract companies chasing free money at the expense of a strong business model."* (Alex Mcwhirter, Yorkshire Forward, 2010)

With the end of Objective 1 ERDF funding and the start of a new Objective 2 round in 2007, there was an opportunity to offer a single consolidated fund for the region, drawing on the lessons of SYIF and PIF. To aid business planning about what (if any) sort of operation to run next, Price Waterhouse Coopers were commissioned to produce a review on the state of the market place. The key conclusions from the review were that:

- There is a market gap in the provision of loan and equity support to SMEs that is not being addressed by traditional commercial providers. However, the gap is difficult to quantify and historical estimates may be the best basis to identify possible demand. The core areas of focus should be in the provision of loan and equity funding of between £25,000 to £500,000 and extending up to £2m;

- The greatest need would appear to relate to start up and very early stage investment by micro and small enterprises requiring up to £250,000 primarily in the form of loans;

- There is a need to develop a more structured approach to investment that is not focussed on a single investment but instead considers a package of investments to enable companies to reach the stage where they are self-supporting and sustainable;

- Publically sponsored Venture Capital Loan Funds (VCLFs) appear to fulfil a role as 'catalysers' of economic activity; and,

- Many potential recipients are unsophisticated in their knowledge of finance and need support to be 'investment/finance ready'.

The review led to the development of **Finance Yorkshire**, a £90m Regional Venture Capital and Loan Fund (VCLF). This was capitalised by RDA Single Programme funds (£15m), ERDF (£30m) and European Investment Bank (a £45m loan repayable by 2016 at 2% over LIBOR). Running costs were to be met from bank interest on idle funds, returns and a £10m revenue grant from the Single Programme. The case study provides further detail.

Case Study: Finance Yorkshire

Finance Yorkshire was launched in March 2010 when PIF and SYIF had closed. Its main objective is to meet the gap in the market for funding up to £2m and ensure that businesses have access to appropriate finance to fund their growth. It will invest for four years until December 2013, with five year returns completed by the end of 2018. It aims to generate a £49.9m legacy from returns that will support future sustainability for re-investment in SMEs beyond the life of the structural funds programme. Finance Yorkshire will offer equal terms for all qualifying businesses and target intervention at SMEs that have a demand for gap finance for:

- Start-up and early stage development, especially in technology and knowledge based sectors
- Working capital for business growth and diversification
- Capital investment in plant and machinery
- Inward investment

Finance Yorkshire's Three main products:

1. **Seedcorn**: This provides early stage, equity-based investment in innovative technology or knowledge-based businesses. Clients are likely to be pre-revenue and high-risk but have potential for high growth and for good returns on exit. Investment may be made as equity in the range of £15k-£780k, in incremental stages reflecting the growth and advancing maturity of the business. First stage funding will finance activity that will establish that a venture has a feasible commercial basis. Subsequent stages will support entry into markets and maintain the fund's stake until the business is able to raise cash in the commercial market. It is anticipated that around 40 companies will receive investment, utilising about £15m of Finance Yorkshire's total funding.

2. **Small unsecured loans**: This provides predominantly unsecured loans in the £15k–150k range to complete financial packages for businesses that have already secured finance from banks as senior/secured debt and for cash flow finance. These businesses often have little security left to offer and therefore banks tend to be unwilling to lend 100% of the deal, leaving 'headroom' that needs to be filled. The range of investments could include cover for working capital, lower level capital expenditure and investment in premises. The Small Loans Fund is divided into two strips to cover both established businesses and early stage or higher risk businesses. It is anticipated that around £27m of Finance Yorkshire's total investment will be made through small loans.

3. **Equity Fund**: This fund will make equity-based investments (including mezzanine) in the range of £100k - £2m. This portfolio is likely to support a range of activities including growth, capital expenditure, acquisitions and some larger start-up ventures. The Equity Fund will generate a surplus sufficient to cover losses made elsewhere in Finance Yorkshire and effectively creates the legacy, projected to be realisable in 2019.

Finance Yorkshire aims to work with, and refer clients with demonstrable need for investment readiness support, to other business support providers and to Yorkshire Forward's investment readiness programme (see subsequent section). The winding down of the Business Link service presents a risk that the investor readiness support will not be as available as first envisaged. As such the role of intermediaries such as accountants, lawyers and corporate finance providers and specialists is very important as is the contribution made by YABA, Connect Yorkshire and technology transfer activities. A key incentive for intermediaries to become involved is that Finance Yorkshire is able to back riskier ventures than other lenders, allowing them to become involved with businesses that they may otherwise not work with.

For more information see: http://www.finance-yorkshire.com/

In addition to Finance Yorkshire, Yorkshire Forward invested in a range of other vehicles/projects to address funding gaps. These include ***Grants for Business Investment***, a discretionary fund assisting businesses that will create or safeguard jobs in EC assisted areas, by setting up, expanding or modernising, investing in R&D or moving from development to production. Meanwhile, ***Grants for Research and Development*** are aimed at helping businesses fund the R&D required to get innovative products and processes to market. ***Charity Bank*** provides capital loans to voluntary/community groups who would otherwise struggle to access loans from commercial banks as they are perceived as high risk. Other specialised support includes ***CO2 Sense*****'s** work, providing business in the low carbon/environmental technologies sector with finance.

Business Angel funding (see case study) provides a further model, which operated alongside investment funds and other mechanisms.

Case Study: Yorkshire Association of Business Angels (YABA)

YABA is a not-for-profit membership organisation for private investors. Its mission is "*to provide a forum for Business Angels to network in order to facilitate a volume of deals amongst its members*."

The Association provides a way for Yorkshire-based entrepreneurs to raise investment capital of between £10k and £250k for their start-up or early growth companies, thereby helping to fill the bottom end of the equity gap. In addition, its members provide a wealth of business experience to assist and mentor entrepreneurs in the early and risky stages of business development.

Over the three years to March 2005, YABA members invested £1.2m in the region's businesses, levered in further £3.3m and created 82 jobs. Between 2006/7 and 2008/10 investment of £358,800 (mostly from the Single Pot and the South Yorkshire Investment Fund, plus around £60,000 from the private sector).

The approaches discussed so far were based on filling gaps in mainstream provision against a backdrop of steady and consistent economic growth. However, abnormal times and unexpected events create different, often short term and more specific needs. Specific grants and funding mechanisms were established to help businesses respond to economic shocks. These included responses to the foot & mouth disease outbreak in 2001, the floods of 2007, and to the recent recession (see module 3: Responding to Economic Shocks).

The autumn 2008 Pre-Budget Report announced that RDAs would establish **Transitional Loan Funds** that would operate as lenders of last resort to viable businesses experiencing working capital shortfalls. These were to respond to the hardening stance of lenders of corporate finance following the 2007 credit crunch and subsequent recession.

Case Study: Transitional Loan Fund (TLF)

In 2008/09 Yorkshire Forward invested £5m in a new TLF offering loans up to a maximum of £250,000 per company. The aim was of the fund was simple – to help more businesses survive the recession and to be able to grow thereafter. To do this it utilised delivery bodies with an existing presence in the region and a sound track record of delivering finance for business funds. YF utilised **three loan funds with specific specialisms** in order to meet demand within three market areas.

1. **Community Development Financing Association (CDFI):** A £1.2m fund offering loans for smaller businesses in the most deprived communities in the region. Funding was limited to £50k per loan, though YF anticipated the normal maximum of loans to be circa £25k.

2. **The Viking Fund**: A £1m fund providing loan and equity finance for co-investment with Business Angels in SMEs. The tight lending conditions had resulted in a significant drop in Business Angel[8] investment due to the inability of co-investors to raise finance.

3. **Yorkshire Fund Managers (YFM):** A £2.8m SME Finance Fund providing loan funds for working capital to SMEs of typically between £75,000 and £100,000, but up to £250,000 in exceptional cases. Evidence suggested that larger SMEs had been finding it extremely difficult to raise finance for working capital purposes and the fund targeted that gap.

The option to use just one delivery body was considered, but it was felt that whilst this had the advantage of requiring only one management fee, it would lessen the ability to reach different target groups. The table shows how each aspect of the three funds performed.

Fund	No. of enquiries	No of loans completed	Value of loans completed (£)	No of jobs safeguarded
CDFI	425	75	991,424	263
YFM (to Nov 09)	89	21	2,480,000	1021
Viking Fund (to Nov 09)	80	16	950,000	98
Total	**594**	**112**	**4,421,424**	**1,382**

Successes and lessons

In 2010, Ekosgen undertook an evaluation of the TLF. This found that (with a slightly longer timescale than for the data above) a total of 1,527 jobs had been safeguarded, well in excess of the target of 527. That corresponds to £3,274 per job – which compares well even on the basis of likely loss of tax revenue for each net job loss. Return on Investment (RoI) was calculated to be between 9.1:1 and 9.9:1 depending on the methodology used, which was seen as positive compared to national benchmarks for access to finance work. Aggregate additional business turnover due to the scheme was estimated to be £46.3m.

At a more qualitative level, businesses that had received support were extremely favourable about the scheme. Most reported that it had put them on a sounder footing by overcoming difficulties they had experienced in gaining funding from the banks, and creating benefits expected to last 2-3 years into the future. Two thirds of those supported expected to see turnover growth in the future. And for a significant number of businesses the scheme made the difference between surviving or not.

As for drawbacks, some default has to be expected. Around 10% of the TLF support businesses are currently defaulting on repayments or have gone into liquidation or administration and these rates are likely to rise. As for gross to net impact calculations, whilst deadweight is low at about 20%, displacement is relatively high at around 43%. A more targeted approach may have reduced this; although this may have increased costs and the time taken to commit the funds at a time of critical need for businesses. The rapid speed of contracting and establishing the fund – which built on YF's experience of getting finance to business to help them recover from the floods of 2007 – was in other ways a very positive feature.

[8] Individuals who invest in high growth businesses in return for an equity stake in the business.

A range of more general issues emerge around the operation of access to finance vehicles.

Firstly, one decision that all fund managers have to weigh up is what threshold to apply in granting funding to applicants or not. For the TLF, around 1 in 5 enquiries ended up actually accessing finance through the funds. Subject to the capital available, a higher ratio may mean more businesses are helped, but might also increase default rate, which will also vary with the types of business that are targeted and assisted.

Other points that any future funds would need to consider include promotion of schemes and referral mechanisms to access it. For the TLF, Business Link Yorkshire was used as a referral vehicle to connect businesses needing funding to delivery organisations. This proved valuable, with one in three of the supported businesses referred by Business Link. With less intensive business support likely to be available in the future, communication and referral will need to be thought through.

Publicly funded access to finance schemes inevitably have economic output targets linked to their operation – jobs created and the like. This creates dilemmas for fund managers in choosing which businesses to invest in. Some investments would be strong on their own terms and create positive financial legacies that would help to make a fund more sustainable, but deliver poorly on outputs. Others are great on outputs but riskier propositions. This reemphasises the importance of a clear rationale for a scheme at the outset that balances public goals and the practicalities of running a fund.

Finally, it is important to recognise that access to finance schemes need to operate on a different model to commercial lenders in order to be able to lever in private sector funding and make funds available to businesses who would otherwise be denied them. Finance Yorkshire works on a subordinated and unsecured basis. This allows it to lever in funding from banks and mainstream lenders who are often happy to provide a business with 70-80% but not all of the funding they need. Finance Yorkshire fills the headroom gap of 20-30%, but if there is a default, then it is the last party to get its money back. As Alex Mcwhirter, Chief Executive of Finance Yorkshire puts it:

"We operate on a different basis to mainstream lenders because we are there to tackle a gap in the market. Our investments makes markets, no one else will take on the risks we carry".

Key Theme 2: Helping Businesses to be 'Investment Ready'

"Many potential recipients of finance (businesses) are unsophisticated in terms of their knowledge of finance and need support to be investment ready" (PWC, 2009).

Whilst much emphasis has been placed on the banks' ability/willingness to lend money, it must be recognised that there are two sides to the story. And the less reported side is that businesses must present a sound proposition and be able to make a good case to attract investment. Poor business planning or management expertise, lack of understanding about the availability and suitability of different finance products, and a reluctance to utilise professional services when needed can all present major barriers to securing finance. Viewers of *Dragon's Den* will know the picture well – the wrong proposition, pitch, or weaknesses in the person presenting it can deter an otherwise willing investor. Hence, **it is vital that there is a package of business support whereby support to help businesses to be investment ready runs alongside the provision of access to finance.**

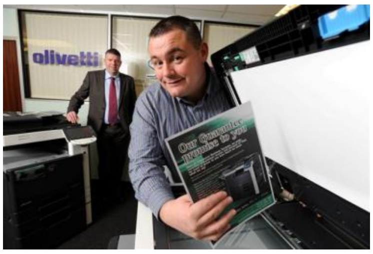
In response, YF sought to develop a cohesive approach for start-ups to be 'Finance and Investor Ready' by addressing issues of unconvincing business plans, weaknesses in presentation and a lack of credibility in management teams. Working with partners, the Agency worked to bring together existing initiatives to provide entrepreneurs with the opportunity of increasing their investment attractiveness through an Investment Readiness Programme. This encompassed several different projects including Connect Yorkshire (see following case study) and a programme of Healthcare Technology activity which included an Investment Readiness component.

Investment Readiness programmes tend to work through two main approaches.

- Providing businesses with advice and support from specialist advisors to ensure that they understand their options for getting the money they need. This includes diagnosis of financial needs and facilitated introduction to potential sources of finance.

- Support on how to write a successful business plan, contract law, understanding intellectual property, etc.

These approaches can be delivered by a variety of mechanisms including generic workshops, one to one coaching or mentoring, and investor introductions (e.g. through networking dinners, forums or pitching events). Connect Yorkshire was a prominent and early example of an Investor Readiness programme. Its establishment reflected the observation in the 2000-2010 Regional Economic Strategy that a lack of quality business support and/or the availability of finance were a real barrier to progress for many new enterprises, especially in high tech areas where linkages between the private sector, research institutions and public funding/support bodies were underdeveloped.



Case Study: Connect Yorkshire – Investment Readiness for High Tech Businesses

Connect Yorkshire was founded in July 2001 to support the creation, development and growth of technology-based enterprise. Evidence suggested that to succeed in doing so there needed to be interaction between large corporations, emerging companies, the university sector, regional government, 'business support groups' (such as accountants, lawyers, banks and equity capital providers) and 'community support groups' (such as economic development agencies and the Chambers of Commerce). Connect Yorkshire's role was to act as a facilitator to help guide companies through this complex marketplace. Its key aims were to:

- Assist high technology entrepreneurs in need of management and financial skills, including one to one managerial assistance to entrepreneurs;
- Increase interaction between industry scientists and universities to encourage technology exchange;
- Provide technology briefings on high technology marketing, products and financing to bankers, lawyers and marketing professionals;
- Increase awareness of national and international sources of R&D funding and capitalisation;
- Increase community awareness of the issues surrounding high tech enterprise and the potential returns; and
- Provide a community resource for data and information on research activities and business development in the high technology sector.

Connect Yorkshire's clients were predominantly young technology businesses and educated, trained and prepared individuals in the region who needed investment to help their technology based businesses prosper and grow. Delivery was through a mixture of means including support for businesses to improve their business plans, high visibility events (e.g. 'Venturefest' and investment conferences/forums to link businesses with appropriate investors), training programmes, support and mentoring; aftercare and networking (linking businesses with investors and academics). For example, its Fast This model was based on an existing successful approach developed in San Diego[9] (and later refined by Scottish Enterprise).

Initially part of Yorkshire Forward, Connect Yorkshire became a formal independent entity in 2002. It adopted a private sector led approach with its own Board and 25 corporate sponsors who provided funding towards ongoing activities and helped to deliver many of the practical aspects of the programme. In total, between 2005/6 and 2008/0, Connect Yorkshire had expenditure of £1.89m, of which £1.62m was from Yorkshire Forward whilst the remainder came from the private sector (£0.21m) and income from activities (£61,000).

Though proven elsewhere, the Connect concept was new to the region. Hence an early challenge was to persuade corporate and other partners that it was credible, viable and would add value for them. It managed to do so by adopting a robust business model that involved businesses from the start. And it needed to employ good judgement about what support businesses needed to become investment ready, and at what point they had a credible proposition to put to potential investors.

Connect successfully attracted corporate businesses from across the marketplace, including banks such as Lloyds TSB and HSBC, accountants and consultancy firms such as Deloitte, KPMG and PricewaterhouseCooper. In turn, these formed the basis of a wider network of several hundred companies that benefited from the guidance and facilities that Connect provided. It further engaged with relevant partners such as universities and other R&D facilities.

[9] The University of California San Diego (UCSD) CONNECT.

Other more specific initiatives complemented Connect's offer, including a Programme of Regional Healthcare Technologies activity aimed at that sector. In that area, access to finance was identified as a major problem, in part due to the long lead times, high risk and high costs of bringing pharmaceutical, nutraceutical and medical device developments to market.

Key elements of the Programme included:

1) Research to identify venture capitalists who specialise/invest in healthcare technologies

2) Company assessment, with 20 companies per year identified for mentoring and examination of investment readiness and business planning skills.

3) Focused peer-learning groups for companies to discuss key areas of investment readiness.

4) Investor introductions through 1:1 meetings or in small groups if appropriate.

3. Resources, Results and Outcomes

The best indicative guide to the impact of work on Access to Finance, at least in recent years, is provided by an evaluation of YF 'Policy Product Ranges' (PPRs)[10]. Access to Finance was coupled with Enterprise as one of 11 main PPRs, but also singled out as an activity area within that. Based on the data, which covered the three financial years between and 2007/8 -2009/10, the following illustrative estimates were made.

Access to Finance Overall Performance 2007-1010

Total Spend on Access to Finance	**£91.7m**
Estimates based on Project Data	
Gross Jobs Created/Safeguarded	7,600
Additionality Factor*	41%
Net Jobs Created/Safeguarded	3,116
Cost per Job (Gross/Net)	£12,066 (gross), £29,429 (net)
GVA per £ invested (based on projects creating jobs)	4.1
Total new additional cumulative and future GVA (£m)	£374.9
Estimates Based on National Benchmarks[11]	
GVA per £ spent (for individual level enterprise support sub theme which includes Access to Finance)	14.1
Total estimated gross GVA (given project spend)	£1,293m

*Additionality is the percentage of gross outputs that can be considered as net outputs once factors such as displacement, deadweight, leakage, substitution and multiplier effects have been considered.

Overall, Access to Finance shows a healthy return on investment, with every pound spent likely to generate somewhere between £4 and £14 back, depending on the nature of the project and the methodology used for calculation. One important point is that returns are more likely to be long term, strategic and in some ways unpredictable rather than about sure fire quick wins. Helping businesses to gain investment is by its nature a process where returns will only accrue after the investment has been made and had time to pay dividends. So GVA and jobs returns are likely to be some way downstream, whilst private investment levered and the number of businesses assisted offers a better early indication of success.

Private investment itself can be a major benefit (and is not included in the performance table above). For instance Connect Yorkshire levered in around £27 million of private investment over the five years since 2006 set against a public investment of only around £2.4 million.

The long term success that access to finance programmes stimulate will depend on factors that are hard to predict; a degree of risk is inevitable. Some business investments that looked good on paper might struggle in practice, whilst others could lead to exceptional growth. Given the time lags between project spend and returns, it is difficult to ascertain to what degree businesses success is due to the investment compared to other factors. Whilst not everything can be predicted and chance will play a role, this reinforces the importance of having a clear view of the logic model and market failure that drives a programme. With that in place, a combination of effective analysis and good judgement will be important in deciding what loans to make and otherwise helping businesses to access finance. Having partners and people involved who are able to do that will be instrumental to success.

[10] YF Policy Product Range Evaluation – Estimating Potential GVA, Regeneris, 2010
[11] Based on data for RDA spend in the 2002/3-2006/7 period in: Impact of RDA Spending, PwC, 2009

4. Insights and Lessons Learned

The main lessons learned and good practice points that have emerged are:

a) **A clear rationale based on target markets and specific market failures is crucial**. There are a multitude of mainstream finance providers, so a fund needs to be careful to focus on a niche where there is a genuine need that existing lenders are not meeting. Evidence and market analysis are key to doing that.

b) **Weigh up the balance between economic outputs and financial legacy**. Some potential investments in businesses will be strong financially but deliver poor jobs (or other) outputs; others may help greatly to deliver output targets but be shakier financially. This poses dilemmas for fund managers and reinforces the need for clear goals.

c) **Integrate investment readiness activity into access to finance activity*.*** Evidence suggests that access to finance is not only inhibited by market failures at the supply side, but also due to lenders quite reasonably deciding that some businesses are not good propositions for investment. Reasons would include a lack of business planning, management expertise or understanding about the availability and suitability of finance products. Support can counter this by helping businesses to both plan and communicate their business propositions in a way that will convince lenders that they warrant investment.

d) **Integrate Access to Finance with other business support activity.** Access to Finance is only one of a range of activities where support can help businesses to prosper. Other areas include work focused on promoting specific sectors, innovation, exports, and helping businesses to start up, survive and grow. Joining up this activity, ideally through a single agency and access channel for businesses makes it more convenient for and focused on the needs of business customers. It also helps to avoid duplication or gaps between areas and agencies. Where one channel or agency is not possible, then minimising the number of them and ensuring they work together seamlessly is the next best thing.

e) **Keep support clear, simple and customer focused.** Businesses say they prefer to have fewer, larger funds rather than a complex range of funds to help different businesses in different places. That is also likely to reduce bureaucracy and create economies of scale. Hence whilst it is important not to inadvertently exclude localities or specific types of business (including social enterprises), then having too many funds makes accessing them more difficult and more off-putting for business. If there are good reasons for having more than one fund, then effective co-ordination and referral mechanisms between them are essential. Programmes need to listen to businesses, keeps things straightforward and speak to them in their own language.

f) Whilst simplicity is best, there are risks that large all-embracing funds might not be aware of needs and **opportunities in specific niche sectors**, or see these as more risky than they really are – cultural and environmental businesses and social enterprises are examples. There is a need to ensure that funds do not inadvertently miss out such sectors. One option is for ‘mainstream’ funds to employ or train staff or have access to specialists so that they build knowledge of specific sectors. Another is to set up niche funds where essential – but that does increase the risk of added complexity.

g) **Opportunities need to be well promoted.** It is all too easy to focus on working up a technically brilliant scheme but to leave communication of it as something of an afterthought. That will subdue success. There is merit in having a number of promotional avenues that work simultaneously, including direct promotion to businesses, promotion through business representative organisations (e.g. chambers of commerce, CBI), and referral mechanisms with other places businesses might look to for support (Business Link, Local Enterprise Partnerships, etc.) or ask for money (e.g. banks).

h) **Education and awareness are important.** Many businesses are insufficiently versed in the types of finance available, what is appropriate to them, and how to access funding. Addressing this is likely to require long term work integrated across business support activity.

i) **Attracting the right people and organisations to run programmes is crucial**. Access to Finance is quite a complex and specialised area. Ability to engage with businesses, to anticipate and respond to their needs, to work with partners across sectors, and to manage projects and systems are all essential. Finding people with these skills plus the necessary financial understanding and good judgement will mean putting due time and effort into recruitment or tendering processes up front.

j) Accept that in normal circumstances **Access to Finance is best suited to boosting enterprise and growth in the medium to long term** rather than securing risk free quick wins. It is a valuable strand of activity that can underpin long term economic success, with the potential to help some businesses grow rapidly. But exactly where and when is hard to predict. So it can work well as part of a package where other elements are more about quick wins in jobs and wealth creation.

k) **The role of Access to Finance can vary over the economic cycle.** Whilst it can have a valuable function at any time, businesses are likely to find accessing finance toughest at times of downturn or recession. At these points a good access to finance scheme can make the difference to businesses surviving or going under, and have swifter impacts than usual, especially in terms of jobs safeguarded.

l) There is potential to **make schemes financially sustainable** (partially or wholly) if the money recouped when loans are paid off can be used to cover operating costs and be reinvested as loans to other businesses. Achieving that will require both planning sustainability in from the start and diligent programme management that keeps an eye on progress, costs, success default rates and what affects them, etc. It is also important to allow funds to go to the market at an early stage to raise funds for successor phases – it is too late if this is left to the end of a programme. A careful balance needs to be struck in making loans. If no businesses fail then a programme may well be being too risk averse. But if too many default, then it may be being too cavalier in a way that will undermine its sustainability and the loans that can be made to other businesses.

Annex A: Barriers Inhibiting Access to Finance

Barriers Inhibiting Access to Finance
1. Structural market failures lead to inefficiencies in the operation of markets and institutions. They are often associated with imperfect information[12] and inhibit both supply of, and demand for, finance. **Supply side** examples include: (a) the costs of researching information, due diligence checks and management fees are similar for small and larger loans/investments. So investors tend to prefer larger deals involving larger businesses where transaction costs are proportionately smaller; and (b) performance data on investing in SME growth capital is relatively scarce. That can make investors more risk averse, leading to higher levels of return being required or lower levels of investment being committed. On the **demand side** information failures and other problems include: (a) investment readiness issues, e.g. poor business plans or lack of management expertise, (b) lack of knowledge about the nature and availability of investment opportunities, and (c) SMEs being unwilling to concede ownership for equity investment.
2. Market issues include: (a) the preference in private equity for larger transactions where risk is easier to calibrate and returns have been historically highly attractive; (b) financial incentives for fund managers, which encourage investment in larger transactions; (c) lack of an established channel for growth capital, (d) changing attitudes to risk. In the years before the 2007/8 credit crunch, banks were willing to take 100 per cent of the risk. However, under current market conditions they are looking to take 70 to 80 per cent of the deal. This is leaving ‘headroom’ which needs to be filled by another investor/form of investment, and (e) institutions allocating a limited percentage of funds to ‘alternative assets’, a category that includes the whole spectrum of private equity and venture capital investment (BERR, 2009).
3. Instability within financial markets. The fallout from the credit crunch and related turmoil in the banking sector has restricted the supply of finance, particularly at the low prices that had been on offer over the first half of the millennium (Gieve, 2008; Lawson, 2008; McCafferty, 2009). The UK clearing banks’ ability and willingness to lend to the corporate sector has been impaired by the need to recapitalise their balance sheets, to recover profitability, by the high costs of raising funds on capital markets, and by concerns about exposure to bad debts. Credit for UK businesses has been further hampered by the near complete withdrawal of overseas owned bank lending to UK businesses.

[12] Imperfect information exists where information is not fully available to both sides of the market or some information that is vital to a transaction does not exist. Hence consumers and producers are unable to take decisions that reflect all relevant information. For more information on market failure see Offpat (2009).

Annex B: Finance Options and the Funding Escalator

The plethora of financial products in the market place and the use of technical terminology by banks and investors is, to the none specialist, overwhelming. However in very simple terms there are really only two different funding options open to businesses; (1) debt finance and grants and (2) equity finance. Complexity arises due to the structure of the deals which may involve a mix of both debt and equity investment and are subject to different conditions/terms.

1. Debt financing and grants

Debt financing and grants includes a variety of different options such as financial assistance from family and friends, public sector grants, bank overdrafts, credit cards, corporate paper, and bank loans. Of these, the main access channel providing external finance to SMEs is bank finance.

Debt finance

Advantages	• Enables businesses to retain 'control' - in the sense that lenders of debt finance do not demand an equity stake in the businesses. • Interest repaid on a loan is tax deductable. • Lenders do not share the company profits.
Disadvantages	• Lending is based on a credit decision as opposed to an investment decision. As such, above a certain level, lending is usually secured against assets. Thus, the value of SMEs assets against which to secure finance will be essential to their ability to secure finance (rather than the strength of their business plan). Growth businesses are likely to have few, if any, tangible assets against which to secure a loan so their borrowing potential is limited. • Growth potential businesses - especially if they are based on the development or application of new technology - are likely to have irregular revenue streams in their early stages and need to invest ahead of revenue generation, making it difficult if not impossible to service a loan. • Bank finance to SMEs can be short term. Overdrafts are repayable on demand and term loans are usually less than 10 years. Bank finance may also have restrictive covenants that may impede the performance of the business if market conditions change. • Bank lending will typically yield a small margin over the Bank of England base rate to the lender and will usually only be advanced where the lender views there to be a very low risk of capital loss. Under normal terms it is uncommon for debt to deliver returns over 10% IRR. Banks are generally unwilling to take the higher risk associated with financing long term growth or, if they are, the price of the debt finance can be prohibitive for SMEs.
Sources: BERR, 2008; Peavler, 2010; and URS, 2010	

2. Equity

Equity investors inject capital into a business in return for a percentage stake in the business. Examples include; business angel investment, venture capital investment and the public equity markets etc.

Evidence suggests that is "only a very small proportion of the SMEs population which seeks and successfully obtains equity finance. Nevertheless, equity finance is critical in an entrepreneurial economy because it can be a much more appropriate source of finance upon which to grow a business than debt finance, and is essential in situations where business success is based on significant up-front investment as in the case of new technology-based firms" (URS, 2010). This is supported by research the British Venture Capital Association (2008) which found that private equity backed businesses create jobs at a faster rate, experience greater sales and export growth, and invest more in R&D than other private sector companies.

Equity finance

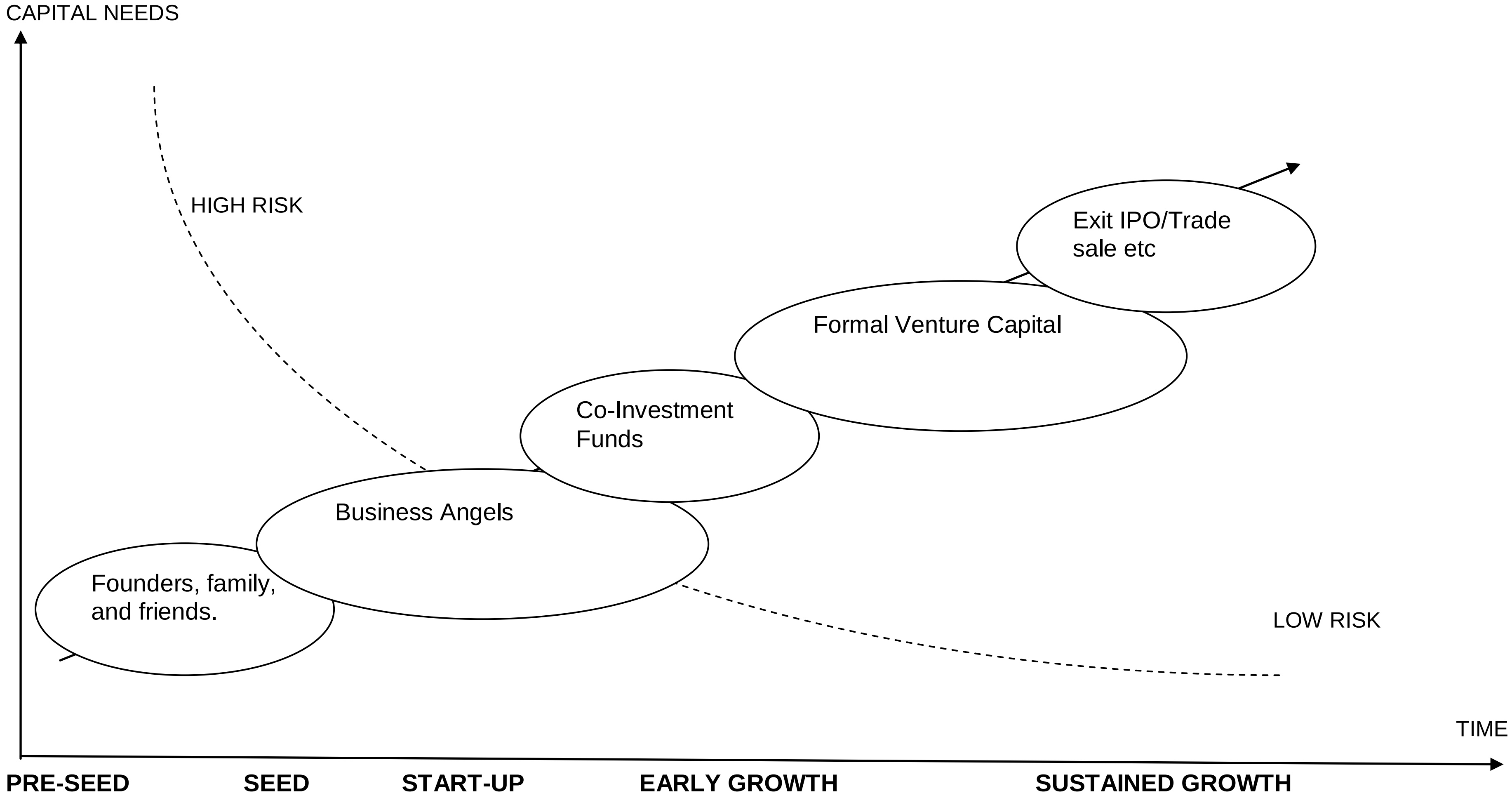
Advantages	• Provides a capital injection to enable further investment to take place without the need to make loan repayments. • Many equity investors bring management expertise to the business to support its growth.
Disadvantages	• Companies must be willing to cede a percentage stake in the business to an external investor. • The fixed cost of the due diligence means that many institutions favour larger deals. It is estimated that there is an 'equity gap' in the region of £250k to £5m, possibly extending to £15m. • The equity gap is most severe for regions outside of the Greater South East. Venture Capital investment is largely concentrated within and around London to a much greater extent than would be explained by the balance of business activity across the country.
Sources: BERR, 2008; Northern Way 2009; Peavler, 2010; and URS, 2010	

The Funding Escalator

The funding escalator is a useful concept providing "*an <u>idealised model</u> of the various sources of finance that firms might access at different stages in their growth".* The escalator is continually evolving in response to the wider economic environment, creating funding gaps (found typically at the bottom of the escalator) and frictions between different funding sources. Generally speaking it is because of these barriers that Government intervenes (URS, 2010).

The escalator model assumes a seamless progression from one funding source to another. **In *reality not every growing business will access finance from all of these sources or as a linear progression from one to the next***. In many ways the idea of a 'funding elevator' may be more apt. A business can get off at any level it likes and is appropriate to its needs – it does not need to go all the way to the top.

The Funding Escalator



Seed Stage	The business is in the process of being established. It may therefore be undertaking R&D, solving key product or service development issues and moving to an operating demonstration prototype of the initial product or service.	Financial needs are likely to be fairly minimal and will be met by a combination of the founder's own personal savings, family and friends (the 3 Fs) and 'bootstrapping' techniques. Commercial investors will regard such 'preventures' as being too high risk. However, government support may be available in the form of R&D and proof-of-concept grants for technology-based firms.
Start-up Stage	This stage begins with the founding of the company, demonstration of commercial applicability, securing of initial sales and seeking new sales channels. The financial needs increase as the company invests in capital equipment and infrastructure, begins to employ staff and has growing working capital requirements.	Investment in businesses at this early stage is very high risk – the management is unproven and the product or service has yet to demonstrate widespread acceptance - and any return may not materialise for several years. Thus, businesses are likely to continue to rely upon a combination of founder, family and friends (3Fs) money, bootstrapping78 and government support, although those with growth prospects may be able to raise finance from business angels. Importantly, business angels will typically mentor such businesses, providing expert advice and guidance. Venture capital funds are unlikely to be interested in investing at such an early stage unless the fund has been established with an economic development mandate.
Initial Growth Stage	Companies which come through the start-up stage with a product or service which is in demand enter the initial growth stage. The business will be seeking to improve product quality, lower its unit costs and develop new products. The business may be reaching profitability but this is insufficient to fund the expansion of plants and equipment, bigger premises, additional staff to fill out each of the functional areas and larger working capital requirements.	Risk and uncertainty have declined. By this stage the business will no longer be reliant on 3F money. The main source of external funding will be a combination of equity investment from business angels and bank finance. However, larger funding requirements and follow-on financing are likely to be met by venture capital funds.
Sustained Growth Stage	Companies that continue to grow enter the sustained growth stage. Profits and cash flow are sufficient to meet the majority of their capital requirements but additional finance may be required to grasp new growth possibilities.	Such companies will look to venture capital funds specialising in development capital and even to more esoteric financing instruments and ultimately to a stock market listing.
Source: URS, 2010		

The Rowlands review (BERR, 2009) found that in order to build an effective escalator of finance within the finance gap, Government needs to intervene to ensure that businesses can access finance to start, expand and grow. It must also ensure sufficient sector/geographical focus and overcome the current restrictions of scale. Issues with the funding escalator include:

- The lack of commercial seed capital, which hinders the process of commercialising scientific and engineering discoveries and the growth of university spin-off companies;
- A reduction in the supply of early stage venture capital, which has had knock-on effects for the business angel market, notably the emergence of business angels groups which have the capability to make bigger investments before exiting.
- The business angel – venture capital disconnect.

Financing options open to different sized firms

	Bank Lending	**Equity Markets**	**Private Placements**	**Bond Markets**
SMEs (under £25m)	Yes	Limited	No	No
Mid-sized companies (£25m to £500m)	Yes	Limited	Limited	No
Large companies (above £500m)	Yes	Yes	Yes	Yes
Source: HMT, 2010				

Annex C: Access to Finance Contacts and Bibliography

Key contacts for Access to Finance include:

Finance Yorkshire: www.finance-yorkshire.com/

Connect Yorkshire: www.connectyorkshire.org

YABA: www.yaba.org.uk/

The ERDF Programme also runs access to finance vehicles and was under transition to the Department of Communities at the time of writing.

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This paper is part of a suite of 'Learning Legacy' reports produced by Yorkshire Forward in 2011. The series is intended, as far as we can, to capture knowledge, achievements and lessons learned from regional economic development. It seeks to pass knowledge on to other bodies who may be able to apply it now or in the future.

We are grateful to all the many partner organisations, businesses and individuals who have contributed to this work over Yorkshire Forward's lifetime.

In addition to an Overview, the full range of modules in the series covers:

1: Economic Strategy

2: Research, Intelligence and Evaluation

3: Responding to Economic Shocks

4: Low Carbon Economy

5: Enterprise - Helping New Businesses to Start and Survive

6: Supporting Existing Businesses

7: Access to Finance

8: International Trade and Investment

9: Sectors and Clusters

10: Innovation

11: Skills

12: Urban Renaissance and Physical Regeneration

13: Social Regeneration and Inclusion

14: Transport

15: Rural Renaissance

16: Tourism and Major Events

Useful web links and access points for modules from this series will include:

Leeds City Region LEP http://www.leedscityregion.gov.uk/LEP.htm

Sheffield City Region LEP www.sheffieldcityregion.org.uk/local-enterprise-partnership

York and North Yorkshire LEP http://www.ynylep.co.uk/

Humber LEP (web address to be confirmed)

BIS Local http://www.bis.gov.uk/policies/economic-development/bis-local-offices

Yorkshire Forward www.yorkshire-forward.com

YORKSHIRE FORWARD

The Region's Development Agency