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Understanding localised policy interventions – StartUp Loans in England's South West

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1. Summary of key lessons and policy messages

Economic and strategic rationale for the localised

- The localised intervention is based on the same underpinning logic and rationale as the national StartUp Loans Programme. This rationale – based on sound market failures including information asymmetries, and a distributional rationale to improve the prospects for young people, for whom persistent unemployment/inactivity could otherwise lead to negative outcomes – is recognised, and accepted, at a local level.

- The intervention has been 'localised' in particular through the implementation model. The delivery partners are known locally and have existing capacity, models of working and knowledge of their local area.

Evidence of effectiveness

- Where the intervention has been able to build on the institutions and capacities of existing players, progress has been stronger.

- There is evidence of both competition and complementarity with other local initiatives, with some displacement in participation evident from other public sector-led programmes. Arguably localised delivery is best able to address these challenges and opportunities; where challenges have been faced, plans are being put in place to address them.

- Overall the case study research indicates that the Start-Up Loans programme in the South West performed well over the pilot period, with over 50 loans approved, and a range of benefits delivered to young people. Interviews with selected beneficiaries indicate that additionality is being delivered, notably in accelerating the establishment/growth of firms.

Key lessons learnt

- The localisation of the national policy intervention was found in the use of existing institutions, partnerships and engagement routes. There is no compelling evidence of partners tailoring their approaches to meet the needs of particular local groups/areas (though this may be in the 'normal business' of institutions), however, using the existing infrastructure enabled the intervention to get up and running quickly and effectively.

- The intervention – nationally and locally – has benefited from, in relative terms, a straightforward and simple implementation model.

Policy messages

- The flexibility allowed by the national programme has meant that the model varies within the South West, a function of existing ways of working. This has resulted in some inconsistencies, though has meant that implementation could get under way quickly and in non-disruptive ways.

- The 'central management and local delivery' model has positives and negatives with a trade-off between delivery agencies that know the local patch and the variation in the offer to clients based on existing delivery partner activity (with the risk that learning may not be diffused in ways that can alter delivery approaches). So, while local delivery allows flexibility, it can mean that beneficiaries do not all receive the same service.

- For some of the young entrepreneurs benefiting, mentoring support and guidance can be as important, if not more so, than financial support. Mentors offer a source of business advice for young people who may not have such individuals within their networks.

2. Background to the policy intervention

Policy/project overview

The StartUp Loans Programme, in its current form, provides financial support and business mentoring to young people looking to start a business. Funded by the Department for Business, Innovation and Skills (BIS), and led by the independent StartUp Loans Company, the programme operates across England through a range of contracted Delivery Partners. Some partners operate in spatially defined local areas; others operate across England.

Delivery of StartUp Loans in the South West of England[1] is contracted to the South West Investment Group (SWIG), a not-for-profit company that has operated in the finance sector in the South West for over 20-years[2]. **SWIG's delivery of StartUp Loans in the South West is the focus of this case-study, examining the local delivery of a national scheme**.

The case study covers two time periods: a completed pilot period (October 2012-March 2013), and an on-going main delivery period (April 2013-March 2014). The financial scale of the programme in the South West over the pilot and main delivery period is up to £2.3m, depending on demand and take-up of loans.

It is important to highlight up-front that StartUp Loans is new and evolving in its function and form, both nationally and in the South West. The focus of the case study has been on understanding progress in delivery, and emerging lessons on 'what works' in this context.

An overview of the programme's logic model is set out in Figure 1. This draws on a national-level logic model, with local detail for the South West where appropriate. Importantly, this case study research identified that, whilst local context and flexibility was important in delivery, the underpinning logic for StartUp Loans (i.e. why it was required and what it was looking to achieve) at a national level was consistent with the logic of the South West model.

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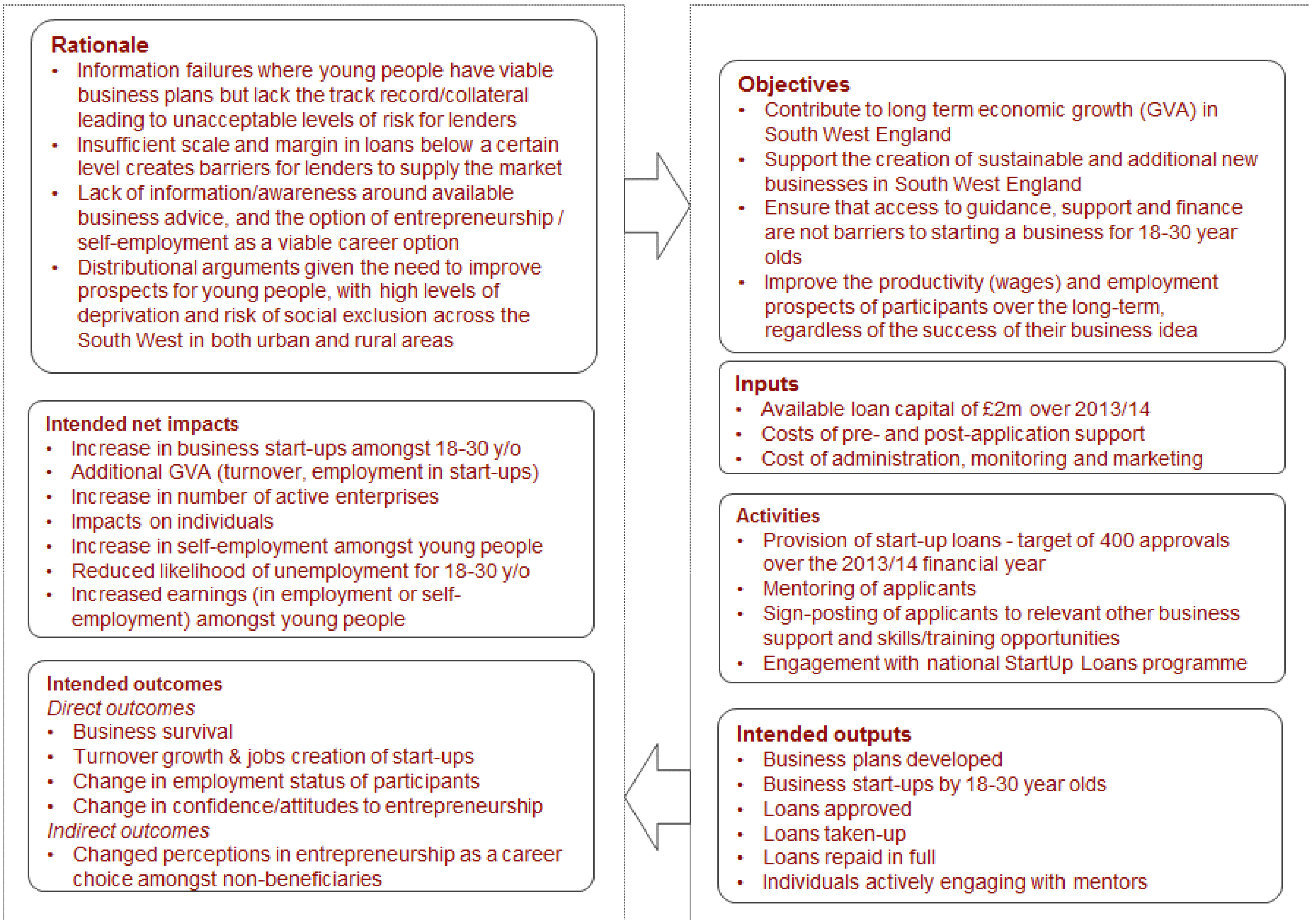
[1] Cornwall and the Isles of Scilly, Devon, Bristol, Somerset, Gloucestershire, Dorset, and Wiltshire

[2] For further details see http://www.southwestinvestmentgroup.co.uk/

Figure 1: Logic model for StartUp Loans in the South West



Origins and rationale for the policy intervention

The StartUp Loans Programme was announced in 2012, emerging from a comprehensive review for Government of support for small and medium-sized enterprises[3]. The programme was initially designed to target 18-24 year olds in England, with repayable loans in the region of £2,500 to be made available for those with approved business plans, supported by mentoring. The age range was subsequently increased to 18-30 year olds in early-2013. In July 2013, the programme was extended spatially to cover Northern Ireland.

The key public policy rationale for the programme is that mainstream provision does not meet the demand for small loans from young people due to the lack of collateral and/or a credit history amongst applicants. In market failure terms, there is *asymmetric information* between applicant and lender, with the result of high (or unknown) risk for the lender. With loans expected of around £2,500 (although no formal limits were established, with supply designed to meet demand), the programme also responded to barriers to lending where the margins are too low for lenders to supply the market. Distributional arguments are also in play, with the programme looking to improve the prospects for young people, for whom persistent unemployment/inactivity could otherwise lead to loss of confidence, human capital and detachment from the labour market.

[3] Lord Young (2012) Make business your business: a report on small business start-ups, London, p15

The overarching rationale for the programme was tested in interviews with a select number of beneficiaries of StartUp Loans in the South West. Note that the interviews were not intended to be statistically representative of the beneficiary population of StartUp Loans in the South West as a whole, rather they were designed to provide insight into the experiences and 'journeys' of a number of programme participants. The six completed interviews were drawn from a list of 10 individuals provided to the research team by SWIG.

As shown in Table 1, the interviews provided evidence that mainstream finance providers were unwilling to offer loans to young people, with this acting as a core factor in the motivation for seeking support from StartUp Loans. Other factors cited by beneficiaries as a reason for seeking support from StartUp Loans included its accessibility, the low (in relative terms) interest rate, and the range of wider support (pre- and post-loan mentoring) on offer.

Table 1: Stage of business and rationale for seeking support from SUL

	Stage pre-SUL	Reasons for seeking support from SUL
Beneficiary A	Pre-start	The beneficiary initially approached a bank, but they were not willing to provide a loan; the bank signposted them to StartUp Loans.
Beneficiary B	Established in the last year	Firm established and looking to grow; the beneficiary had looked for other sources of finance, although could not recall the detail in the discussion.
Beneficiary C	Pre-start	The beneficiary attempted to source a business loan from three banks. However, an insufficient credit history meant that a loan was not possible; age and lack of collateral, for example on a property, were cited explicitly by one bank as key factors in refusal of a loan.
Beneficiary D	Established in the last year	The firm was established but required specific capital investment to enable it to meet orders. The beneficiary had looked into other routes for support such as business angel investors, but was not keen on diluting ownership of the business.
Beneficiary E	Established in the last year	The beneficiary attempted to secure funding from bank, but the bank was prepared to fund only half of the required investment, and the beneficiary did not have access to this level of finance for the other half to develop the business.
Beneficiary F	Pre-start	StartUp Loans was the only source of finance sought formally as it was regarded as the most accessible and appropriate in scale; the support and guidance on offer was an important enforcing factor.

Beneficiary journeys – case example

	Stage pre-SUL	Reasons for seeking support from SUL

Beneficiary F secured a StartUp Loan to establish and grow an entertainment-based business.

The accessibility and range of support on offer pre- and post-loan attracted the beneficiary to the StartUp Loans Programme. Furthermore, StartUp Loans was regarded as an appropriate intervention as the value of the loan on offer was "not a scary amount of money". Beneficiary F had looked online at other potential sources of funding and programmes, but alternatives were for larger loan amounts which were not attractive given the stage and nature of the business idea. Finance was identified as the key issue "holding back" the development of the business. Without the financial support from the programme it would not have been possible to purchase the equipment needed to set up the business.

3. Design of the policy intervention

Aims and objectives

The overarching objective of the StartUp Loans Programme is to **contribute to headline economic growth across England, and specifically for the case study, across the South West**. The programme is one of the Government's flagship measures designed to create sustainable new businesses. It does this by ensuring that challenges in accessing finance and appropriate business advice do not prevent young people from starting enterprises, thereby seeking to improve overall levels of productivity in the economy, both directly from the creation of new businesses and wider indirect effects through the development of skills, knowledge and confidence.

There is no distinct set of aims and objectives for the programme in the South West; put simply, the StartUp Loans Programme locally is looking to achieve the national objectives and intents. However, the localised implementation of the programme enables the use of local infrastructures and capacities to deliver against the national intent, and to better access and meet client needs.

In quantitative terms, a target of **delivering 400 approved business loans over the 2013/14 financial year** has been set for SWIG, with a total potential loan value of up to £2m. This target is regarded as realistic, but stretching, by local partners, given the levels of demand experienced over the pilot period, where the conversion rate from initial Expressions of Interest by entrepreneurs to approval and draw-down of a loan was around 10%. On this basis, around 4,000 initial enquiries will be required to deliver against the local targets, although work is now underway to improve the conversion rate through a more targeted marketing approach including through the use of social media and a planned programme of advertising and events to promote the programme.

Policy design

The development of the policy model for StartUp Loans in the South West followed a call for Expressions of Interest from the StartUp Loans Company nationally for local delivery partners. In this respect the local design was focused on how the intervention would be implemented practically at a local level, rather than the development and design of a 'new' localised intervention.

As the lead partner, the design of the implementation model was led by SWIG which drew on their significant experience and track-record in delivering both public sector funded business support interventions and access to finance projects. SWIG sought proposals for involvement in the delivery of the intervention from both existing partners and organisations with whom they had not previously worked, in order to ensure there was full spatial coverage across the area.

It was noted by SWIG that identifying the correct partners was a challenge given the intention to work across a significant and varied spatial area – stretching from Cornwall to Wiltshire, drawing on the definition of the South West region used for EU Structural Funds, and with significant travel times between different areas. Leveraging existing local knowledge and networks was therefore important, and a number of small providers were included to ensure that there was sufficient capacity and flexibility to respond to demand from individuals in the provider mix across this large geographical area.

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Delivery and funding model

The ***delivery* model for StartUp Loans in the South West is not straightforward** – this has brought both benefits and challenges as discussed in more detail below. In headline terms delivery is led and managed by SWIG which is the formal Delivery Partner on behalf of the StartUp Loans Company. SWIG leads on central management, monitoring and marketing of the programme across the South West. SWIG also leads on liaison with the central StartUp Loans Company, including for example attendance at national events.

Internally at SWIG, two Fund Managers have led the programme's delivery. The Fund managers have covered different spatial areas, with one Fund Manager covering Cornwall and the Isles of Scilly, and Devon, and the second covering Bristol, Somerset, Gloucestershire, Dorset and Wiltshire[4]. To date, both Fund Managers have worked on StartUp Loans alongside other interventions that SWIG manages and delivers i.e. they have not been full-time on StartUp Loans. SWIG is currently recruiting a position of Lead Fund Manager, focused solely on StartUp Loans, to provide additional capacity. The Fund Managers have been supported by the wider SWIG team, including administration and monitoring. A Communications and Marketing Officer has been recruited to work on StartUp Loans to deliver the enhanced marketing approach noted above, building on the existing marketing effort which included the promotion of the programme on SWIG's website, and a number of promotional events at regional colleges/schools.

On-the-ground delivery of the pre-loan application support and post-loan application mentoring (see description of the customer journey below) is sub-contracted by SWIG to nine separate delivery agencies including a mixture of private providers, local enterprise/ economic development agencies and social enterprises. The focus of the agencies varies with some providing both pre- and post-loan support, and others the post-loan mentoring only, as indicated in Table 2. Service Level Agreements are in place with delivery agencies, with clients referred to delivery agencies by SWIG at relevant points in the customer journey. Note that all beneficiaries receive both pre-loan support and post-loan mentoring, however, this may be with two separate organisations.

[4] The Fund Manager in the North of the region is based at what was formerly Bristol Enterprise Development Fund. SWIG and the Bristol Enterprise Development Fund merged in early 2013.

Table 2: Delivery agencies across the South West

Delivery agency (type)	Spatial areas covered		Pre-loan support	Post-loan mentoring
Business West (Chamber of Commerce)	Bristol Gloucester Swindon Bournemouth	Weymouth & Portland Exeter Torbay Plymouth	✓	✓
Upbeat Solutions (Private sector)	Cornwall Devon	Dorset Wiltshire	✓	✓
BRAVE (Social Enterprise)	Bristol		✓	✓
Gloucester Enterprise (Enterprise Agency)	Gloucestershire		✓	✓
North Somerset Enterprise (Enterprise Agency)	Somerset		✓	✓
Somerset Business Agency (Enterprise Agency)	Part of Wiltshire		✓	✓
Dormen (Public/Private)	Dorset			✓
BIP (Private Sector)	Cornwall	Devon		✓
North Devon Plus (Social Enterprise)	North Devon		✓	✓

By contrast, **the funding model for StartUp Loans in the South West is regarded locally as helpfully simple and straightforward**. The delivery of the programme is funded fully by the monies provided to SWIG by the StartUp Loans Company, with both fixed and performance related elements, the latter dependent upon the delivery of results i.e. the approval of loans.

The simplicity and clarity of the funding model was regarded as helpful by consultees at SWIG, with a clear financial pathway involving the transfer of finance from the StartUp Loans Company to SWIG, and on to the beneficiary upon approval of a loan. Although the detail of the funding model was not discussed with beneficiaries, the interviews highlighted that the receipt of finance was generally a prompt and straightforward process.

Consultations indicated that the programme is delivered on the basis of full cost recovery to SWIG, that is the funding provided by the StartUp Loans Company covers the full cost of managing and administering the intervention. This is important for both the sustainability of the intervention and SWIG's ability to manage and co-ordinate the local implementation.

Links to national intervention and use of best practice

The central StartUp Loans Company was not prescriptive in how local delivery was to be implemented. This allowed SWIG the flexibility to develop an appropriate implementation model for the local area. This was seen as important by local partners to ensure that the model aligned with local assets, capacities and structures, and informed the 'central management, local delivery' model that was developed given the complexity and diversity of the spatial area covered. In essence, therefore, the localisation of the policy has been in the ability to draw on existing institutions, partnerships and engagement routes, rather than in the overarching model. It has meant that the development of a 'new' local infrastructure was not required, enabling the programme to get up and running quickly.

That said, the local programme has benefited from national assets, notably referrals from the central StartUp Loans website. Less tangibly, but regarded as crucial in driving demand, has been the profile and credibility that the national scale of the programme conferred on local delivery. This level of interest and profile helped to drive demand meaning that over the pilot phase a more focused marketing and targeted effort was not required. **However, going forward with the target of 400 loans over the current financial year it is recognised that a more targeted and focused marketing effort is now needed**, particularly to improve the conversion rate from initial enquiry to loan approval.

Two other points are important. First, the feedback from local partners is that more could potentially be made in the future of the network of providers across England in terms of networking and shared learning, to promote good practice. Second, local delivery partners in the South West have experienced some challenges in working alongside national providers of the programme, taking two forms:

- the danger of *duplication* of support, where an individual is provided with pre-application support by more than one provider

- the issue of competition with national providers, where local partners 'lose' participants to national providers who offer a more streamlined and quicker customer journey, although the extent of this is challenging to quantify.

The latter issue of competition may not be a 'problem' for the programme at a national level, with the potential for competition between delivery partners to lead to improved practice. However, it was identified as a 'concern' at a local level given that payment is, in part, based on results.

4. Policy implementation

Key activities and client journey

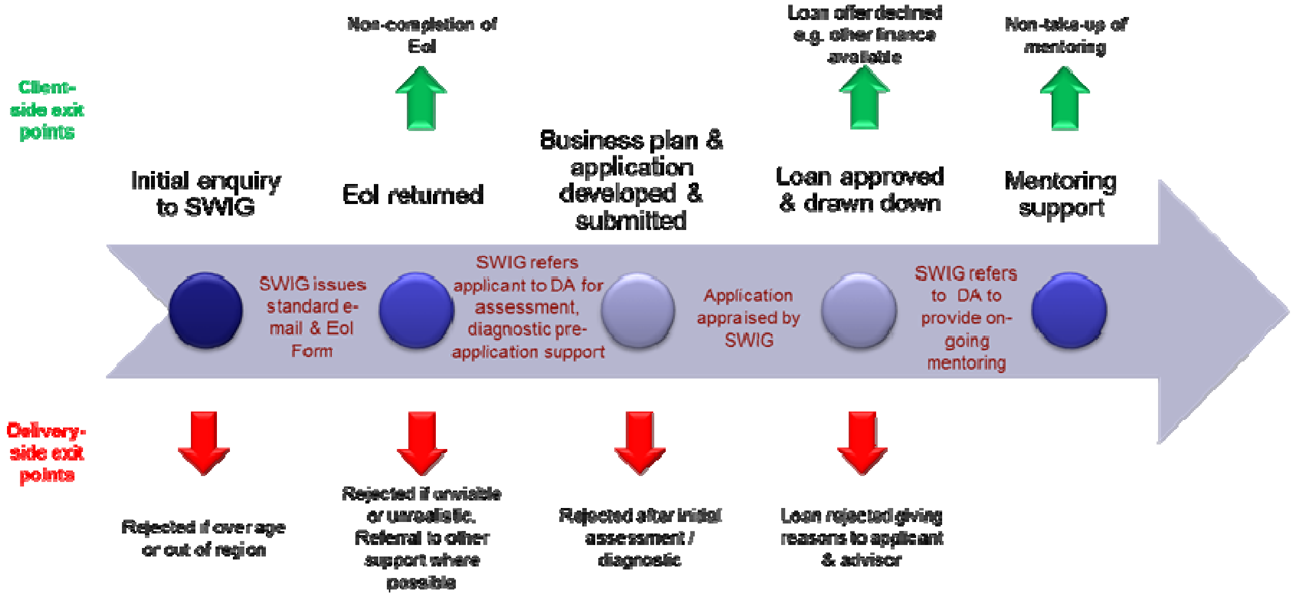
StartUp Loans in the South West provides two key forms of support to young people, consistent with the broad national model:

- **Business loans** to support the establishment of new enterprises or existing enterprises under 12 months old. To date, the average loan provided by SWIG to clients in the South West has been around £5,000.

- **Mentoring support** from an experienced business advisor/mentor. Mentoring is provided on a one-to-one basis, generally for 12 months following the draw-down of the loan, although this will vary according to the delivery agency and client needs.

The loan and mentoring are both provided following an application and assessment process. The full 'customer journey' from initial expression of interest to the mentoring stage is summarised in Figure 2. Key exit points by clients that choose not to progress, and those based on SWIG/delivery agency assessments are highlighted with the green arrows (initiated by clients/potential clients) and red arrows (initiated by delivery side) respectively. Work is currently underway by SWIG to understand in detail where, and in time why, applicants are exiting the programme across this customer journey to inform future programme delivery.

Figure 2: Customer journey



Note: DA = delivery agency

The overall customer journey has remained consistent across the pilot and main delivery period. However, the research indicated there is considerable variation in the support provided to clients at both the pre- and post-application stage. For example:

- Business West, which operates across a number of areas offer group workshop sessions in the pre-application stage as part of the separate 'Get Ready for Business programme'[5]. Similarly, applicants from the Cornwall and the Isles of Scilly area are eligible for support through the Outset programme funded by ERDF which provides entrepreneurship support including coaching and networking. This type of support may not be available to applicants from outside these areas or working with other delivery agencies.

- The extent of post-loan mentoring varies from a light-touch process delivered by some agencies (for example a single meeting every three months), to a more intensive set of support; the agreement with the StartUp Loans Company states explicitly that mentoring will vary according to different delivery agencies.

Consultations with local partners indicated that demand to date has been strong, with limited marketing activity delivered by SWIG over the pilot period. The local programme benefited from referrals from the national StartUp Loans website with the profile and national reach of the intervention regarded as important in driving demand. Indeed of the six beneficiaries interviewed, three were made aware of the programme through general web-searching/online, and two were directed to the programme by a third party (a bank and another business support programme respectively). Only one of the six beneficiaries interviewed found out about the programme as a result of information from SWIG.

However, the use of local delivery agencies, and SWIG themselves with an established presence in particular, was also regarded as important in supporting demand, with these organisations having a reported established brand recognition and trusted position in their relevant spatial area.

Although a detailed breakdown has not been undertaken at this stage, consultations indicated the following characteristics of demand of the programme to date:

- **applicant background**: a broad range from school-leavers and graduates through to more experienced (and generally, older) applicants with work experience have been reached through the programme – it was noted that demand has been stronger from men than women, this is consistent with the wider evidence for the StartUp Programme nationally (where around two-thirds of loans were secured by men over the pilot period)

- **business sector**: the focus has principally been on services businesses, notably in the more rural parts of the region where such 'lifestyle' businesses are a key source of employment; other notable sectors include creative industries and online businesses, where entry-costs are generally low, the latter two building on the strong creative and digital industries educations offer across the region in colleges and universities

- **spatially**: applications and loans have been delivered across the area covered by the programme in the South West, although delivery in Wiltshire has been more challenging owing to a less well-established business support network with no established enterprise agency or mentoring organisations.

[5] Available in Bristol, Gloucester, Swindon, Bournemouth, Weymouth & Portland, Exeter, Torbay, and Plymouth

Wider engagement in the intervention to date has been limited. Consultees noted that initial links were made with colleges and other education providers as a potential source of clients. However, to date these have not been leveraged fully. Local Enterprise Partnerships have not been directly involved in the intervention, although local partners are now looking to build on existing institutional link that do exist with the relevant LEPs to position clearly StartUp Loans as one of the key access to finance mechanisms across the South West.

Flexibility in delivery was explicitly 'designed-in' to the process by SWIG, meaning that support is delivered by organisations that know their local areas, and providing the opportunity to ensure that the support provided aligns well with client needs. This approach also meant that the StartUp Loans Programme was able to complement the existing activity of delivery agencies, and build upon their existing ways of working. Positively this meant that StartUp Loans was non-disruptive to existing business models, and has enabled quick implementation (which was an important driver from StartUp Loans centrally given challenging initial targets for the pilot period).

However, the delivery model adopted has meant that the service offer to clients has varied, and potentially that innovation in delivery has been compromised where genuinely 'new' ways of working have not been supported by the programme. This balance between innovation and delivery capacity is not unique to StartUp Loans – the case study research indicates that in this case the emphasis was placed on the latter, maximising the existing skills and experience of providers.

Delivery to date

At this stage in the delivery of the programme, consultations with both SWIG and selected delivery agencies suggested that the 'central management, local delivery' model is working well. Key enablers of delivery success include:

- the initial 'screening' process undertaken by SWIG following an enquiry, prior to a formal Expression of Interest, and allocation to a relevant delivery agency, helping to ensure only those applicants with viable and realistic ideas/plans are progressed through the system

- the use of local delivery agencies that 'know their patch' in terms of the issues facing local entrepreneurs and knowledge of the local business environment, ensuring they can provide tailored and relevant advice and support to young people in their area.

However, as noted above, the model adopted, with nine separate delivery agencies has also caused challenges. It has meant that the intervention has been something of a 'patchwork' of delivery, rather than an integrated and consistent proposition across the area. More practically, the range of partners with whom SWIG contracted led to significant management and administration time.

Three other points are important at this early stage in the delivery of the local intervention:

- First, **the integration of the StartUp Loans Programme with the 'Get Ready for Business' programme has not been without complication**. Although providing additional support and capacity for clients, it has also meant on occasion that clients referred to the 'Get Ready for Business' programme, which also provides business planning advice, access to finance support and on-going support, have subsequently not continued with the StartUp Loans Programme and not completed an application for a loan, meaning essentially that they have been 'lost' from the programme. The researchers understand that plans are now in place to address this issue.

- Second, and related to this**, there is some evidence of the StartUp Loans Programme displacing existing activity**, principally from the South West Microcredit Fund (funded by ERDF) that provides loans of up to £7,500 in the Bristol, Plymouth and Torbay areas of the South West, and to a lesser extent from the South West Loans Fund that provides loans of up to £50,000 available on commercial terms for viable growth businesses in the South West. StartUp Loans provides a more competitive interest rate than both of these other programmes. However, by contrast there is also evidence of the StartUp Loans Programme benefiting from referrals from other programmes (see box below).

- Third, **ensuring that each beneficiary has a dedicated mentor has been a challenge, given the capacity of the main delivery agencies across the spatial area**. SWIG has therefore contracted with a number of smaller private organisations to deliver mentoring activity. Partners noted that although free to the client, the cost of mentoring can be significant if it is to be done well. Ensuring that mentoring capacity is available across the spatial area is recognised as a challenge going forward.

Beneficiary journeys – case example
Beneficiary E secured a loan to develop and grow a new web-based business. The beneficiary had originally participated on the Outset programme in Cornwall (funded via ERDF) that provides a range of advice and guidance to people of all ages looking to start a business. The Outset programme signposted the beneficiary to the StartUp Loans Programme after they had not been able to source finance from mainstream providers. The firm which now employs four staff has subsequently secured additional funding from other sources to grow the business. The beneficiary stated that without the StartUp Loan "they wouldn't have progressed anywhere near as fast".

Feedback from the beneficiaries interviewed indicated that their experience of the customer journey and programme delivery to date was largely positive. All six of the beneficiaries interviewed secured a loan meaning that 'selection bias' needs to be taken into account. However, notwithstanding this, overall the process appeared to work well, although there was some variation in the pre and post-loan experiences, specifically:

- for some of the beneficiaries the pre-loan support provided by SWIG and delivery agencies was regarded as very positive and a key element of the success of the process – *one beneficiary noted "the help in applying was brilliant, having someone there was helpful in writing the business plan, and having someone there to ask questions*."

- consistent with the flexible delivery model the level of mentoring offered, or taken-up, varied very substantially across the six beneficiaries, as detailed in Table 3 below – the interviews indicated that for some beneficiaries the mentoring aspects of the programme's offer was of limited value, whereas for others it was key.

Table 3: Take-up and experience of post-loan mentoring

	Mentoring take-up	Feedback on mentoring
Beneficiary A	One meeting with the mentor since loan approval, with up to three hours available	Good quality, but would appreciate more time, stated that "a couple of hours per year is not sufficient"
Beneficiary B	Mentoring support on-going	Quality and appropriateness of the support regarded as positive
Beneficiary C	Mentor visits once per month, this will be reviewed on a periodic basis.	Mentoring valued highly, keen to retain beyond the stated two-year period
Beneficiary D	Attended a single four-hour meeting with the mentor, no evidence of an on-going relationship from the discussion	Mentoring meeting regarded as a helpful session
Beneficiary E	No evidence of take-up of mentoring activity from the interview	N/A
Beneficiary F	No evidence of take-up of mentoring activity from the interview	N/A

5. Policy effectiveness

Benefits and impact

By the end of March 2013, some six months into delivery, 55 loans had been approved by SWIG, at a total value of around £315,000. The programme has therefore provided the opportunity for young people to start businesses that, from the perspective of delivery partners, would not otherwise have been possible.

This role was tested in interviews with beneficiaries. As summarised in Table 4, there was evidence, albeit from a limited sample, that **the programme has indeed supported the creation of businesses that would not otherwise have been progressed**. At an individual level the self-reported 'additionality' of StartUp Loans – that is, the role of the programme in generating benefits that would otherwise not have been created – was 'high'.

Table 4: Self-reported additionality of the StartUp Loan for beneficiaries

	Role of the StartUp Loan	Level of additionality
Beneficiary A	SUL brought forward business start, enabling the business to become viable in the short-term and operate over the peak summer period. Without the loan, establishment would have been delayed reducing potential for survival over the longer-term	*High*
Beneficiary B	StartUp Loan accelerated business growth and development	*Medium*
Beneficiary C	StartUp Loan brought forward business start and development, by an estimated 12 months	*Medium*
Beneficiary D	Firm establishment would not have taken place without the StartUp Loan	*High*
Beneficiary E	SUL accelerated business growth and development	*Medium*
Beneficiary F	Firm establishment would not have taken place without the StartUp Loan	*High*

The interviews with beneficiaries identified that for **four of the six beneficiaries the effect of StartUp Loans was to accelerate or bring forward business creation and development**; that is, the business would have been created, or grown, without the programme in any case, but this would have been later, or its growth would have been slower. In the absence of StartUp Loans, for two beneficiaries the business would not have been established at all.

For most of the beneficiaries interviewed, it was the financial element of the programme that was key, with the StartUp Loans finance essential to the establishment or growth of the business. However, one beneficiary stated that the mentoring support was the most useful element of the programme (see box below).

Beneficiary journeys – case example

Beneficiary C secured a £5,000 loan from StartUp Loans to establish a web-based business; they had originally sought support from mainstream finance providers but the lack of a credit history meant that they were rejected.

Alongside the loan, Beneficiary C was provided with a business mentor who has provided regular support over the first few months of the loan period. The support provided by the mentor was valued highly by the beneficiary, with the practical business experience of the mentor regarded as a key success. Beneficiary C stated that the financial support from StartUp loans was important and helped to accelerate the growth of the business by around a year, enabling the business to move from the individual's home to an office, and support the recruitment of new staff. However, it was the mentoring support that was arguably more important, with the beneficiary stating that they would not be where they are today without the mentor's support as they did not know anyone with business experience to talk to for advice and guidance. The firm supported by StartUp Loans now employs five staff in the UK and overseas.

In all cases the interviews identified that it was the direct effects of the programme on starting and/or growing a business that was the principal benefit of StartUp Loans at this early stage – wider effects related to self-confidence or other effects were not identified. However, all six beneficiaries would recommend, or have recommended the programme to others.

Consultations with local partners indicated that wider benefits of the intervention to date include:

- **Supporting employment and economic activity in at risk communities** – the spatial area covered by the programme in the South West is large and diverse. It contains a mixture of communities, including rural and urban areas that have high levels of multiple deprivation and economic challenge. Consultations indicated that the programme is providing an important alternative route to employment and economic activity for young people in these areas, largely in local service sectors.

- **Enhanced recognition of enterprise as a viable option for young people** – the programme is supporting the development of a culture where enterprise and self-employment is regarded as possible and a viable route, both for those direct beneficiaries of the programme and more widely in their peer groups. As one consultee noted, the programme is 'breaking down barriers to enterprise'.

- **Strategically, the development of new partnerships amongst enterprise and economic development agencies across the South West** – the programme has developed links between partners that had not previously worked together, helping to develop new networks and building experience and capacity of working in a multiagency setting. This should provide a 'legacy' for the programme notwithstanding the future contractual and implementation arrangements following the current contract period.

Although this has yet to emerge, it was also noted that the programme has the potential to operate as an initial step in a pathway of support as firms grow and develop, with firms supported by StartUp Loans in time graduating to other support mechanisms operating locally, including the South West Loans Fund. The delivery model adopted will facilitate cross-referrals to other provision managed by SWIG and delivery agencies.

Value for money

At this early stage in the delivery of StartUp Loans in the South West, and indeed nationally, it is not possible to comment on value for money. Value for money will depend on a number of factors including levels of loan re-payment, business survival rates, and a robust assessment of the 'net' effects of the programme taking into account the counterfactual i.e. what would have happened in 'any case' without the programme.

Future of the policy intervention

SWIG's contract to deliver the StartUp Loans Programme in the South West runs to the end of the 2013/14 financial year only. However, as evidenced through the recent recruitment drive to build capacity at SWIG, the intention is that the programme is delivered over the longer-term through the model that has been developed.

In May 2013 it was announced that the age-cap on StartUp Loans will be removed, with the programme to be open to all individuals over the age of 18 with a business idea. Delivery of the extension to the age range will be subject to a separate commissioning process.

Evaluation and monitoring systems

Local Delivery Partners of StartUp Loans are required to report on a regular basis to the StartUp Loans Company on progress in terms of loans approved, funding drawn down and a range of other performance measures. A new national CRM system was implemented in April 2013 following the initial pilot period.

SWIG has their own database management system, which records relevant information, with key details logged onto the system on receipt of an initial expression. SWIG, rather than delivery agencies, leads on the monitoring of loan performance, although where any re-payments are missed it may engage with the relevant mentor in the first instance to identify any reasons/explanations.

At this stage there are no formal plans in place for a locally-specific evaluation of StartUp Loans in the South West. The focus to date has been on ensuring effective delivery and implementation. There is no formal requirement for a local evaluation – with a national evaluation of StartUp Loans to be progressed. The key imperative for local partners is that this national study provides a spatially disaggregated assessment to enable understanding of what works in different places, and why. That said, a local evaluation was not ruled out and may be considered in the future.

6. Lessons learned and policy messages

Key successes or drivers of success for the activity

At this stage in the delivery of the programme, key factors behind the progress to date identified by local partners were:

- **Flexibility in design and delivery of the localised interventions** – although a national programme, local partners were provided with significant freedom in the design of the implementation model. This flexibility was used to manage the delivery of the 'new' intervention through established networks and ways of working employed in the South West, and enabled the programme to align with other schemes, notably the Get Ready for Business programme.

- **Simplicity and accessibility in the programme's delivery** – related to the flexibility afforded to local partners, StartUp Loans has operated as a relatively straightforward mechanism, for both those delivering the intervention and those in receipt of support. This is particularly the case relative to other business support interventions. This simplicity allowed the intervention to 'hit the ground running'.

- **The use of agencies and organisations with local knowledge and capacity** that can respond to client needs and requirements, although this has meant that the support provided has been different across the area, which whilst providing an important localised flavour to delivery of a national scheme, has also militated against genuine partnership working and learning – consultations suggest that to date there has been limited engagement between the providers in delivering the programme. Arguably more could be done in the future to better leverage the benefits of the understanding generated by partners in how to effectively deliver both the pre- and post-loan support aspects of the programme.

The initial pilot period also identified that having delivery capacity is key, with SWIG now looking to develop its capacity on marketing, administration and lead management to ensure that it is able to cope with the expected demand and its stretching targets. The additional capacity will also enable SWIG to better understand the customer journey, and notably when and why applicants are leaving the programme, to inform future delivery.

Specific conditions in the operational context for the activity

In considering the importance of specific local factors in the success to date of the intervention it is important to recognise the varied contexts – economic, spatial, and social – in which the programme has operated, from remote rural communities where land-based industries and local services dominate, to inner-city locations with both high levels of deprivation and major economic assets, and coastal areas with strong tourism and visitor economy sectors.

However, across this diversity, **local assets and infrastructures were important to ensure localised delivery, within the context of a national programme**. The established presence of SWIG (and the former Bristol Enterprise Development Fund) also appear to have been important.

Evidence of innovation

The provision of loans and mentoring support to young people is, as recognised by local partners, a well-understood and established support mechanism. Indeed, the StartUp Loans Programme nationally drew on the work of the Enterprise Programme run by The Prince's Trust. Although content-wise, the programme is not inherently innovative, **the delivery model adopted in the South West was regarded as new and innovative for the area**, with new relationships established between business support providers and enterprise agencies.

As noted above, a key factor in the perceived success of the programme to date has been leveraging the knowledge and capacity of the existing business support infrastructure; where enterprise agencies have been present delivery has been easier. The corollary is that where such agencies have not been in place, less has been achieved. As such, **whilst the overall 'central management, local delivery' may be replicable elsewhere it does rely heavily on an existing organisational infrastructure.**

Summary of key lessons

- The programme has benefited from being accessible and easily communicable to clients, and straightforward for delivery partners; maintaining a tight management and monitoring regime will be important going forward.

- Capacity matters, for administration, management, marketing and monitoring with appropriate levels of dedicated resource necessary. Even a relatively straightforward programme requires appropriate staffing levels to ensure that delivery is not compromised.

- Flexibility in the implementation model was important, enabling partners in the South West to design the programme to best align with the geographical and institutional context of the region. The only prescriptive element was that the support provided had to meet with central requirements in terms of 'wrap-around' support at both pre- and post-loan.

- The delivery model highlighted the importance of existing infrastructure to deliver leads and work with clients – where these have been evidence progress has been stronger, highlighting the importance of local enterprise agencies and networks in facilitating effective business support.

- The localised intervention has largely complemented the existing activity of delivery agencies, and built upon their existing ways of working. As such, StartUp Loans was non-disruptive to existing business models, and effective implementation was facilitated. However, the potential for delivery innovation, and the opportunity for consistency in delivery, and learning across providers, was therefore reduced.

- Some displacement of activity from existing initiatives is evident. In developing new programmes there is a need to ensure that how they will align with existing activity. Arguably, localised delivery of interventions provides a vehicle for addressing such competition (and indeed complementarities).

- A *'central management, local delivery'* model has both positives and negatives. It ensures that delivery is provided by agencies and organisations that know the local area and can provided tailored support. However, it can confer significant variation in delivery, and time and resource in management.

- The support provided to applicants, both pre- and post-loan approval was important. Indeed, for some beneficiaries, the mentoring support and guidance can be as important, if not more so, than financial support in promoting entrepreneurship amongst young people.

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