

Securing Fund Flows – access the appropriate sources

The funding landscape in the West Midlands

Patrick Palmer

Head of Access to Finance

Advantage West Midlands

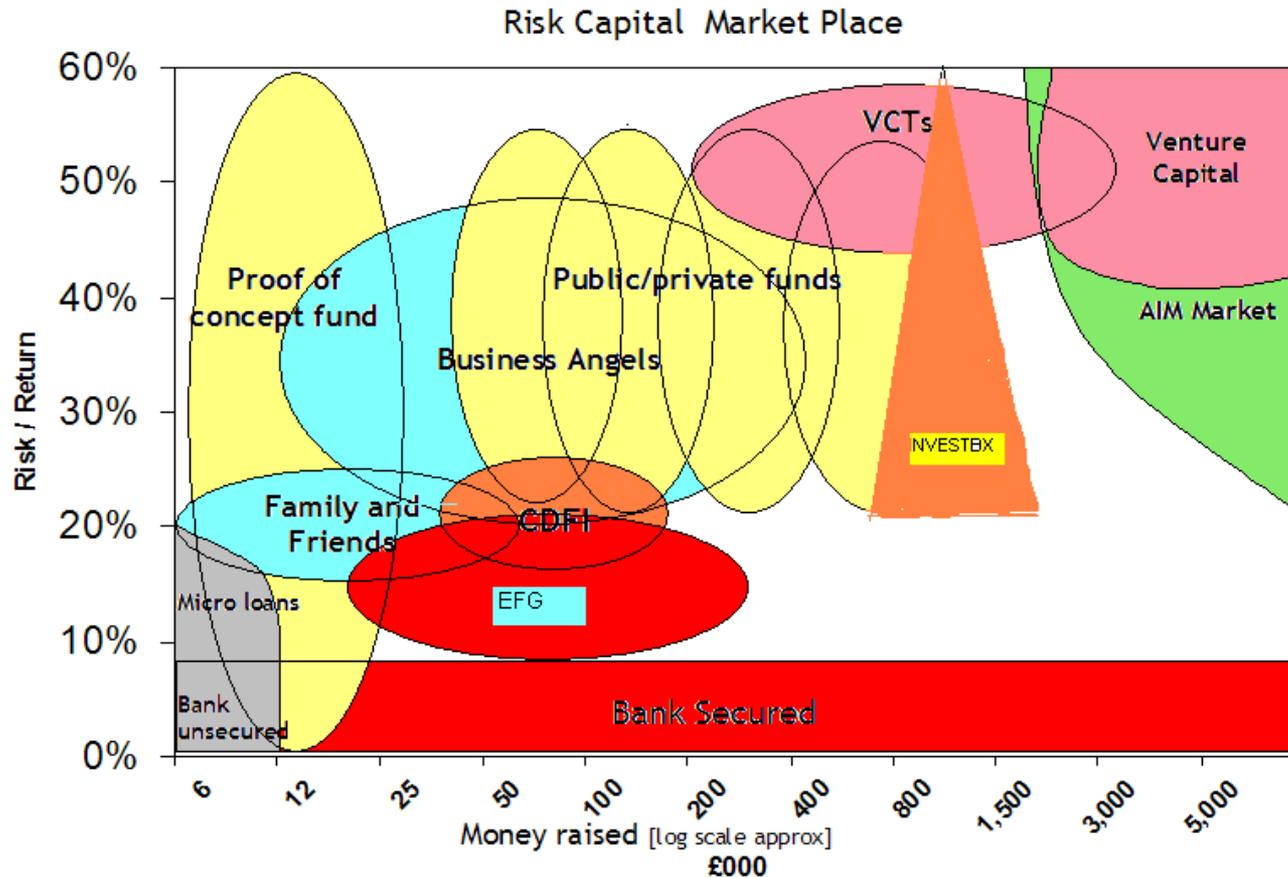
What finance does a business need?

- Permanent capital
 - Share capital “Equity investment”
- Longer term borrowing for capital investment
 - Mortgage, term loan, HP, Finance lease
- Working capital for shorter term financing needs
 - Overdraft
 - Invoice discounting / factoring
 - Trade credit and terms of trade
- Risk money for research and development, etc

The balance between these is determined by the business plan, the nature of the business, the nature of the project, what the funding will be spent on, the financial projections, the risk profile, etc

Where there is “market failure”, private sector sources may be complemented by public sector interventions.

Market failure and finance gaps



Overview of publicly supported finance options in the West Midlands

- Equity/venture capital;
- Guaranteed bank loans
- Other loans;
- Grants for capital investment;
- Grants to encourage R & D and Innovation (incl Tax Credits);
- Deferral of tax payments to HMRC
- Information, advice, healthchecks and specialist business support;
- Recession specific information/support – see www.supportwm.co.uk
- See more details see www.advantagewm.co.uk/what-we-do/helping-business/finance-for-business.aspx;
www.westmidlandsfinance.com

Equity / Venture Capital

- Cash provided in exchange for a share in the business. Generally uses a combination of **shares** and **mezzanine finance**. Investment can come through:
 - **Business Angel networks for businesses** seeking £25k+;
 - **Investbx** (www.investbx.com) –links businesses with high net worth investors, enabling SMEs to raise up to £1.5m capital for growth in exchange for shares;
 - **Regional venture capital funds** which are publicly supported and can invest between £50k and £1m (increasing to £2m with co-investment) - details at www.advantagewm.co.uk – click on “Finance for Business”;
 - **National Enterprise Capital Funds and the Capital for Enterprise Funds** which are publicly supported and invest up to £2m - <http://www.capitalforenterprise.gov.uk/>.

Guaranteed Bank Loans

- **Enterprise Finance Guarantee**
 - 75% guarantee of bank borrowings between £1,000 and £1,000,000;
 - Eligible businesses are Small and Medium Sized Enterprises with turnover up to £25 million;
 - Guarantee premium of 2%, but with potential for a premium rebate;
 - Available via main banks and number of other lenders
- **Automotive Assistance Programme**
 - Similar level of guarantee, but for larger automotive companies carrying out projects of over £5 million in value.

Other loans – what if the bank says “no”

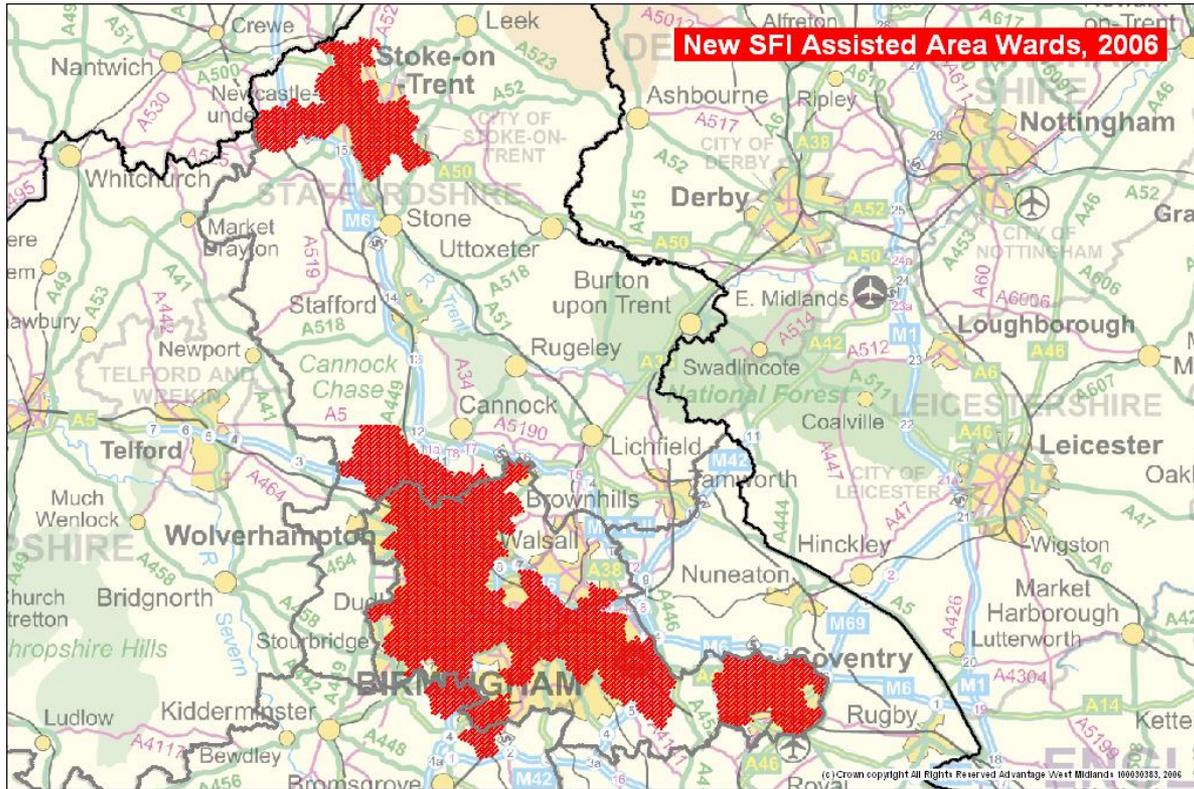
- Alternative lenders can make loans to businesses with viable business plans which cannot secure all the funding they need from mainstream finance providers.
 - Up to £50,000 - members of the **Fair Finance Consortium** (www.fair-finance.net) . In 2008/9 these lent £4.820m to 296 businesses. This includes Coventry and Warwickshire Reinvestment Trust
 - Small loans to young people (up to 30 years old) - The **Princes Trust**. In 2008/09 it made 465 loans totaling £1.293m
 - Between £50,000 and £250,000 – New **regional mezzanine fund** to be launched shortly
 - £250,000 - £2 million – Capital for Enterprise Fund <http://www.capitalforenterprise.gov.uk/>.
 - For businesses paying rates to Birmingham City Council, the Birmingham City Council Business Loan Fund can provide loans of between £100,000 and £1 million – contact Investbx on 0121 233 4903

Grant for Capital Investment

Grant for Business Investment (GBI)

- A **grant** of £10,000 upwards to a business to help fund **new investment projects** that lead to **long term improvements in productivity, skills and employment**;
- Grant is minimum required to enable the project to go ahead, but cannot exceed specified % of capital expenditure (between 10% and 35%, depending on size and location);
- Business and project have to be viable and bring benefits to the regional and national economy;
- GBI is available **throughout the West Midlands for Small and Medium Sized Enterprises (SMEs)**, but to larger companies in “Tier 2” areas only;
- In 2008/09 £12.68 million offered to 105 businesses;
- Applications to AWM (www.advantagewm.co.uk);
- Turnround approx 30 days from receipt of complete application.

Grant for Business Investment – “Tier 2 Areas”



Leading the
West Midlands
towards greater
economic prosperity



www.advantagewm.co.uk

Grants to encourage R&D and Innovation

- **Grant for Research and Development -**
www.advantagewm.co.uk/grd
 - Objective – to encourage SMEs (including individuals) to undertake technologically innovative R&D by providing grant subsidy;
 - Available to SMEs throughout the West Midlands;
 - Grant ranges from 35% to 60% depending on size of business and stage of expenditure supported;
 - Applications to AWM;
 - Turnaround approx 45 days from receipt of complete application;
 - 26 offers of grant totalling £2.24m in 2008/9.

Grants to encourage R&D and Innovation

- **Index Voucher Scheme** - £3,000 support coordinated through Aston University – www.indexvouchers.org
- **Innovation Networks** – Revenue grants of up to £10,000 or capital grants of up to £15,000. Grant is 50% of relevant project expenditure – www.2wm.co.uk/innovation-networks
- **R&D Tax Credits**
 - These can either reduce a company's tax bill or, for some small or medium sized companies, provide a cash sum;
 - Gives enhanced deduction for R & D expenditure – 175% for SMEs and 130% for large companies;
 - <http://www.hmrc.gov.uk/randd/>

Deferral of payments to HMRC

- **HMRC's Business Payment Support Service** may allow businesses to spread payment of tax and NI liabilities over a period whilst temporary cash flow difficulties are resolved;
- Also allows current year losses to be offset early against prior years' profits;
- Contact point is the Business Payment Support Service – 0845 302 1435 or www.hmrc.gov.uk/pbr2008/business-payment.htm.

Other sources of finance

Rural Development Programme for England

- A grant scheme for land based businesses (farmers, growers, etc), rural tourism organisations and other small rural businesses.
- **Delivered through a number of activities:**
 - Rural Capital Grant Schemes,
 - Strategic Investment Grants;
 - Action Plans.
- **More information at** www.advantagewm.co.uk/working-with-us/rdpe/default.aspx

Carbon Trust

- Interest-free loans worth up to £200,000 in order to buy new energy efficient equipment, such as new boilers or air conditioning systems.
- Further information about the Energy Efficiency Loans is at <http://www.carbontrust.co.uk/energy/takingaction/about-loans.htm>

Information, advice and support

- General business advice, information, healthchecks and support (including the “Access to Finance” programme) available through **Business Link West Midlands**:
 - 0845 113 1234
 - or
 - www.businesslinkwm.co.uk
- Search engine for sources of finance (public and private):
www.westmidlandsfinance.com
- Specific information of real help for individuals and businesses facing problems with the economic downturn www.supportwm.co.uk