



**LIVERPOOL  
CITY REGION**  
COMBINED AUTHORITY

**METROMAYOR**  
LIVERPOOL CITY REGION

# LIVERPOOL CITY REGION BUSINESS SUPPORT POLICY FRAMEWORK

## **LIVERPOOL CITY REGION BUSINESS SUPPORT POLICY FRAMEWORK**

### **PURPOSE**

**In a time of uncertainty and a changing policy landscape, the Combined Authority and its key stakeholders require an agreed and consistent policy position in relation to Business Support - including links to innovation and skills - to provide the foundations for local conversations, investments, and effective dialogue with Government. This is particularly important as we deliver the strategic objectives in the LCR Plan for Prosperity, which include supporting an inclusive economy, net zero ambitions, and strengthening our place within a globalised world.**

**The Policy Framework has two main purposes: first, to provide an evidence led framework for the Combined Authority's investment priorities and second, to provide the basis for an agreed approach among City Region stakeholders to business support.**

### **INTRODUCTION**

The City Region business, innovation and skills eco systems are wide ranging and in part extremely complex, with public sector business support programmes developed and refined through a number of years. These are augmented by a wide range of private sector, academia and social economy support programmes, which are often addressing a particular market segment and/or business need.

The establishment of the Local Growth Hub and the Growth Platform has helped simplify parts of the core business eco system around start-ups and support for SMEs, supported in the main by ERDF and BEIS funding sources. A third element, the Enterprise Hub, has delivered dedicated start-up and business support for under-represented groups such as women and BAME among others within the core business eco system. At the same time, a range of other public sources of funding have enabled partners to seek funding for specialist business **and** innovation projects, lately also through the Combined Authority. Many funding opportunities are not locally controlled but allow local partners to augment the business support offer, particularly in relation to innovation, R&D and sector specific opportunities.

Consequently, there is a (perceived) lack of clarity and connectivity across the business, innovation and skills eco systems, for entrepreneurs and established businesses as well as for providers and funders. This policy document sets out the principles which should govern the LCR (Liverpool City Region) business support eco system, including basic metrics, collaboration, proactive linkages between business,

innovation, skills and the supporting infrastructure to support our vision for net zero, social value and good growth.

## **WHAT DO WE MEAN BY THE BUSINESS ECO SYSTEM?**

Underpinning a successful and resilient local economy are a number of inter-related business, innovation and skills ecosystems which relates to entrepreneurs and existing businesses. For the purposes of this policy framework, the Business Ecosystem is defined as the structures (public, private, 3<sup>rd</sup> sector, academia, etc) which support entrepreneurship, enterprise, innovation and good growth so that businesses can establish, grow and flourish in the Liverpool City Region.

The following principles underpin any eco system: a degree of openness (i.e. participants will change over time), engagement of multiple partners, provision of exchange of benefit to both eco system partners and businesses, using different methods of engagement (digital, face to face), clarity of roles and ensuring that there are sufficient incentives for the different elements to collaborate.

The current business support eco system delivers the core business support delivery, which enables entrepreneurs, start-ups and businesses to access place based support while also enabling access to other ecosystems covering infrastructure, skills, specialist business and innovation programmes. At its most successful, a business ecosystem is characterised by open collaboration between public, private, academia and third sectors, focused on business needs including growth, innovation and employment opportunities.

Going forward, the business ecosystem will need to balance, enhance and support entrepreneurial opportunity and good business growth with an 'innovation first' approach to meet LCR ambitions for economic, social and environmental resilience, meeting the needs of its diverse communities and businesses across all sectors.

## **STRATEGIC STAKEHOLDER DISCUSSION ON CHALLENGES AND STRENGTHS**

To support the strategic discussion with local partners, the Combined Authority initiated an evidence gathering process across the entire business landscape to identify challenges and strengths. A detailed evidence pack was produced and shared with local partners. Six facilitated workshops were held to verify the evidence and the conclusions, as well as highlight gaps and opportunities.

The outcome of this exercise has supported the development of this agreed business support policy document which provides the framework for a collaborative approach to the design of the LCR business ecosystem and a single narrative for LCR priorities.

## LCR BUSINESS BASE: CHALLENGES AND OPPORTUNITIES

The evidence base highlighted four key challenges:

- Business base is too small: Liverpool City Region has the third lowest business density of all CA/LEP areas although business start-up rates are high. Therefore, there are opportunities for growth, if low survival rates (53% at 3 years) can be reversed.
- Business growth rates are too low with too few high growth businesses if looked at through the lens of spin outs/tech/innovative start-ups/businesses. There are opportunities to develop support for businesses in all sectors to realise growth (turnover and jobs), innovation and export ambitions to increase business growth rates.
- LCR does not currently have the right infrastructure for growth but has a unique opportunity to develop an integrated offer across skills, innovation/technology, sites/premises **and** access to external finance.
- Needs of the Social Economy (including social enterprises/Socially Trading Organisations) are not always fully met by existing business support.

Key stakeholder messages included:

- Need to be mindful of opportunities for growth and innovation across all sectors of the economy and not focus only on high growth/innovation led businesses – there is agreement that all businesses have a role to play in terms of innovation, be that new products, processes and services, digitalisation, (re)skilling, new markets etc, to support the creation of new jobs, unlock opportunities and meet our ambitions.
- Business support is City Region wide, and places should be supported to deliver the core (or universal) business support tailored to local needs and opportunities, while at the same time enable easy and flexible access to specialist/innovation/skills support at a time when businesses need this – clarity, flexibility, better information and dedicated trained staff are key as is the ability to support all businesses in local places to create and sustain resilient and inclusive local economies.
- Focus on embedding links between business and innovation to enable entrepreneurs and businesses to access seamless support – ensuring that core place based and specialist business/innovation support are not separate but deliver different benefits to businesses at distinct stages of their life cycle; the key is to anchor entrepreneurs and businesses in local places.
- Skills and employment support are critical to foster entrepreneurship, support all businesses to grow and create more local employment.
- Entrepreneurship is a critical underpinning element which will require support from within the skills and education systems.
- Critical to learn lessons from current business support, particularly ERDF and Combined Authority funded activities, but also other places and targeted provision.

On the whole partners agreed with the conclusions from the evidence base and added valuable insights to make the evidence base more nuanced.

All stakeholders agreed that the City Region has a unique opportunity to refocus and reshape business support to meet challenges and deliver opportunities for good business growth (output, turnover, GVA and employment), productivity, and employment, taking account of market segmentation, understanding of business growth/life cycles, a more diverse landscape of entrepreneurship and better integration between skills, business support and innovation support.

There was also a thread running through the feedback that the City Region economy cannot become more resilient and inclusive if the focus is only on high growth, innovative companies, spin outs and growth sectors. Businesses and growth (employment, turnover, new markets, etc) across and within the foundational economy, tradeable services and existing manufacturing companies are equally important if the City Region is to deliver on its ambitions regarding 'innovation first', more local employment opportunities and inclusive growth. What matters is a larger economy overall with more connectivity between and within economic sectors.

This will also need to be connected to the wider enabling infrastructure, including sites and premises, again linked to business requirements moving through the business lifecycle of start-up, growth and expansion.

## **CURRENT FUNDING LANDSCAPE IS CHANGING**

The main public funders in the City Region for business and innovation support currently are the UK government, the European Structural and Investment Funds and the Combined Authority.

Over the last 7-8 years, the majority of revenue funding for business support has come from the European Regional Development Fund and central government via the Local Growth Hubs. Partners decided in 2015 to focus most of the ERDF allocation on support for businesses, through the core place based business support offer and through specialist/innovation/sector support, focused on identified growth sectors and innovation strengths. A total of £106m ERDF has been invested in supporting LCR businesses to start, grow, and develop new products and services and export through both revenue and capital funding. Of this, £29m has been approved for the core place based business support ecosystem.

In total, over 7,800 businesses have been supported, creating 6,225 new jobs, and 1,200 businesses have been supported to develop new products, processes and services. A total of 15 business and innovation support projects, delivered by public, private, HE and third sector partners, will continue to deliver direct support to entrepreneurs and businesses until the end September 2023 and will deliver support across all six local authorities. Likewise, ESF has supported residents accessing new opportunities, training and education.

One significant funder of business capital, the British Business Bank, through the Northern Powerhouse Investment Fund, delivers opportunities for Liverpool City Region's businesses to access growth capital, and has been the beneficiary of significant ERDF resources, which are likely to increase during 2023. The City Region is beginning to address the gap around access to finance (readiness and capital) through dedicated vehicles including Kindred, the LCR Finance Hub and an Angel Network but the relationship with BBB will continue to be important and should be prioritised to deliver easier routes for City Region businesses as the UK government see this vehicle as the main publicly funded avenue for growth capital.

Over the last couple of years, the Combined Authority has also provided a significant amount of support to more specialist business and innovation support. Examples include Kindred (Socially Trading Organisations), Future Innovation Fund, Flexible Growth Fund, LCR Ventures (now Lyva Labs) and the LCR Finance Hub. The Combined Authority also delivers loans for sites and premises and low carbon through the Chrysalis and Urban Development Fund, both of which are funded via ERDF and currently managed externally.

The UKSPF will provide an opportunity to design and commission LCR focused investments to support local businesses and entrepreneurs. Given the scale of funding over the next 3 years, any funding will have to be aligned to the missions identified in the UKSPF Prospectus and the Levelling Up White Paper. The Combined Authority has been designated as the Lead Local Authority, responsible for the development of the Investment Plan which will unlock the City Region allocation. The City Region will also need to work closely with government with the aim to unlock further national resources to support our ambitions for innovation, good growth and social value.

## **THE ROLE OF THE PUBLIC SECTOR**

The public sector has three interlinked roles to play in supporting its business base to be more resilient, grow, innovate and create good jobs for local residents. As funding reduces, the City Region needs to be smarter in leveraging the role of the public sector to support businesses and generate opportunities.

- Simplify and Strengthen the Business and Innovation System through a collaborative approach and funding for the core and specialist business support offer, based on evidence, analysis and gaps. Appendix 1 sets out a list of core components.
- A driver of innovation, working with the private sector, academia, R&D/innovation organisations and residents to develop new products and services, deliver productivity gains and support jobs. This role of the public sector as a vital underpinning of opportunities has so far been less visible in relation to business growth, but increasingly needs to be, particularly if the City Region is to achieve it

ambition of the equivalent of 5% GVA investment in R&D by 2030 – as set out in the Plan for Prosperity and LCR Innovation Prospectus.

- A major purchaser of goods and services, which can help to create and generate social value, local jobs with fair employment conditions to support resilience. Community Wealth Building will be a key component which could also lead to new business start-ups. Public purchasing can also provide a significant market for local businesses.

## **BUSINESS ECO SYSTEM DESIGN PRINCIPLES AND PRIORITIES**

The Plan for Prosperity provides the high level economic analysis for the City Region and focuses on an inclusive economy, net zero and innovation. From this follows that there are six fundamental elements which together will create and sustain a well-functioning, collaborative business and innovation support ecosystem for the City Region going forward:

1. An LCR wide Core Place Based Business Support Delivery Infrastructure supported by adequate public funds - i.e. revenue costs for teams delivering the core place based business support offer. The funding for this is likely to be predominantly central government led and the UKSPF will also play a major role. Going forward, the LCR Core Place Based Business Ecosystem will need to be re-shaped collaboratively between government, the Combined Authority, the local authorities and relevant business support organisations. It will need to have regard to the national business support offer so that duplication is avoided, and scarce local resources (if desired) could be used to augment and fill gaps in the national offer. Critically, the Core Place Based Business Support Delivery Infrastructure needs to be better able to interact with other overlapping ecosystems, including City Region wide specialist business support, innovation and skills, to enable businesses to innovate, adopt new technologies, develop new products, services and processes, and (re)skill employees.

The core place based business support offer has to be integrated and pragmatic as well as agile and flexible, delivering a City Region wide defined local business support offer, which supports entrepreneurs and existing businesses. A universal brokerage offer is critical in reaching large volume of businesses, but delivery models should be reviewed to increase effectiveness and efficiency so that it is focused on outcomes and impact. Crucially, this offer should, as now, be the main point of contact for local businesses but also tasked with referrals to innovation, skills, sites/premises and sector-based offers which will be likely to be City Region wide to benefit from economies of scale.

However, the City Region must not lose sight of the need to have locally rooted businesses which will provide most of the employment in local places; these will span all sectors of the local economy, be it manufacturing, digital, foundational economy, and services sector businesses. What matters is that they provide good employment, are resilient and responding to the Net Zero and digitalisation

challenges. The core place based delivery infrastructure should therefore also deliver a Key Account Management (KAM) function with their locally significant businesses, be they a start-up or an existing business, which could be supported to grow turnover and jobs, through a more dedicated longer-term support.

2. Sitting around the Core Place Based Business Support Offer should be easily accessible Specialist City Region Business and Innovation Offers as well as Skills Support, some of which will be funded by locally controlled funds through the Combined Authority, including potentially the UKSPF. These are likely to be more mission led to deliver the government led agenda set out in the Levelling Up White Paper. In other words, carrying forward the status quo is not an option, as it will not provide the best business support offer in light of the current evidence base, nor will the funding be available. There needs to be a much sharper focus on maximising impact whilst delivering on inclusive economy, fair employment, and net zero objectives as well as building on the best practice from current business support in the City Region and further afield.

Given the likelihood of scarce resources, the focus will need to be on clearly evidenced market failure as well as achieving economies of scale in delivery of a specialist City Region wide offer, based on the economic strengths and/or gaps identified within the Plan for Prosperity and the business evidence base. Examples would be incubators, sector specific support, dedicated commercialisation activities, development of LCR supply chains based around globally significant companies bases in the City Region (pharma, maritime, glass are examples), support for social enterprises, and specialist start-up support for innovation-based businesses and under-represented groups including BAME, women and graduates.

There also needs to be further focus on how the City Region's strengths in sectors including life sciences, health, AI, advanced manufacturing and tech could be harnessed to develop much stronger economic clusters rather than focused on a single innovation asset. We are beginning to see this coalescing around Glass Futures, the maritime/logistics sector and vaccine manufacturing. Business growth in the future is likely to be less fixed in a traditional sector and much more likely to thrive within clusters of sector specific expertise but including digitalisation, net zero transition, tailored professional and financial services and access to finance. Robust supply chains, exporting, increasing FDI (Foreign Direct Investment) and sites and premises (especially space for expansion) will be critical components. Lyva Labs and LCR Holistic are both delivering a model for this, which could be replicated in other sector strengths such as maritime, logistics, energy/net zero and advanced manufacturing.

A key design element is how collaboration between a Specialist Offer and the Core Place Based Business Support Offer will be incentivised (including sharing information about what support has been given to a business entity as a minimum) to ensure that the needs of businesses and entrepreneurs are central to delivery.



3. A further design principle needs to be the active promotion and delivery of integration between business support, skills and employment support and innovation support. Entrepreneurs and businesses will need different types of support at distinct stages of the life cycle and the Core Place Based Business Support Offer should maintain an on-going relationship with local businesses to anchor those within their local economies. Sharing of information will be critical as is a focus on simplifying access to different offers.

This idea of integration is reflected within the Plan for Prosperity, which sets out clearly the need to generate opportunities across the City Region and across the entire business base, and to enable an 'innovation first' culture. Fundamentally, business and innovation support need to drive both turnover and employment growth within the City Region's businesses. Support for individuals to develop enterprise skills should be part of the skills/employment ecosystem rather than business support.

Digitalisation, net zero and innovation (products, services and processes) are critical to **all** businesses and to creating a more robust and resilient City Region economy, which generates and sustains businesses as well as create more jobs. Some support related to the broader aspects will be available to all businesses, but the more specialist product/offer would be City Region wide, able to exploit economies of scale, but with clear targets for interaction with the Core Place Based Business Support Eco System so that all business can access the right support at the right time.

4. Growth in turnover and jobs: there is a perceived tension within business and innovation support between turnover growth (often resulting from innovation-based growth) and job creation (often equated with the foundational economy) with the former being 'good' and therefore the main focus of business support.

This is a false dichotomy, and the City Region economy will need **both** as it needs a bigger business base and local economy with more good quality jobs for local residents. Many of these businesses will be part of the foundational and/or services sectors, both of which support the majority of jobs in the City Region. The business and innovation ecosystem should also focus on strengthening and supporting the development of clusters around LCR innovation strengths and opportunity so that leakages out of the region is reduced.

The sweet spot is of course, investments which deliver both across all businesses be they in the public, private or 3<sup>rd</sup> sector. Focus needs to be on interventions which support the resilience of local economies through innovation, social value and net zero activities, sometimes led by large companies setting out challenges to its supply chain, sometimes through public sector led innovation and sometimes through adapting new principles such as social value.

Raising aspirations and supporting existing entrepreneurs and businesses to realise their (latent) growth ambitions will also be important to increase longer term survival rates. By linking the business, innovation and skills ecosystems through

pro-active collaboration across the public, private, academia/R&D and third sector, the City Region economy is more likely to be able to meet the challenges outlined in the evidence base.

The business support delivery structure needs to actively promote equality, diversity and take an inclusive approach to ensure that no-one and no place is left behind in both the core and specialist business support. Conversely, there will need to be better linkages between employment and business support to foster both enterprise skills and business growth.

5. Much closer attention to the business lifecycle (entrepreneurs/start-ups, early stage/mature businesses) in the design of business support, both for Core Place Based Business and Specialist Business Support, will be required. LCR has a high rate of start-up businesses, but 3-year survival rates are poor, which in turn perpetuates the weaknesses of the LCR economy.

The Core Place Based Business Support Ecosystem will not – nor should it - have the resources and/or expertise to deliver support across the full lifecycle of a business and the brokerage to specialist support becomes a critical element to achieve longer term growth (i.e. turnover, employment, GVA, etc). What matters, is the needs of the business: any business can benefit from peer to peer/mentoring, but these will range from place based networks to highly specialist networks, the latter of which will require a single City Region wide delivery focus: peer to peer network for life sciences start-ups/businesses will require access to global networks which cannot be delivered through the core place based business support offer.

From a place based perspective, local businesses in any sector which grow and employ more local residents are vital to the resilience of that local economy. This needs to be balanced with a more specialist offer to business start-ups and growth in existing businesses across LCR growth sectors which operate on a wider economic footprint. The key is that all businesses remain anchored in a place, do not get lost to the place based business support system, and support the local business eco system.

6. Robust economic intelligence and a monitoring and evaluation framework. This has two components: analysis of independent metrics, focused on measuring productivity gains, increased trade, improved survival rates, scalability, and business investment in growth to address challenges, identify new opportunities and distil best practice for future design.

All publicly funded business support projects will need to deliver as a minimum against a commonly defined output and outcome framework – the Combined Authority is currently developing its framework, based on best practice and recognised indicators. A second key component will be a common LCR wide system for tracking individual business interventions, delivered through the core and specialist business support offer so that there is a constant feedback loop to

ensure that support is responsive to existing as well as emerging opportunities and challenges such as post Brexit exporting, Covid-19 recovery and future economic shocks.

## **CONCLUSION**

Following the collation of an up-to-date evidence base about the local economy and its business base and an extensive consultation exercise, the Combined Authority Policy Team has drawn together and developed a comprehensive Business Support Policy Framework. The Framework makes a distinction between a Core Place Based Business Support and Specialist Business Support: the latter being delivered on a City Region wide basis through a single structure/organisation compared with the Place Based Offer being delivered in each local authority area but within the same overarching framework. There will be additional interactions between and with the innovation and skills/employment eco system.

The Business Support Policy Framework will drive the development of a more inclusive and integrated business, innovation and skills/employment eco-system across both a place based offer (the core business support offer) and City Region wide (specialist) business support offers. The Framework and the fuller statement on design principles should be progressed together.

It is clear from the work undertaken that the current approach is not sustainable going forward, partly due to the significant reduction in the financial allocation from the UK Shared Prosperity Fund. We will need to work smarter, across the public, private, academic and third sectors to deliver a high quality business support eco system, which puts the entrepreneur and business at its centre.

## APPENDIX 1: THE CORE PLACE BASED AND SPECIALIST LCR BUSINESS SUPPORT OFFER SHOULD COVER:

1. Support for entrepreneurs/start-ups, focused on sustainability and survival, covering both advice and funding (grants).
2. Leadership/management to support productivity improvements and innovation capabilities, including investment readiness to access external capital.
3. Peer to Peer and mentoring networks within/across sectors.
4. Productivity improvements – focused on more efficient processes; new products, processes and services either new to business/new to market; new/different skills.
5. Accessing new markets (exports but also utilising current capabilities and intelligence on new technologies, market challenges and opportunities to diversify and grow their customer base) – will need to be aligned with national DIT (Department for International Trade) offer re exports.
6. Specialist support on IP (Intellectual Property), supply chains, digitalisation, marketing, regulation, etc.
7. Transition to Net Zero, including energy efficiency; development of new products, services and processes.
8. Access to finance:
  - a. investment readiness & pitching (requires resource funding for teams) – core and/or specialist.
  - b. capital in the form of loans and equity from Angels, MSIF (Merseyside Special Investment Fund), the British Business Bank, Northern Powerhouse Investment Fund, other public sector backed institutions, banks. Specialist support to include early stage, equity, quasi equity, loans and mezzanine as well as proof of concept; long term patient capital and finance for social enterprises.
9. Incubators and/or accelerators – links between HEIs, public sector, private sector, focus on growth sectors and may require specialist teams (mentoring, business planning, market testing, investment readiness) with sector/technology specific knowledge.
10. Sites and premises - SIF (Strategic Investment Fund), Chrysalis, UDF and grant funding are examples. To cover both refurbishment and new build; assessment required re mix of space (shared workspace, labs, grow on, etc.).

## APPENDIX 2: BUSINESS BASE SEGMENTATION

<b>Segment</b>	<b>Subsets</b>	<b>Core Place Based Business Support Offer</b>	<b>Specialist Business Support Offer</b>
Start-ups	<ul style="list-style-type: none"> <li>- under-represented groups, including BAME, women, young people, people with disabilities</li> <li>- spin outs, technology, innovation based</li> <li>- start-ups with potential to grow turnover, employ people, export, etc.</li> <li>- graduate entrepreneurs</li> <li>- social enterprise/socially traded organisations</li> <li>- lifestyle</li> </ul>	<ul style="list-style-type: none"> <li>- support for business start ups</li> <li>- intensive support for start-ups likely to employ staff within 2-3 years</li> <li>- access to finance to support growth</li> </ul>	<ul style="list-style-type: none"> <li>- social enterprise, including socially trading organisations</li> <li>- underrepresented entrepreneurs (women, BAME, Graduate, people with disabilities)</li> <li>- spinouts and potential high growth start-ups (see below)</li> </ul>
Micro (0-9 employees)	<ul style="list-style-type: none"> <li>- established</li> <li>- includes sole traders, lifestyle businesses</li> </ul>	<ul style="list-style-type: none"> <li>- access to business support offer with a view to support and identify potential for growth (turnover, employment), with management &amp; leadership development to support growth ambitions</li> </ul>	
Small (10-24 ) to mid-sized (25 - 500 employees)/Mid-Caps	<ul style="list-style-type: none"> <li>- businesses which with support could realise their growth potential at a steady pace (both turnover and employment) based on current product/services as basis for growth and adoption of new technology, product/services improvements</li> </ul>	<ul style="list-style-type: none"> <li>- business support offered to all businesses</li> <li>- focus on identifying local businesses with steady growth potential through all round support offer</li> </ul>	<ul style="list-style-type: none"> <li>- Dedicated Access to Finance (investment readiness and capital, non-sector specific) which offer support over and above core business support offer</li> </ul>

<b>Segment</b>	<b>Subsets</b>	<b>Core Place Based Business Support Offer</b>	<b>Specialist Business Support Offer</b>
	<ul style="list-style-type: none"> <li>- businesses with low productivity to secure improvements to support growth and expansion (links to skills offer)</li> </ul>	<ul style="list-style-type: none"> <li>- focus on productivity improvements across all businesses and links with skills offer</li> <li>- Focus on leadership, productivity improvements, skills, exports, supply chain, etc.; LCR wide defined but locally delivered to align with local sectors/growth aspirations/investments in innovation assets</li> <li>- KAM offer for higher value businesses</li> </ul>	<ul style="list-style-type: none"> <li>- Grown on space/new premises (delivered through loans/equity vehicles public/private) across the City Region to meet local growth requirements</li> </ul>
High growth, scale ups	<ul style="list-style-type: none"> <li>- spin outs</li> <li>- existing businesses with high growth potential (turnover and/employment 20%+ over 3 years (OECD))</li> </ul>	<ul style="list-style-type: none"> <li>- focus on identifying potential high growth businesses and advise on LCR wide specialist high growth offer</li> </ul>	<ul style="list-style-type: none"> <li>- Incubators/accelerators</li> <li>- Dedicated specialist products which are defined by technology/sectors/innovation</li> <li>- Access to dedicated finance product – public/private, including angel network</li> <li>- Projects which link business and HEIs/R&amp;D assets to support rapid growth</li> <li>- Global scale up programme</li> </ul>

<b>Segment</b>	<b>Subsets</b>	<b>Core Place Based Business Support Offer</b>	<b>Specialist Business Support Offer</b>
Large businesses (i.e. over 500 employees)	<ul style="list-style-type: none"> <li>- Private sector companies/key corporates</li> <li>- NHS</li> <li>- Public Sector</li> </ul>	<ul style="list-style-type: none"> <li>- Dedicated KAM delivered at LA level</li> </ul>	<ul style="list-style-type: none"> <li>- Development of LCR supply chains based on industry led challenges</li> <li>- Intelligence on industry/NHS/public sector challenges which could in turn drive support for business base to innovate and develop new products/processes and services</li> </ul>

\*Note that Government has recently changed the definition of an SME to include businesses with up to 500 employees.

### **APPENDIX 3: OUTPUTS, OUTCOMES AND IMPACT INDICATORS (PROVISIONAL)**

There will need to be a clear framework of outputs, outcomes and impacts which applicants for public sector finance would be obliged to deliver. This should include quantified targets in relation to volumes of funding (against which applications could be assessed for value for money, efficiency and efficacy), geography, equality & diversity, and social value. If there is a national definition for an indicator, the City Region should not define LCR specific ones.

While there has been discussion in relation to the relevance of the ERDF business support outputs, particularly the minimum 12 hr support, it would not be advisable to return to a 'free for all' with applicants providing their own definitions as this would make evaluations of effectiveness and efficiency more difficult. Definitions should be standard across the City Region so that monitoring and evaluation can provide lessons for future investments and should use national definitions wherever possible, having regard to indicators related to Levelling Up, the UKSPF, etc.

Potential **output indicators** could be:

- No of businesses supported (advice – minimum standard to be agreed)
- No of businesses supported (grant – minimum level to be set)
- No of businesses supported to develop products/processes/services new to firm/market
- No of grants/loans/equity investments made
- Amount of grants/loans/equity investment made
- No of businesses supported to export

Information on businesses owners (male/female, age, ethnicity, disability status) should also be required to be collected so that ambitions of a more inclusive economy can be realised.

Potential **outcome indicators**:

- Number of jobs created (male/female; age)
- Turnover growth
- Growth in exports (£; volumes sold)
- Number of businesses introducing products, processes, and services new to firm/market
- Increase in number of businesses innovating (i.e. working with research base to commercialise products, processes and services)

Potential **impact indicators**:

- Increase in survival rates of start-ups
- Increased business density
- Diversity in business base, including increase in social enterprise/STOs
- Growth (turnover/jobs) in existing business (i.e. no of SMEs businesses)
- Increased private sector investment including R&D



## **ANNEX 1: COMBINED AUTHORITY ROLE IN BUSINESS AND INNOVATION SUPPORT**

Changes to government policy and funding as well as ongoing considerations around further devolution means that the Combined Authority has two distinct but inter-related roles in relation to the Business Support and Innovation Ecosystems.

They are:

### **1. Convening and strategic role in relation to the LCR wide business ecosystem**

Combined Authority role:

- The Combined Authority will lead on the conversations with Government on optimising the effectiveness of business and enterprise support in the City Region, aligned with and through a joined up long-term national framework, underpinned by place based flexibilities and appropriate levels of funding.
- Funding should be devolved to the Combined Authority. The system should be co-designed with Government and be flexible to ensure that a place based approach supports the realisation of City Region priorities whilst adhering to national best practice and standards. This will ultimately yield the scale of benefits to entrepreneurs and businesses to create the right level of good quality, sustainable jobs for local residents.
- Lead discussions on the business support system to ensure that there is consistency across the offer, alignment with the LEP review and a focus on collaboration and simplification for entrepreneurs and businesses.

The following overarching principles should underpin the design of the LCR business ecosystem, therefore informing strategic and convening activities:

- The system is integrated, high-value and fully business/customer-led.
- Fostering an 'innovation first' culture, fair employment and equality, and the transition to net zero are at the heart of the business eco system.
- Place based and City Region wide business and innovation support are equally valued as the objective is to grow the business base, create good employment and foster innovation.
- Delivery partners are incentivised to proactively collaborate across and within the business, innovation and skills eco systems so that inter-connectivity and seamless access for entrepreneurs and businesses are key.
- Determining need across the different stages of the business lifecycle and growth curve is the starting point.
- Robust monitoring, formative and summative evaluation across all delivery activities which allows for constant review of the landscape, providing the evidence to adapt and flex where necessary.

### **2. Direct business ecosystem investments (capital and revenue)**

**The way forward for commissioning/calls:**

- The Combined Authority should issue an **annual statement of priorities** and move to a unified approach to investment which support businesses and innovation in line with the evidence of market failures and gaps, aligning with the principles below.

- Investment in all business or innovation projects should be based on evidence and be focused on clear **gaps, market failure, and building a critical mass of what works**; this evidence should be City Region wide to inform commissioning/calls.
- This should include revenue and capital investments.
- Assessment of any application should be based on the principles below so that a holistic view can be taken on all investment proposals, with a view to support integration with the place based business support infrastructure and deliver economies of scale.

### **Principles to inform Combined Authority investments:**

- Investments should be fully aligned with the **inclusive economy, net zero, and global ambitions** as set out in the Plan for Prosperity, Net Zero Action Plan, the Social Value Policy & Framework, and the Fair Employment Charter, so that Combined Authority investments support transformation of the City Region economy.
- Investments which proactively support **collaboration between business support, innovation adoption & diffusion, and skills will be prioritised** – all projects will have to set out how they will work with partners across the City Region to provide added value, and how they will evidence this collaboration.
- Investments will be prioritised where they clearly demonstrate how they **enable entrepreneurs and businesses to capitalise on new opportunities** across **all sectors** of the economy, increase productivity and the ability to provide local employment opportunities. This includes, for example: product, process, and service innovation/diffusion and commercialisation; accessing new markets both nationally and internationally; net zero innovations and supporting the transition to a low carbon economy; digitalisation and e-commerce solutions; strengthening and developing local supply chains and eco systems around LCR economic specialisms.
- Investments which support and **increase the provision of high intensity support for high growth/potential high growth businesses, scale ups and spin outs** to increase longer term business survival, well managed and sustained firm-level growth and development of eco systems around economic specialisms within the City Region.
- Investments should **support dedicated access to finance pathways**. To include single access points to help secure external funding; dedicated funds that address gaps and failures in the market that are restricting growth ambitions; and specifically to strengthen the innovation finance ecosystem with the aim of stimulating a culture of private investment and associated investor readiness and management support that accompanies this.
- Investments should **support dedicated City Region wide projects for under-represented groups (young people, BAME, graduates), social enterprise/Socially Trading Organisations** and other new types of business models, capitalising on LCR assets and opportunities. This should be bespoke, and differentiated where necessary, but also be integrated into the wider business, innovation and skills eco systems.

## **ANNEX 2: STATEMENT OF AGREED DESIGN PRINCIPLES FOR THE BUSINESS SUPPORT ECOSYSTEM**

Going forward, the City Region needs to build on evidence of what works within the current business and innovation ecosystem infrastructure and develop new interventions that build on lessons learnt locally as well as elsewhere, to meet challenges and grasp opportunities.

LCR partners have discussed and agreed the following principles which should underpin the design of the Business and Innovation Eco Systems:

1. Agree that the Combined Authority leads the strategic discussions with government on potential devolution of powers and resources to allow the City Region to have more flexibility in the design of the business and innovation support eco system, involving local stakeholders.
2. Agree to build on current infrastructure in relation to the Core Business Support Eco System so that entrepreneurs and businesses have direct access to a place based offer but also accept that the status quo is not an option. The evidence continues to show that the LCR business base is too small; has too few exporters; low growth rates compared with other MCA areas and nationally; and is not as productive as comparable City Regions/places. The Core Business Ecosystem should deliver, as a minimum, an agreed core set of services, in line with national objectives and LCR business support policy.
3. Agree that the Business Support Eco System needs to be both locally based and City Region wide, based on the needs of entrepreneurs, early stage start-ups and established businesses (also including social enterprises), focussed on delivering the best support possible. Anchoring medium and larger businesses in the local place and in the City Region is an important component of a successful local economy, focused on innovation, social value and good growth and employment.
4. Agree that the delivery structure needs to actively promote equality and diversity, and take an inclusive approach to ensure that no-one and no place is left behind in both core and specialist business support. Conversely, there will need to be better linkages between employment and business support to foster both enterprise skills and business growth.
5. Agree that nationally delivered products as well as funding will continue to be a major part of the business support landscape. To ensure coherence and avoid duplication, Liverpool City Region, through the Combined Authority, will work directly with government to co-design the national offer wherever possible and seek adequate devolved funding so that it can be shaped to meet LCR challenges and opportunities.
6. Agree that there will continue to be a need for free to access business, skills and innovation support alongside paid for services, loans and equity but also that the mix will be determined through a co-design process. There will be a focus on embedding collaborative business, innovation and skills eco systems, which are underpinned by openness, engagement of multiple partners, different methods of engagement and ensuring that there are sufficient incentives to collaborate.

7. Agree that there needs to be much more focus on the business lifecycle and on the creation of long-term sustainable businesses, which grow, innovate, export and are good employers across the City Region in the design of business support. The principle of the 'right support at the right time' will underpin commissioning of public sector supported delivery. This also recognises that not all business support deliverers have the resources and expertise to deliver the full suite of services and that gaps/specialist support may be required.
8. Agree that the design of business support services needs to actively promote and deliver collaboration between all providers of business (core and specialist), innovation and skills/employment support to ensure that entrepreneurs and businesses can access the right provision, irrespective of where and by whom it is delivered to support net zero, social value and good growth. This will support the aim of commercialisation, diffusion, and adoption of innovation across all sectors, including the public sector, the NHS and the foundational economy, as they have a key role to play in relation to employment of the majority of LCR residents. This will also simplify the offer for entrepreneurs and businesses.
9. Agree that the British Business Bank (BBB) will continue to be a major funder of loans and equity within the City Region and LCR will work more directly with the BBB and the Northern Powerhouse Investment Fund to ensure that our entrepreneurs and businesses can access this source of external funding. Where there are gaps, the City Region will look to fund appropriate vehicles.
10. Develop a robust but easily understood indicator, monitoring and evaluation framework, to understand what is being delivered across all publicly funded projects, and to identify best practice early on as well as gaps. A focus on value for money, efficiency and effectiveness as well as equality, diversity and social value will be important as funding is likely to be scarce, as will active collaboration within and across delivery partners. Indicative targets will be developed to aid assessment of applications and drive up quality. Monitoring and evaluation will incorporate both quantitative and qualitative measures.
11. Continuous up to date economic evidence gathering, fore sighting and analysis to allow the City Region stakeholders to understand better emerging opportunities, sector strengths and potential for employment growth. This is an essential component of continuous improvements to the business, innovation and skills ecosystems.