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**Manchester City Council  
Report for Information**

**Report To:** Economy, Employment and Skills Overview and Scrutiny Committee – 1 March 2010

**Subject:** NWDA Intensive Start-up Support (ISUS) contract delivery in Manchester

**Report of:** Acting Head – Economic Development Unit

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**Summary**

To provide members with an overview of the NWDA's business start-up service in Manchester, aimed at promoting self employment and supporting the growth and survival of start-up businesses.

**Recommendations**

N/A

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**Wards Affected:**

All

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**Contact Officers:**

Name:	Heather Clark	Name:	Tom Dempster
Position:	Acting Head - EDU	Position:	Principal Ec. Dev. Officer
Telephone:	0161 234 1502	Telephone:	0161 234 1365
E-mail:	<a href="mailto:h.clark@manchester.gov.uk">h.clark@manchester.gov.uk</a>	E-mail:	<a href="mailto:t.dempster@manchester.gov.uk">t.dempster@manchester.gov.uk</a>

**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

“Solutions for Business – Government Funded Business Support”  
<http://www.berr.gov.uk/files/file53913.pdf>

## 1 Introduction

- 1.1 The purpose of this report is to update Members on the progress of the North West Regional Development Agency (NWDA) funded Intensive Start-up Support (ISUS) programme in Manchester.
- 1.2 This report has been requested by members and will primarily focus on outlining the scope of the provision and report on achievements to date against the contract profile.

## 2 Background

- 2.1 There are 63,490 out of work claimants in Manchester. Manchester's employment rate is 63.1%, 11% below the national average of 74.1%. Although the rates of resident self-employment (6.1%) have increased within the city over recent years, they still remain well below the regional average (8.0%) and the national rate (9.3%). In terms of business density Manchester again lags behind regional and national figures, with 473 enterprises per 10,000 residents compared to 555 regionally and 634 nationally. However, self-employment remains a recognised route out of worklessness and as such work to encourage self-employment among Manchester's residents complements the city's work on reducing levels of worklessness in the city.
- 2.2 Over the last 20 years a plethora of different business support packages have been developed, with empirical evidence showing that this explosion of provision has increasingly made it difficult for individuals and businesses to identify the correct provision to suit their needs. To address this the Department for Business Innovation & Skills (BIS) introduced the 'Business Support Simplification Programme' (BSSP), an initiative to reduce the number of publicly-funded business support schemes down to 29 under a single banner portfolio of products, 'Solutions for Business'. ISUS is one of these products.
- 2.3 Since 2007 the NWDA have funded the ISUS programme in the North West. The first contract, delivered by Economic Solutions in New East Manchester and by Blue Orchid in the rest of Manchester, ran from June 2007 to March 2009 and delivered 689 new start-ups through out the city at a contract cost of £1,378,000.
- 2.4 The new three year contract for delivery in Manchester was procured by the NWDA in September 2009, with delivery back-dated to April 2009. The contract will be delivered across the whole of the Manchester City Council area by Blue Orchid with the programme managed by A4e on behalf of the NWDA. The value of the three-year (April 2009 – March 2012) contract in Manchester is £1,346,700.
- 2.5 Please note that the figures quoted above are the contract value for delivery in the Manchester City Council area. The overall contract value for the North West region during the current round of ISUS is £35 million.

### 3 Mechanism of delivery

- 3.1 Delivered by Blue Orchid in Manchester, ISUS is heavily marketed through Business Link North West's 'Business Support Directory'. This is available online or can be accessed through the Business Link universal gateway number (0845 00 66 888).
- 3.2 The ISUS offer in Manchester provides advice, workshops and training from initial concept through to business plan, set-up, trading and growth planning. ISUS focuses on providing this service to individuals looking to start a business and existing/post-start businesses that have been trading for up to 3 years. The offer encompasses:
- One to one support from qualified advisors;
  - Specialist training courses covering marketing, finance, tax, business planning, ecommerce, and PR; and
  - Business Plan preparation.
- 3.3 Currently the majority of referrals to the Blue Orchid/Manchester offer currently flow through Business Link – e.g. 39% of all enquiries in December 2009 originated from Business Link with a further 13% originating from Job Centre Plus and passed through via Business Link.
- 3.4 Blue Orchid also promotes the service through a number of locally run events, including a series of 'Exploring Enterprise' events run in partnership with MCC Library Service.

### 4 Current contract profile

- 4.1 The following tables outline the regional and local priorities within the current ISUS contract, showing both the demographic/geographic focus of the project and also the funding allocation.
- 4.1.1 It is important to note that regional priorities, although emerging from the NWDA's priority groups, are still priorities for Manchester.
- 4.1.2 Local priorities' are areas important to Manchester that are not covered by the regional priorities.

<b>Regional Priorities</b>	
<b>Priority</b>	<b>% allocation</b>
Women.	20-30
Black Minority Ethnic communities (including migrant workers).	20-30
Disabled.	10-20
North West Regional Development Agency Regional Economic Strategy geographical priority areas – <i>Urban Regeneration Company areas (i.e. New East Manchester) &amp; Housing Market Renewal areas (i.e. Manchester Salford HMR Pathfinder)</i>	30-40
<b>Total – mid points should total 100%</b>	100
<b>TOTAL – 1 year</b>	£359,120
<b>TOTAL – 3 years</b>	£1,077,360

<b>Local Priorities</b>	
<b>Priority</b>	<b>% allocation</b>
Out-of-work-benefits claimants (Job Seekers Allowance claimants of less than 6 months, Lone Parent, Employment Support Allowance and Incapacity Benefit).	20 -30
Workers under notice of redundancy.	20-30
Residents/businesses in the 15% most deprived Lower Layer Super Output Areas (LSOAs) outside the current Urban Regeneration Company (New East Manchester) & Housing Market Renewal (Manchester Salford HMR Pathfinder) geographical areas	20-30
Other groups not included in all other identified local or regional priority groups	20-30
<b>Total – mid points should total 100%</b>	100
<b>TOTAL – 1 year</b>	£ 89,780
<b>TOTAL – 3 years</b>	£269,340

- 4.2 The majority of provision (70% of the unit cost of delivering the ISUS journey to clients) will be focused on pre-start activity, from engagement through to start of trading. The remaining 30% of the provision will focus on post start-up activity to help businesses to survive and grow.
- 4.3 In 2009, when the ISUS contract was being procured, Manchester City Council (MCC) had the opportunity to co-fund provision – essentially adding extra Working Neighbourhoods Fund (WNF) funding over three years to the contract (that would be ring-fenced to focus exclusively on adding capacity within the local priorities). However, the payment model that was designed by the NWDA breached MCC financial regulations and therefore we were unable to proceed with co-funding.

## 5 Current Performance of the 2009-2012 ISUS contract

- 5.1 It is anticipated that the three year ISUS contract will deliver 572 new businesses and create 1030 jobs by the 31<sup>st</sup> March 2012 in the Manchester City Council geographical area.
- 5.2 In the period up to March 2010 (year 1) the current contract profile expects the following:
- 5.2.1. 115 new start-ups in the period March 2009 – August 2009  
**ACHIEVED**
  - 5.2.2. 190 new start-ups to be achieved between September 2009 and March 2010, creating 343 jobs. As of the end of January actual outputs amounted to 70 business start-ups across both the regional and local priorities.. This is slightly below profile, however during this same period 171 companies have been converted onto the programme from enquiry stage – essentially providing the pipeline for future on-profile delivery. Analysis on job creation will only come forward as the contract matures.

- 5.3 Since the inception of the programme Blue Orchid have experienced a higher than expected level of enquiries, due in part to the current economic climate and the number of people interested in self employment due to redundancy. Latest figures from the end of January 2010 show an over-delivery on the profile of local priorities (15 start-ups against a profile of 10), in particular JSA claimants and those under notice of redundancy, and an under-delivery against profile on the regional priorities (55 against a profile of 103). This heightened current demand by local priority groups may impact on the future ability to continue to fund activity for these groups under the mainstream ISUS contract – an area MCC is keen to address.

## **6 Role of Manchester City Council**

- 6.1 Manchester is working closely with Blue Orchid, A4e and the NWDA to monitor the delivery of the mainstream ISUS contract. Blue Orchid compile a monthly report for the NWDA on progress and it is proposed that this will be circulated to MCC for information. Quarterly meetings are scheduled between all partners to look more closely at the qualitative data.
- 6.2 In recognition that it was not possible to co-fund the mainstream ISUS contract, the Employment Skills and Enterprise Board have agreed to allocate £300,000 Working Neighbourhoods Fund (WNF) funding to ‘buy’ more provision where demand exceeds mainstream provision. This will be enable MCC to add capacity in local priorities; crucially allowing us to target activity at deprived neighbourhoods in line with the stated local priority of focusing provision at the 15% most deprived Lower Layer Super Output Areas (LSOAs).
- 6.3 In addition to supporting local priorities, the extra WNF funding will allow MCC to place a greater focus on providing additional support for post-start businesses. This is particularly pertinent in the current economic climate, with post-start support enabling MCC to support new businesses survive and growth beyond their first three years (a period that traditionally sees around 40% of new businesses fail), creating a sustainable and growing business base in the city.
- 6.4 This ISUS ‘top-up’ project is looking to start on 1 April 2010.

## **7 Links with other initiatives**

- 7.1 ISUS is part of a wider number of publicly funded start-up services currently delivered in Manchester. Highlights include:
- 7.1.1 The ‘Starting A Business’ (SAB) service delivered by Business Link; a free to access information and advice service for anyone thinking about starting a business. NB: SAB does not provide intensive 1-2-1 support.
  - 7.1.2 The NWDA ‘Starting a High Growth Business’ service, delivered in Manchester by Winning Pitch, provides extra help for new

- businesses and people developing a business concept identified as having high-growth potential. High growth businesses are defined as those who have the potential to achieve turnover of £500,000 to £1m or higher within three years of starting to trade.
- 7.1.3 The Department of Work and Pensions currently funds a contract, part of the JSA 6 months plus offering, which provides an enterprise coaching function. The contract is delivered by the local ISUS provider adding capacity. The contract aims to identify those who are seriously considering self-employment as a route out of worklessness and progress them accordingly.
- 7.1.4 MCC commissioned Blue Orchid in 2009/10 to deliver a self-employment readiness project. The service, designed for residents claiming out-of-work benefits, aimed to maximise the take up and success of Manchester claimants under the ISUS programme through outreach and enterprise awareness activities and where appropriate, the provision of self employment readiness assistance.
- 7.2 The full list of 'Solutions for Business' products available to individuals/businesses in Manchester is detailed in appendix 1. All services within the 'Solutions for Business' portfolio are designed to be brokered to customers by Business Link North West as part of the Department for Business Innovation & Skills' Business Support Simplification Programme. As such, businesses are encouraged to use Business Link as their first port of call.
- 7.3 However, it is accepted that Business Link are not always the natural step for individuals that are looking to access the pre-start element of ISUS. Here MCC are looking to connect our regeneration teams into Blue Orchid's activity around ISUS, whilst also playing a partnership role in connecting the ISUS offering into other mainstream providers of services (e.g. Job Centre Plus)
- 7.4 In addition, MCC are currently working with Business Link to jointly market mainstream provision to businesses in Manchester. As part of this activity MCC have signed a Data Sharing Agreement with Business Link North West to allow the use of Business Performance Indicators (BPI) data in this marketing, allow us to target activity/monitor take up of provision down to ward level. As part of this agreement, MCC will also be able to better target spend of MCC WNF 'top-up' of the mainstream ISUS contract on local priorities and LSOAs.

## **8 Conclusion**

- 8.1 The ISUS contract in Manchester has enjoyed a promising start, delivering just below profile but with a satisfactory pipeline that suggests on profile delivery will be achieved by March 2009.
- 8.2 However, contextually Blue Orchid have reported a higher than expected level of enquiries in the ISUS service among Manchester residents/businesses, due

in part to the current economic climate and the number of people interested in self employment due to redundancy.

8.3 This increased demand has already seen Blue Orchid exhaust the year one (2009/2010) local priority allocation. However, the availability of WNF funding in 2010/2011 has enabled MCC to allocate extra resource to the ISUS programme – meeting this over-demand on the ISUS service with an additional £300,000 WNF allocation committed to adding capacity onto the mainstream service in 2010/11. As reported this provision will:

8.3.1 buy in more provision to compliment mainstream provision in Manchester, guarding against contract exhaustion against local priorities – particularly provision in the Lower Layer Super Output Areas (LSOAs); and

8.3.2 buy in more post-start provision to compliment the mainstream contract's focus on pre-start support, creating capacity to enable new businesses to survive beyond their initial 3 years of trading, therefore contributing to the development of a sustainable business base within the city.

8.4 Whilst recognising that WNF spend on the ISUS project is not a sustainable solution beyond 2010/2011, it is envisaged that the pump-priming of the project with available WNF funding in 2010/2011 will deliver considerable value to Manchester's residents and communities during testing economic times. However, this joint funding of ISUS provision in 2010/2011, and joint work with Business Link on marketing services, demonstrates a clear commitment to working with the mainstream providers of business support services in the city; ensuring Manchester residents and businesses are increasingly best placed to access, and benefit from, mainstream business support provision.

Appendix 1 – ‘Solution for Business’ product portfolio

<b>Product</b>	<b>Pre-Start up</b>	<b>New Company</b>	<b>SME</b>	<b>Large Firm</b>
Small Loans for Business		X	X	
Support to Lenders		X	X	
Understanding Finance for Business	X	X	X	
Finance for Business		X	X	
Business Collaboration Networks		X	X	X
Business Premises		X	X	
Business Growth: Specialist Facilities and Environments			X	
Grant for Business Investment			X	
Export Credit Insurance				X
Enterprise Coaching	X			
Starting a High Growth Business	X	X		
Intensive Start-up Support		X		
Starting a Business		X		
Coaching for High Growth			X	
Manufacturing Advisory Service		X	X	X
Designing Demand		X	X	
Innovation Advice and Guidance			X	X
Improving your Resource Efficiency			X	X
Environmental Land Management Funding			X	X
Environmental Land Management Advice			X	X
Maximising Foreign Direct Investment			X	X
Accessing International Markets			X	X
Developing your International Trade Potential			X	X
Collaborative R&D			X	X
Networking for Innovation		X	X	X
Knowledge Transfer Partnerships			X	X
Innovation Vouchers			X	
Low carbon Energy Demonstration			X	X
Grant for Research and Development			X	
Train to Gain			X	X