**STOKE ON TRENT & STAFFORDSHIRE**

**LOCAL ENTERPRISE PARTNERSHIP**

**COMPANY EXECUTIVE BOARD MEETING**

**19 September 2019**

**Public**

**LEP Review – Midlands Engine Investment Fund Update**

**Brief Introduction:**

The Midlands Engine Investment Fund (MEIF), is supported by the European Regional Development Fund, and provides commercially based finance through Small Business Loans, Debt Finance, Proof of Concept and Equity Finance funds.

The MEIF aims to transform the finance landscape for smaller businesses in the Midlands and to realise the region’s potential to achieve economic growth through enterprise.

MEIF is a collaboration between the British Business Bank, a number of other commercial lenders and ten Local Enterprise Partnerships (LEPs) in the East & West Midlands and the South East Midlands. As part of its European Regional Development Fund investment programme Stoke-on-Trent and Staffordshire allocated £10M of its PA3 Business Support resource into this MEIF programme.

This update note aims to serve two purposes:

1. To simply to raise awareness of the fund, and to be mindful of its availability, and how it could potentially benefit growing SME’s within the City. The Stoke-on-Trent and Staffordshire Growth Hub are fully aware of the availability of this fund and provide ongoing advertising across our area to ensure our SMEs are aware of the funding opportunity.
2. To highlight the performance of the fund to date within SSLEP

The MEIF programme is made up of four funding streams, within the West Midlands these are being delivered by the following Fund Managers:-

* **Proof of Concept** – up to £750,000, delivered by **Mercia Fund** Managers, fund value £23M. This is targeted at early stage proof of concept and utilises an equity finance model
* **Equity Finance** – between £50,000 and £2M, delivered by **Midven** fund, value £34M. Available for businesses with the potential for high growth
* **Debt Finance** – between £100,000 and £1.5M, delivered by **Midven** fund, value £50M. More traditional financing to enable SME growth
* **Small Business Loans** – between £25,000 and £150,000, delivered by **Black Country Reinvestment Society**, fund value £17M. Targeting start-ups who find it more difficult to secure finance

More details on each of the funds can be found at <https://www.meif.co.uk/>

**Key Issues:**

The establishment of this fund was in reaction to a reduced ability to access finance following the 2007/08 financial crash, finance became a major barrier to growth and although this issue is not as pronounced today, access to funds for growing businesses still remains a current issue.

Through the establishment of the fund an Ex Ante appraisal of the financial outlook for SME’s across the Midlands was undertaken. This identified a clear demand for such an intervention and Stoke-on-Trent and Staffordshire identified a sum of £10M from its ERDF allocation to invest in this programme of funding.

**Table 1: MEIF Performance Figures as of Mid June 2019.**

|  |  |
| --- | --- |
| No. of Enquiries | 248 |
| No. of Applications  | 28 |
| Investment amount | £660,000 |
| Investments made  | 8 |
| No of Equity Deals | 0 |
| No of Proof of Concept Deals (equity)  | 0 |
| SSLEP ‘league’ positions out of 10 LEPs which have invested in the fund, as follows: |  |
| No of Enquiries  | 3rd out of 10 |
| No of Applications | joint 6th out of 10 |
| £ Invested | 10th out of 10 |
| No of Investments made  | 8th out of 10 |

The above table highlights SSLEP progress on the funds to the middle of June 2019. Stoke-on-Trent and Staffordshire hosts circa 9% of the MEIF SME “community”. The MEIF Programme has generated a significant number of enquiries from within the SSLEP geography which is in line with the size of its business community. However, despite making more than 9% of all enquiries to the programme, to date only 8 investments have been made.

The original partnership agreement between LEPs was that as a minimum they would each have their respective contribution reinvested in SME’s within their geography and therefore we have to be mindful of underperformance which could result in SSLEP not having its contribution of £10Million returned via investment.

British Business Bank recognises the current underperformance with the SSLEP area and have started work to develop a strategy to address the issue. The fund managers highlight the role that intermediaries play in promoting the availability of these funds and work is planned to engage further with the range of business service providers. Further promotion will be taking place via the Growth Hub and links have been placed on the LEP’s website. It is also acknowledged that there is a lower level of equity finance active within the Stoke-on-Trent and Staffordshire economies. BBB markets the funds. Marketing & promotional activity to date by BBB and with SSLEP partners is listed below in Appendix 1.

It is proposed that the progress on the fund continue to be monitored through the ESIF Committee and that a presentation is made to the LEP early in 2020 with a view to ensuring that the SSLEP has improved the in the number and amounts of investments made.

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Appendix 1: MEIF Marketing & Promotional Activity in Stoke and Staffordshire

British Business Bank activity in Stoke and Staffordshire to date. Reported by Ryan Cartwright, British Business Bank Senior Manager, West Midlands UK Network, in June 2019:

* Individual Fund Managers meeting with local intermediaries to talk about their respective fund
* Ryan Cartwright (RC) has met with some local intermediaries (Public and Private sector) to promote MEIF as a whole
* Attendance by either the Fund Manager, RC (or both) at Access to Finance and other business support events including (fund managers attend smaller networking groups too):
	+ Enterprise Round Table in Stafford (RC has been guest speaker and presented the BBB and MEIF)
	+ Let’s do Business at Uttoxeter
	+ Growth Hub Celebration Event at Aston Marina
* Presentation to the Growth Hub Advisors in Stoke
* Investment Readiness activity/workshops with local SMEs by Midven
* RC meetings with the County Council to see how we promote the fund and support the Growth Hub
* Growth Hub regular feature the fund through Newsletter
* RC and the fund managers attended 2019 Let’s Do Business expo
* Joint event with the Chamber of Commerce / Growth Hub around the Debt Funds in particular (Maven Capital in July)
* Meeting of all 8 Growth Hubs in June to share best practices – this will look at MEIF and one of the fund managers will present
* Met with Mohammed Ahmed SSLEP Board Finance Lead in June.