

## Combined Indicators Technical Note

### Single Programme – Businesses Creation

- O2(i) Businesses Created
- O2(ii) Businesses attracted to the region
- O2(iii) Businesses surviving 12 months
- O2(iv) Businesses surviving 24 months

**January 2010**

Version Number	Purpose/Change	Author of Change	Date
1.0	Individual output/outcome appendix	Kelly Fairbairn	12/01/10

## OUTPUTS

O2. Business creation - Number of businesses created and/or attracted to the region [Formerly NTF3]	
O2(i) Businesses created O2(ii) Businesses attracted to the region O2(iii) Businesses surviving 12 months O2(iv) Businesses surviving 24 months	
Terms	Definitions
<b>Unit of Measurement</b>	No. of businesses/enterprises (see Notes).
<b>Business/Enterprise</b>	<p>There are 3 main types of business/enterprise (i) sole proprietorships, (ii) partnerships and (iii) companies. All will be registered with HMRC for business tax; most but not all are governed by the Companies Act legislation. These include:</p> <ul style="list-style-type: none"> <li>• Start-ups of all sizes, whether or not VAT registered</li> <li>• Self-employed &amp; sole traders</li> <li>• Partnerships/limited liability partnerships</li> <li>• Companies (private or public limited companies; private unlimited companies)</li> <li>• Independent spin-outs from established businesses, universities and other research and development organisations</li> <li>• Not for profit companies, co-operatives, community enterprises, social enterprises<sup>1</sup></li> <li>• Farm enterprises</li> <li>• New to the region branches of businesses which remain established elsewhere in the UK (i.e. expansions)</li> <li>• Foreign direct investment (FDI) bringing new enterprises to the region; both first time investment and subsequent expansions</li> </ul>
<b>Business Created</b>	<b>Starts trading</b> is the date when the business registers for VAT or registers for National Insurance (Class 2) contributions. Alternatively use the BENE approach and use the date of the first transaction.
<b>Business Attracted</b>	<p>These are:</p> <ul style="list-style-type: none"> <li>• New to the region branches of businesses which remain established elsewhere in the UK (i.e. expansions)</li> <li>• Foreign direct investment bringing new enterprises to the region, both first time investment and subsequent expansions from outside the UK</li> </ul>
<b>Counted</b>	<p>O2 (i) <b>Created Business</b> – when the business is created. <b>NOTE:</b> The Agency counts this output but does not report on it</p> <p>O2 (ii) <b>Attracted business</b> – when it opens its premises in the region.</p> <p>O2 (iii) <b>New business</b> - when it is still in operation 12 months after it started trading in the region.</p> <p>O2 (iv) <b>New Business</b> – when it is still in operation 24 months after it began trading in the region. <b>NOTE:</b> The Agency counts this output but does not report it.</p> <p>“<b>Sustainability</b>” will be captured after 12 months for businesses created and attracted.</p>
<b>Exclusions</b>	<p>Businesses relocating within the region or from another English region or UK devolved administration</p> <p>The same business cannot be counted at different phases of its growth as this would be double counting.</p>
<b>Verification Evidence</b>	<b>Business</b> - Name, Address inc post code, Tel no. Contact details. Ownership. No. of employees. Type of business.

<sup>1</sup> Businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners

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- O2(iv) Businesses surviving 24 months**

Terms	Definitions
	<p><b>New/attracted</b> – the company incorporation statement or letter, or standard form to collect the data signed by a senior officer of the business e.g. the <b>Owner/Chief Executive or Finance Director</b> to confirm it is either:</p> <ul style="list-style-type: none"> <li>• A new company and <b>still trading</b> or</li> <li>• New branch operation of UK company or</li> <li>• New overseas company or expansion of an overseas company.</li> </ul> <p>For new branches evidence that it is still trading in its original location(s). For attracted business date of opening.</p> <p>The statement/letter/form should include information on the nature of support provided by the project, how that led to it opening in the region, and the usefulness of support received.</p> <p><b>Start of trading</b> - Company Registration No./VAT No. and date of registration or NI Class 2 date of registration or the date of the first transaction where evidence can be produced to evidence it.</p> <p><b>Business Attracted</b> – date opened premises in the region.</p> <p><b>Evaluation</b> – contact business site visit/telephone/survey to confirm still trading.</p>
<b>Notes</b>	Business is the term commonly used in the UK, the EU equivalent term is enterprise.

**Business Creation FAQs**

- Q. Can BENE business starts be counted under this output?**
- A.** Yes. It is acceptable to include the BENE start ups using their verification evidence – the date of the first invoice.
- Q. Does the Businesses Creation growth measure (employment) also apply to the businesses attracted to the region?**
- A.** No. The demonstrating growth only applies to the businesses created. For business attracted to the region the definition is aligned with the UKTI inward investment definition for consistency in measurement and reporting.
- Q. Can the growth in employment counted for this output also be included under jobs created?**
- A.** It follows that if the employment growth is part of the business created **output** then the jobs themselves can be counted under the jobs created **output**. If the employment was part of the project **result** measures it could not be counted under jobs created.
- Q. For businesses attracted to the region is it only the first branch of an existing business trading elsewhere that can be counted or can subsequent branches also be counted?**
- A.** Only the first branch attracted to the region can be counted; this is consistent with counting under the Tier 3 Technical Note.
- Q. Can we count virtual businesses e.g. where overseas companies have a postal address/bank account only but no physical presence?**
- A.** No. Only businesses which have a physical presence may be counted.
- Q. What can we count if a business relocates from another region and increases the number of people employed? Can we count the additional jobs - even if the jobs were not at risk in their previous location?**
- A.** The additional jobs can be counted under core output 1 jobs created, as these are new. The business cannot be counted as it has simply relocated from another region and is not a new business. If it was the first branch of a business that continued in its original location then it could be included as a new business attracted to the region.
- Q. When a project encourages a farm business to diversify, e.g. help a farmer to start up a bed and**

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	<p><b>breakfast operation, I would regard this as a new business, but the farmer would probably not need or want to register separately for VAT or Class 2 NICs as a result of starting it up. Please will you confirm that new businesses resulting from diversification of an existing business may be counted and that persuasive alternative evidence of creation will be acceptable where the business owner does not need to register for VAT or Class 2 NICs?</b></p> <p><b>A.</b> Where public resources are used to assist farmers to diversify from primary production it is essential that there is transparency between the businesses. As a minimum there must be a separation of accounts between the to ensure there is no cross-subsidisation between the farm primary production activities and any additional businesses run on the farm to ensure the aid complies with the State aid rules (agricultural and SME BE etc). Where this is the case the additional business created may be counted.</p> <p><b>Q. Can we count businesses that are 'Management Buy-Outs' as it could be argued that the result is a new business has been created?</b></p> <p><b>A.</b> No. A "management buy-out" means that there is an existing business hence a new business has not been created and it does not meet the output definition. The buy-out price paid reflects the value of the existing business. However, it could be included under Output 3 Business Support.</p> <p><b>Q. The 'UK Devolved Authority' is mentioned as an exclusion. Does this mean the Scottish and Welsh Assemblies? Is the consequence that a business relocating from one side of the border into England couldn't be counted for example Peebles to Berwick?</b></p> <p><b>A.</b> Yes. The reference to UK Devolved Authority or Administration means Scotland (Parliament), Wales (Assembly) and Northern Ireland (Assembly). A business that simply relocates from one side of the border into England cannot be counted. The same principle applies as to a business relocating from another English region or even within a region. This is displacement with no net benefit to the UK economy hence it cannot be counted. However, where the business remained in Scotland etc but opened a new branch in the region then it could be counted as a <u>business attracted to</u> the region but only the first branch in the region.</p> <p><b>Q. A project to give assistance to businesses is designed to run for three years with the contract performance reviewed annually and agree changes to the targets/focus areas on the basis of the experience of the previous 12 months. Could we follow the example of the BL intensive assist and claim subsequent assistance given to companies under this project in years two and three?</b></p> <p><b>A.</b> No. Where assistance is given to a business <u>within</u> a project the business can only be counted once. As a result of intensive assistance under the project there should be clear <b>outcomes</b> that can be evidenced to demonstrate its value and impact.</p> <p><b>Q. In a Science City (SC) project can we include in the job/business created output a beneficiary business whose head office is in Scotland that has a virtual tenancy agreement at the SC in the region? While the company has a new branch in the region, it is not a physical one.</b></p> <p><b>A.</b> No it cannot be included in the outputs. Depending on both the project objectives and the implications and practical benefits of the virtual tenancy it may be possible to include it as an outcome or impact and collect data through the project evaluation. This will require a case by case judgement taking account of the legal status of a virtual tenancy and whether or not real business benefits can be ascribed (and evidenced) to a virtual tenancy.</p> <p><b>Q. Can franchises be counted as a business created?</b></p> <p><b>A.</b> There are 3 basic types of franchises:</p> <ol style="list-style-type: none"><li>1. Where the business set up a branch, owns it and looks for someone to manage it on their behalf (e.g. pubs with independent managers).</li><li>2. Where the franchisee sets up a business and buys the 'kit' (signs, machinery, branding etc.) and then runs as their own business.</li><li>3. Where the franchisee buys a part share of the business and the rest is owned by the parent</li></ol>

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	<p>company.</p> <p>When the franchise is type 1 or 3 then they cannot be counted as a business created, unless they meet the 'new branch to the region' qualification.</p> <p>When it is a type 2 franchise then it may be counted as a business created if it is a new franchisee in the region, in the same way as a new business expansion to the region. However, if an existing franchisee opens a new outlet in the region this may <b>not</b> be counted as it is an expansion of his/her existing business.</p> <p><b>Q. What is the definition of an Ethnic Minority Business?</b></p> <p><b>A.</b> The definition used by BIS and the National Ethnic Minority Business Forum is Majority Ownership i.e. 51%+. <a href="http://www.BIS.gov.uk/files/file38528.pdf">http://www.BIS.gov.uk/files/file38528.pdf</a>.</p> <p><b>Q. Can we claim under the project a business as both a business created and a business assisted i.e. the project provides support to set up a business (business created) and then if it gives it a further 2 days of assistance within the first year can it claim this as a Business Assist?</b></p> <p><b>A.</b> No. The business created cannot be counted until it has survived for 12 months. This means all the interventions within that period are to support its survival and so enable it to be counted as a business created. In this case it can only count as a business created and not also as a business support. Of course any jobs created for the business can be counted.</p>

## OUTCOMES

### OC2: Businesses Created/Attracted to the Region:

OC2(i) Businesses created

OC2(ii) Businesses attracted to the region

OC2 (iii) Businesses surviving 12 months

OC2 (iv) Businesses surviving 24 months

Terms	Detail
<p><b>Definition</b></p>	<p><b>Business</b> is defined (TF and ERDF guidance) as any of the following:</p> <ul style="list-style-type: none"> <li>• self-employment and sole traders;</li> <li>• partnerships/limited liability partnerships;</li> <li>• private or public limited companies, private unlimited companies;</li> <li>• start-ups of all sizes, whether or not VAT registered;</li> <li>• independent spin-outs from established businesses, universities and other research and development organisations;</li> <li>• not for profit companies, co-operatives, social enterprises and community enterprises;</li> <li>• farm enterprises.</li> </ul> <p><b>Attracted</b> is defined as:</p> <ul style="list-style-type: none"> <li>• new to the region branches of businesses which remain established elsewhere in the UK (i.e. expansions). <i>For ERDF this also includes elsewhere in the EU</i></li> <li>• foreign direct investment bringing new enterprises to the region, both first time investment and subsequent expansions from outside the UK. <i>For ERDF this also includes elsewhere in the EU</i></li> </ul> <p><b>Created</b> is defined as follows (TF and ERDF guidance):</p> <ul style="list-style-type: none"> <li>• When a new business starts trading in the region <b>and</b> is sustained for at least 12 months as a direct result of project intervention;</li> <li>• “<b>starts trading</b>” is the date when the business registers for VAT or registers for Class 2 National Insurance contributions;</li> </ul> <p>“<b>sustainability</b>” should be captured after 12, 24 and 36 months for businesses created and attracted. This is defined as “still trading and employing at least one person” (ERDF).</p> <p>Examples of business created outcomes as a result of an RDA funded project. e.g. pre start assistance include:</p> <ul style="list-style-type: none"> <li>• where a project provides start up support for a business that then results in a new business, which starts trading;</li> <li>• following development of a brownfield site(O4) a new business starts trading on the site;</li> </ul>

<p><b>Measurement &amp; Reporting</b></p>	<p>Unit of measurement for this indicator is number of businesses.</p> <p><b>Data Collection</b></p> <p>Businesses created/attracted as a result/outcome of the Agency's intervention are captured through project monitoring and evaluation. The evaluation plan should be used to ensure that all businesses created from direct and indirect intervention are captured, i.e. as an outcomes of the outputs identified. The evaluation plan should also ensure that sustainability is monitored after the project has completed.</p> <p>Data should be collected at a project level through the claims processing procedure and recorded in the Agency's project management system (PMS).</p> <p><b>Verification</b></p> <p>Data should be subject to the Agency's verification and monitoring process which is in place. Verification evidence required as is as follows:</p> <ul style="list-style-type: none"> <li>• Business name, address including post code, telephone number, contact details, ownership, number of employees, type of business;</li> <li>• Certificate of incorporation or registration as self-employed;</li> <li>• VAT/NIC registration;</li> </ul> <p>Regular contact (ERDF requirements) is required with the assisted business for at least 3 years after the support has ended to prove survival. Regular contact is defined as a phone call to evidence that the business is still in existence.</p>
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