Department for Business Innovation & Skills

BUILDING THE BUSINESS BANK

Strategy Update

MARCH 2013

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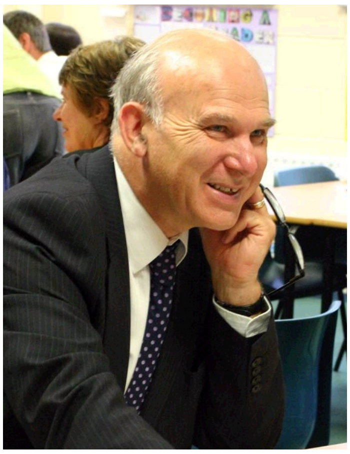
Foreword by Vince Cable



Inadequate access to finance for small and medium sized enterprises is one of the biggest risks to economic recovery. We need bold action to fix what has always been a weakness of the UK economy, and since the financial crisis has become an urgent problem. Whilst we are making great strides to reform the banking system in the UK, more needs to be done to ensure that it sufficiently serves the manufacturers, exporters and high growth firms that drive economic growth.

In September, I announced the Government's intention to develop a new institution to support finance for small and medium sized UK businesses. This institution will bring together £1billion of new Government capital and £2.9billion of existing capital which will work alongside private sector contributions with the potential to be enhanced by guarantees. We immediately set to work on designing the business bank. Now I would like to set the timetable for implementation and provide an update on developments so far.

Creating a new institution is a complex and lengthy task but it is vital to get it right to stand the test of time. To accelerate the process, the business bank will be set up in stages so that quick support is available to businesses. As soon as programmes are ready they will be launched and operated from the Department for Business, Innovation and Skills before being transferred to the new management team in the business bank.

The business bank is not just a response to the deep structural downturn the UK faces originating from the severe crisis in the banking system and the subsequent tightening of credit conditions for SMEs. It is a core part of a new Industrial Strategy, the essence of which is long term support for long term investment and growth in the UK. It is also integral to the Government's ambitions to promote diversity and competition in the business finance markets. The UK is now the only G8 country without an institution of this type and it is simply not acceptable for us to fall behind our competitors in this way.

I would like to thank Sir Peter Burt and his Advisory Group for their ongoing help and support they have given me and my officials on determining the scope and working methods of the business bank.

Vince Cable, Secretary of State for Business, Innovation and Skills

1. Objectives and Timetable

The Government has set an ambition to make the UK one of the best places to start, finance and grow a business. Extensive reforms across the wider business environment in areas such as tax, regulation, planning, skills and infrastructure are helping to deliver this.

The Government envisages the business bank being its lasting champion for ensuring that the finance markets in the UK are serving the needs of UK businesses. The business bank is integral to the Government's growth ambitions and its industrial strategy. Through the business bank the Government will demonstrate its commitment to improve these markets and will strive to ensure that the capital deployed by Government is utilised effectively to create the best possible conditions to start and grow a business in the UK.

Access to finance for SMEs and mid-sized businesses[1] has been seriously challenging. Net lending to this sector is contracting. The Government has put in place £2.9bn of commitments through existing schemes to address this and is now going further by bringing them together in the business bank and deploying an extra £1bn of capital. The business bank will manage the combined £3.9bn of Government resources to meet its objectives. By bringing together management, budgets, spending authorities and the power to alter or create new schemes into one place Government will be providing a more coherent and comprehensive package of support for businesses.

The objectives of the business bank programme

- support the development of diverse debt and equity finance markets for businesses, promoting competition and increased supply through new finance providers;
- increase the provision of finance to viable but underserved businesses, in particular improving the provision of long term finance;
- bring together the management of the Government's existing business finance schemes, creating a single portfolio and simplifying access for businesses;
- consolidate the provision of and increase the awareness of available support and advice to high growth businesses and those needing specialist support; and
- function on commercial terms to use taxpayers' funds most effectively.

[1] SMEs classified as businesses with turnover of up to £25m. Mid–sized businesses classified as businesses with turnover between £25m – £500m.

The business bank's success will be measured against its ability to:

- Raise the overall amount of finance provided to viable but underserved SMEs and mid-sized businesses;

- Increase the diversity of suppliers and products in the SME and mid-sized finance market;

- Improve effectiveness, raise awareness and increase use of Government's business finance support and advice services;

- Achieve the above while generating an appropriate return on the bank's capital dedicated to commercial or near-commercial schemes and maximising the impact of those schemes which involve the provision of subsidy.

The business bank will not directly lend to or invest in businesses nor use taxpayers' funds to prop-up businesses with little chance of success. It will work with the private sector to support and increase the capacity of current channels of finance, rather than simply replace private sector provision.

Business bank's programmes will start operating from within the Department for Business, Innovation and Skills (BIS) next month and the bank itself is expected to become a fully operational new institution in Autumn 2014 (see section 5). Vince Cable has asked Sir Peter Burt to chair an Advisory Group to advise on how to utilise the capital set aside for the business bank quickly and efficiently, as well as to advise on other questions on the scope and objectives for the institution. This Advisory Group will report in the middle of the year.

Key milestones for business bank

Interim Phase				Fully operational
Apr-Jun 2013	**Jul-Sep 2013**	**Oct-Dec 2013**	**H1 2014**	**H2 2014**
• Launch of investment programme - £300m • Expand Business Angel Co-investment - £50m • Extend commitments to Venture Capital Programme - £25m • Extend Loan Guarantee Programme in two pilots • Develop brand and consolidated marketing	• First transactions for £300m investment programme • Begin consolidating strategy and budgets of existing schemes • Scale up Bank marketing campaigns • Final report from Advisory Group	• First SME loan portfolio guarantees (subject to EU state aid approval) • Full rollout of extended Loan Guarantee Programme • Pilot new long term growth finance products (subject to EU state aid approval) • Detailed implementation plan for advice consolidation	• Set up new company • Appoint Chair and Board • Extend reach of Venture Capital Programme (subject to EU state aid approval) • Roll out new long term growth finance products • Start implementing some elements of high growth advice service	• Full state aid approval for corporate structure • Appointment of permanent CEO and management team • Complete transfer of assets from BIS to Bank

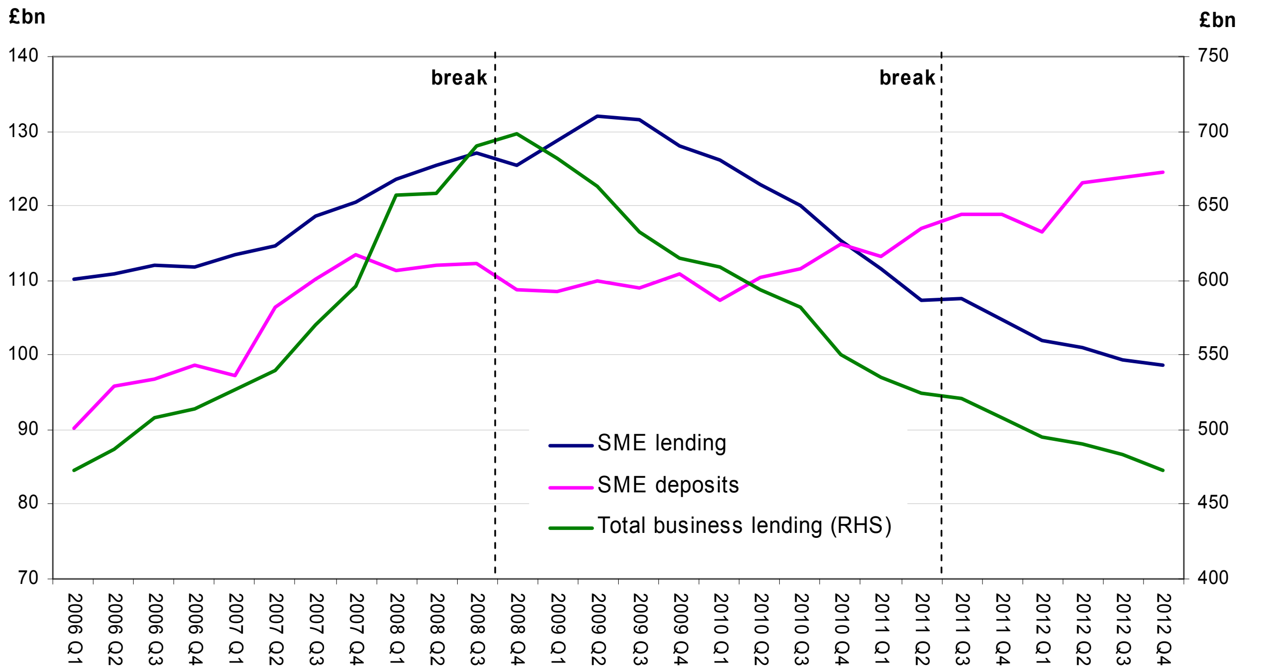
The diagram above highlights the key milestones including when new and enhanced programmes to support SMEs come on stream (see section 3 for details). Future references to the business bank in this update are to the team within BIS responsible for the development and operation of its policies and programmes before it becomes a fully operational new institution.

The business bank organisation will bring together Capital for Enterprise Ltd (CfEL - the existing delivery agency for BIS), key policy teams in BIS and new expertise from the private sector. The management team will be augmented with additional product development, finance and risk management capability as its programme of activities expands and it prepares for full operational readiness.

2. Market analysis

SME lending has shrunk dramatically: SME lending in real terms[2] has fallen 25 percent since its peak in 2009 and is now almost 10 percent lower than in 2006.[3]

Real SME & total business lending stock since 2006



Source: BIS calculations, based on BBA, Bank of England and ONS data

There are a number of factors affecting SMEs' use of external finance. The confidence to borrow and invest has been held back by uncertainty in the Eurozone and many businesses are paying off past debts, affecting demand. But there are also factors preventing effective supply of finance, and SMEs now find finance harder to access than in previous years.

2.1. Demand for Finance

Not all businesses borrow or seek investment - around a third (37%) of SMEs use no external finance at all and only around one in ten SMEs apply for a loan or overdraft each year. Whilst this is a long-standing feature, banks report that demand for finance has declined and the use of external finance by larger SMEs (10 employees or more) has declined significantly. Around 8% of SMEs would like a loan but are dissuaded from applying.

Younger firms and those with turnover of less than £10m are less able to substitute other forms of finance and are the most dependent on banks for their external finance needs. In the UK, SMEs typically rely on a single bank for external finance.

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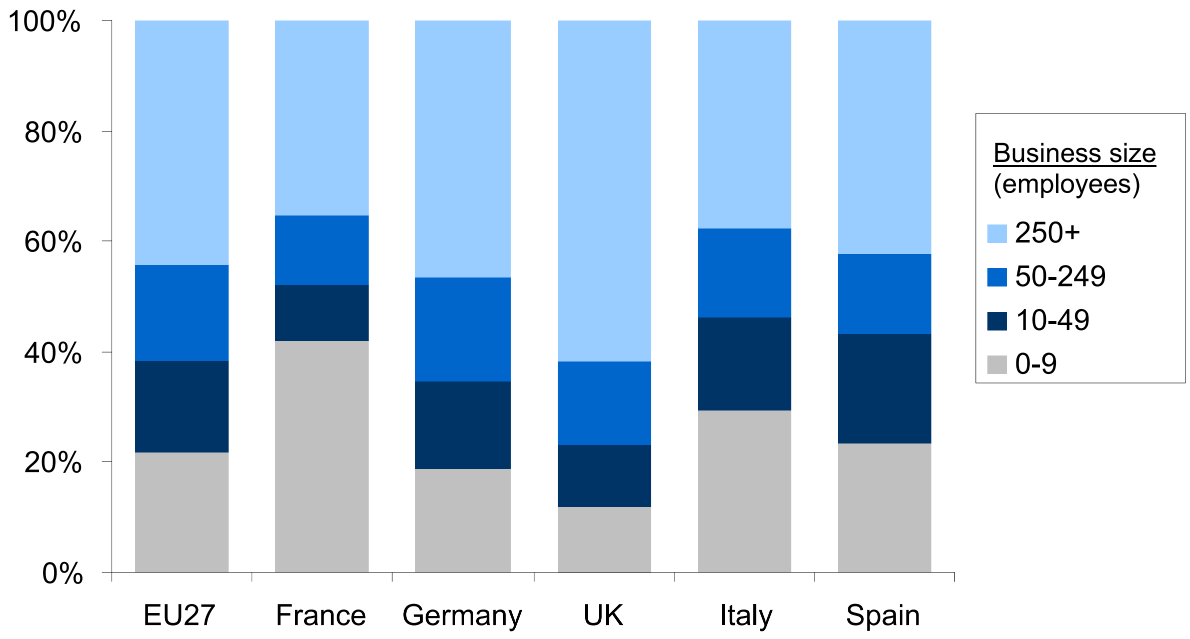
[2] Nominal figures are adjusted using the GDP deflator.

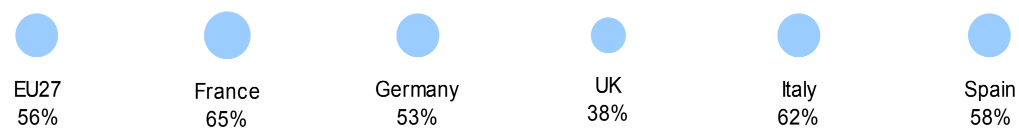
[3] The time series is not consistent throughout due to changes in the methodology. The series has therefore been adjusted to take account of these differences. Figures are indicative and should be interpreted with caution.

Whilst demand is muted, many businesses are still seeking finance, and the most common reasons cited for businesses seeking loans are for fixed or motor vehicle assets, firm expansion and developing new products and services. Ensuring firms can access finance is therefore vital for the UK's future investment and success. Analysis of the UK against European comparators shows that SME investment is relatively small in absolute terms, and also as a share of total private sector investment.

Share of gross investment in tangible goods by company size, 2011 (estimated)[4]



% of total Gross Investment in Tangible Goods by SMEs



Investment by SMEs, EUR m

[4] Source of three figures above: Eurostat data, BIS, Ares & Co and Cambridge Econometrics Analysis, 2011 data estimated, based on 2007 data

The sectors with firms most likely to apply for a loan or overdraft are agriculture and hospitality, with wholesalers and retailers currently also more likely to apply for new bank finance than other sectors. By comparison, property and business services firms were less likely to apply for new or renewed finance in 2012 than hospitality, wholesalers, retailers and manufacturing.

Construction and real estate accounted for a large share of the increased financing of businesses in the run up to the financial crisis and many large banks are now restructuring and refocusing away from commercial real estate. However, the share of outstanding SME loans to businesses in the buying, selling and renting real estate sector remained constant over 2011, at 31%.[5]

2.2. Supply

Loan rejection rates in the UK in 2011 were twice those in France and Germany. 24% of SMEs applying for an overdraft and 34% for a loan ended the borrowing process without a facility.

There are a number of constraints on the supply of bank lending, which are structural and long term, but there are also factors arising from the current stage of the economic cycle and recent economic events exacerbating the situation. Analysis conducted for BIS by the National Institute of Economic and Social Research shows that even controlling for risk factors, rejection rates for both overdrafts and term loans were significantly higher in the period from 2008-9 onwards than in the more "normal" credit environment of the early 2000s. Margins for facilities have also increased.

Banking concentration

In 2009, the largest five banking groups held approximately 90% of the SME banking market share. This is large even in comparison with the highly concentrated personal loan market where the largest five banking groups held around 75% of market.

There are a range of challenges faced by new banks trying to enter the market, including low rates of switching by consumers and limited access to information to help assess creditworthiness.

The consequence of this concentration and challenges to entering the banking market is that when large incumbent banks pull back from the market, SME borrowers are left without sufficient alternative sources of finance.

Constraints on supply of long term bank finance

New investments often demand long term financing, with sustained periods before returns are available. These investments are often in intellectual property or other non-tangible assets. The expense and capital requirements associated with longer term funding, and the uncertainty involved for lenders, mean that such long term finance may not be cost-effective for banks. Some of this investment can and should be funded by equity, but it is important to promote the right balance of long term debt and long term equity.

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[5] Based on BBA statistics, covering seven major banking groups active in the UK.

Lack of track record and collateral

Before advancing, credit lenders must assess borrowers' ability to repay. This depends on an assessment of information on the company's performance and future prospects. For SME lenders this can be disproportionately costly to assess and therefore reliant on track record and the existence of security.

Smaller and newer firms, which often have less security to use as loan collateral, or firms with intangible assets such as intellectual property, find it harder to raise bank finance. This applies equally to more established small firms seeking to develop new products and services or to expand their businesses.

Regulatory changes

The recent global financial crisis has forced regulators and banks to rethink the levels of lending and risk-taking in the process of de-leveraging their balance sheets and implementing new regulatory requirements. This process is an essential part of creating a more stable financial system that is better able to support sustained economic growth and less vulnerable to cycles of boom and bust. However, the transition from loose regulation that permitted inadequate holdings of capital and liquidity is inevitably a difficult process.

Equity finance

For those firms seeking or requiring equity finance, there has been a long recognised finance gap, whereby the high costs of due diligence, relative to deal size, make smaller equity investments (around £250k to £5m of investment) uneconomic. This is a long term structural factor for which the Government operates a range of measures to address.

Implications

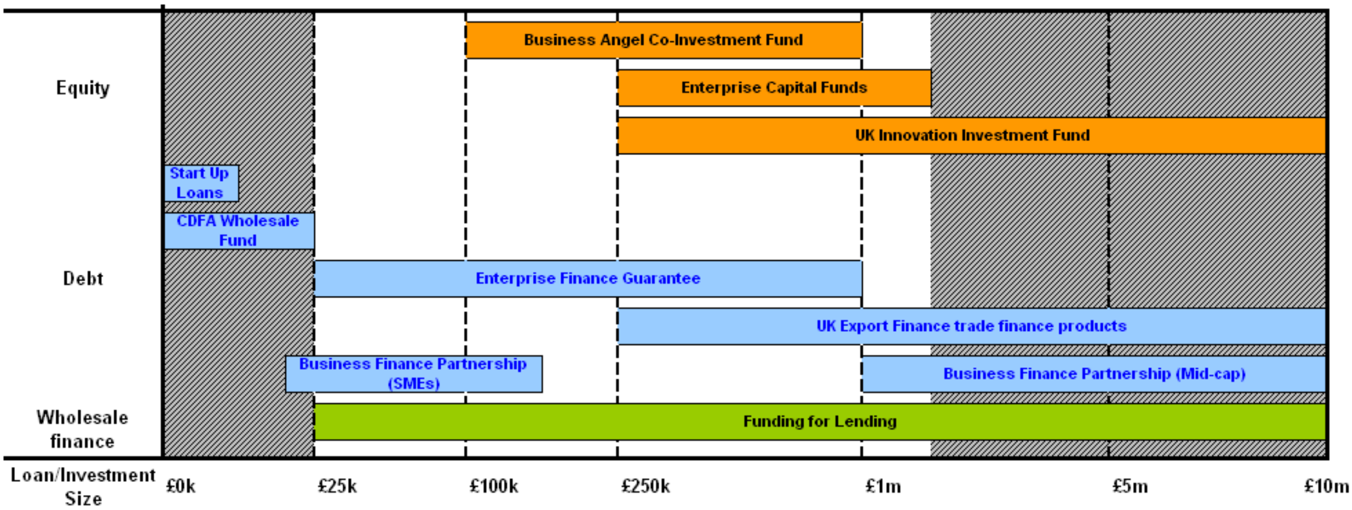
Our analysis suggests the following types of firms are particularly underserved for finance:

- SMEs of all sizes that seek finance to expand their business or to develop new products and services;
- SMEs that lack the collateral to take out a secured loan;
- SMEs at the smaller end of the SME scale;
- Young SMEs which have existed for less than five years.

3. Finance solutions

The market analysis set out above demonstrates a number of problems in the finance market affecting businesses of different sizes and at different stages in their life-cycle. The business bank will offer a range of solutions to enable it to adopt a targeted but flexible approach to addressing finance constraints in the market. The finance solutions will be distributed via intermediaries, such as lenders, internet-based finance providers or investment funds, taking into account the business bank's objective to support diversified finance markets for SMEs and mid-sized firms.

Map of Existing Finance Interventions



This diagram illustrates how the Government's and the Bank of England's interventions already provide support for businesses at various sizes and stages of growth with a number of different financing mechanisms. The shaded areas represent the space in which we believe there is a particular need for the business bank to implement new interventions that will boost the availability of both early stage and long term capital.

The existing business finance schemes provided by Government are currently delivered by CfEL, BIS and HMT. They contribute around £2.9bn of Government funding or guarantees to businesses and, in total, support up to £9.5bn of finance once private sector contributions are included. See appendix for details.

3.1 Equity Solutions

The Government has a number of interventions which are aimed at bridging the gap in the supply of equity for SMEs seeking up to £10m, which will be brought under the bank's supervision.

There are currently 12 Enterprise Capital Funds with committed Government funding of £237m. These have made investment available to SMEs and helped foster a sustainable skills base in the early stage venture capital market by lowering barriers to entry for entrepreneurial risk capital managers seeking to channel finance and mentoring to SMEs.

The £50m Business Angel Co-Investment fund provides equity finance to high growth potential SMEs by co-investing with business angel syndicates. It builds the long term market for angel investing by catalysing business angel syndicate formation, but also by helping to create an effective ecosystem with active angels and a positive track record to attract new investors.

The £150m UK Innovation Investment Fund invests in innovative businesses through a fund of funds model. It aims to invest in businesses with significant growth opportunities in strategically important sectors to the UK. Government funding is now fully committed into the investment, but the business bank would have the potential to manage further rounds of similar funding.

Immediate enhancements

Building on these interventions, the Government is making available a **further £75m** of venture capital for early stage SMEs with the potential for high growth, for investment from 2013-14 onwards:

- £50m will expand the Business Angel Co-Investment Fund (CoFund) to a £100m fund;

- £25m will extend the Enterprise Capital Fund programme to include a VC Catalyst Fund, which will invest in venture capital funds that specialise in early stage venture capital and are near to close, enabling them to commence investment in SMEs.

Future enhancements

Mezzanine Finance

The business bank team is assessing the potential to support additional types of finance for high growth firms. Whilst there is no single model, mezzanine finance is a form of debt which shares characteristics of equity to reflect the higher risk associated with this finance. Mezzanine finance typically features a cash coupon and a payment-in-kind interest element which is payable on maturity. This can include warrants or a share in future profits. Mezzanine finance was more commonly available in the UK through institutions such as 3i but in recent years has largely disappeared from the market. The business bank will carry out research to assess the level of market demand in more detail.

3.2. Debt Solutions

The business bank will continue to address the insufficient supply of debt finance available for SMEs.

It will manage the Government’s Enterprise Finance Guarantee scheme (EFG), which helps businesses without sufficient track record or collateral to access loans and currently supports £1.7bn of SME lending that otherwise would not have been made.

43 lenders are currently accredited to offer EFG loans. The Government is adapting EFG to bring in a wider range of finance providers, which will for the first time provide

Government guarantees to support trade credit, increasing the amount available to SMEs. This will initially run as a pilot with Kingfisher plc, with other trade credit providers being invited to participate.

The bank will take responsibility for funding the £110m Start Up Loans programme, which currently targets the lack of debt finance available for young entrepreneurs who are looking to set up a business.

The £1.2bn Business Finance Partnership, which has the aim of promoting new, non-bank sources of finance through a co-investment model, will also be transferred to the bank once it has made its commitment to funds. This scheme is split into two tranches: one focused on supporting senior and mezzanine debt funds, seeking institutional investment into mid-sized firms; and a second focused on developing channels of lending to SMEs by supporting new sources of finance such as peer-to-peer lending and online receivables platforms.

Immediate enhancements

Enterprise Finance Guarantee

There are further plans being developed to expand EFG, which will aim to use guarantees to help bridge the 'affordability gap' by providing a guarantee to the lender of up to 25% of the overall cost of repaying a loan; and separately, extending EFG to support businesses lacking track record, who are seeking loans of under £25k.

£300m investment programme

The £300m investment programme will build on the recent investments made by the Business Finance Partnership. This will be focused on promoting diversity of supply by encouraging new entrants and the growth of smaller lenders in the market.

These investments will be made by BIS on behalf of Government as part of the business bank initiative. Investments will be made on terms and conditions that would be acceptable to a private investor and may take a variety of forms. There are opportunities for Government to invest, alongside private investors, in areas that include:

- Equity, equity-like and debt instruments in financial institutions;
- Debt funds or asset backed lenders that lend directly to businesses; and
- Non-bank channels, such as supply chain finance, peer-to-peer lending and other lending platforms.

This programme will be launched and proposals invited from Spring 2013.

Future developments

Long term growth finance

The business bank team is assessing how it could facilitate the provision of long term growth lending to SMEs which is currently not available in the market. The business bank would distribute such loans through partner lenders by offering them low cost funding and/or guarantees. Such products are already offered in other countries such as Germany through its national promotional bank, KfW.

3.3. Wholesale solutions

Wholesale solutions are designed to enhance capital or funding conditions associated with SME lending. These would be deployed in line with the business bank's objectives either to support the development of new sources or types of finance or to increase lending to under-served SMEs. The bank will also be developing the relevant risk management tools to ensure the prudent use of taxpayers' funds. The business bank team is undertaking detailed design work with a view to launching solutions in the second half of 2013 (subject to EU state aid approval). Four approaches are being developed:

Tranched risk transfer trades

These are designed to allow lenders to share portions of the risk corresponding to portfolios of SME loans with the business bank. The SME lenders typically retain a first loss exposure and purchase protection for losses exceeding the first loss amount. However the maximum amount of losses the SME lender may claim will be capped at a pre-agreed amount lower than the total size of the underlying portfolio. By entering into this type of transaction a SME lender could reduce the amount of capital it holds against the portfolio of SME loans. The capital freed would be specifically used for additional SME lending.

Vertical guarantees

Instruments which work much like the Tranched Risk Transfer Trades except that the maximum amount of losses is not capped and the guarantee will cover a pre-agreed and lower fraction of the losses. The SME lender will be able to reduce the amount of capital it holds against the SME portfolio on the basis that a portion of the risk is transferred to a third party.

Senior warehouse funding facilities

Solutions which could potentially be provided to SME lenders either directly or via third party funders benefitting from a guarantee. The funding facility will be collateralised by an underlying portfolio of SME loans. The warehouse is a temporary facility put in place in anticipation of a securitisation or another form of capital markets transaction. This product would be aimed at reducing potential funding constraints to SME lenders where the SME lender retains most if not all of the underlying risks of the portfolio.

Cash securitisation

The business bank could play various roles to stimulate the SME cash securitisation market. This could include making direct investments in transactions or providing guarantees for specific risks. The extra funding resulting from the business bank's intervention will need to be made available to SME borrowers.

4. Business advice

Good understanding amongst SMEs about the solutions that the business bank offers will be as important as the supply of finance. Current awareness amongst SMEs of Government support programmes is relatively low and knowledge about how to access the finance programmes is even lower. The business bank will have responsibility for marketing its activities to SMEs and the financial services sector. It will also ensure that SMEs are informed about how to obtain advice from public and private sector sources on business finance. Building SME skills and capability can raise demand for finance as well as enhance their overall growth prospects. Because of this link, the Government is assessing what role to give the business bank in improving business capability through provision of wider support and advice.

Since 2010, the Government has deliberately targeted most business support spend on around 100,000 firms a year that have the potential to achieve high levels of growth. This reflects research by NESTA[6] and others showing that most private sector economic and job creation is delivered by a limited number of fast growing businesses. For the majority of the UK's 4.8 million SMEs, Government has focused on providing high quality, low cost, high volume support, for example through new online tools and advice and through a network of 27,000 volunteer mentors.

In line with this strategy, Government has continued to invest in support for exporters, innovation and manufacturing through UK Trade and Investment, the Technology Strategy Board (TSB), Design Council and the Manufacturing Advisory Service, whilst also introducing the new Growth Accelerator programme to drive growth in high potential SMEs. All these advice services and innovation programmes are managed within national frameworks to ensure consistency of the offer, but - with the exception of the TSB - are delivered locally by private sector experts through competitively tendered contracts. The TSB has a portfolio of innovation support products which is delivered competitively across the UK, much of which brings together innovative businesses of all sizes and entrepreneurial academics.

4.1. Plans to improve business advice services as part of business bank programme

Feedback from users of these schemes is overwhelmingly positive with high levels of customer satisfaction and strong evaluation results. However, consistent with Lord Heseltine's view that small businesses can struggle to find the support they need and the views expressed by stakeholders such as the FSB and CBI, we want to improve the customer experience so that these schemes are better understood and easier to access. In addition to this there is an opportunity to make better use of the information they provide to enhance their effectiveness for users as well as enhance the link between finance and advice. Stronger links between the capacity building activities of advice services, the

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[6] National Endowment for Science, Technology and the Arts.

delivery of innovation programmes and the raising of finance can increase the chances of successful use of capital.

The business bank team will develop a more integrated service for high growth and specialist firms, providing a single professional analysis of the client business and ensuring SMEs get the expert help and access to appropriate support needed for that business to accelerate its performance. The team will bring together access to Government support for innovation, finance capability, leadership and management training, exporting, intellectual property and manufacturing expertise. The new high growth service will bring together:

- Marketing and acquisition - more coordinated, efficient marketing and customer acquisition that increases awareness and take-up of Government advice schemes and finance schemes and is consistent with wider Government SME marketing strategies.

- Customer management - a more joined-up customer journey that ensures business needs are looked at holistically wherever they enter the support system and that there are systematic referrals between different types of advice and to other local support services. We want to minimise customer bureaucracy while maximising links to and raising demand for finance.

- Strategy and coordination – a more unified service, able to understand customers' needs across the range of services, potentially being able to allocate resources across the different types of advice depending on where they are most needed and eliminate inefficiencies and duplication in delivery and administration.

- Data collection and management - making use of information on SMEs from finance, innovation and advice schemes, including for different localities, to inform future interventions so that they are more effective in meeting SME needs in aggregate and provide a 'guiding mind' on Government policy towards SMEs.

- Links to localities – in line with concerns raised in Lord Heseltine's review and as recognised in the Government's 18 March response to his review it will be important that this service ensures there are strong links to Local Enterprise Partnerships, local providers of support and that wherever possible ensure support is tailored to meet local needs. It will also link to Devolved Administrations.

For SMEs in England, this will cover the services currently offered by Growth Accelerator (GA), Manufacturing Advisory Service (MAS), and relevant programmes for SMEs run by UK Trade and Investment (UKTI) on exports, the TSB on innovation (eg Smart), the Design Council on design and the Intellectual Property Office (IPO).

4.2. Next steps on business advice

Government is committed to introducing this new service. This work is being progressed as an important part of the overall business bank programme. A review which identifies significant benefits and opportunities of this approach and design principles and that has validated that this is achievable has been completed. More detailed design work is now taking place with relevant partners to agree a detailed implementation plan, for both the full new service and an earlier introduction of some key elements.

The Government has asked the business bank Advisory Group to advise on the best way to bring advice schemes together and join them more closely with finance schemes when it makes final recommendations in the middle of the year. We will look to appoint an external industry expert to provide strategic and operational advice on this important part of the programme.

The benefits of this new approach will start being introduced in a staged process during the second half of 2013 and through 2014. The full new service will be fully operational in 2015.

5. Organisational design

The Government intends to set up the business bank as a new institution so that it can operate most effectively to achieve its objectives. BIS, HMT and Cabinet Office are working together to determine which type of body and what kind of financial and governance framework is most appropriate. This work is also being carried out in consultation with the Bank of England and the FSA.

The business bank team is working both on refining existing interventions and on developing the new solutions outlined in this paper. The team is engaging with market participants in order to inform product design and assess borrower and investor appetite.

Design work is well underway. The implementation team has started mapping out the extensive capabilities and functions that the business bank will need to develop, and has compared them to the capabilities and functions already present in Government through the delivery of existing schemes. The business bank will need to draw together and develop its capabilities in equity, debt and wholesale solutions for SME finance markets. It will also need to establish appropriate marketing, strategic analysis, risk and financial management capabilities.

Setting up this new institution is likely to require EU state aid approval which will take some time. Therefore, in parallel to the work on creating the permanent organisation, BIS will launch new schemes that do not require state aid approval, extend existing schemes where they have already been approved and, on an interim basis, consolidate all the schemes that can be consolidated. This will bring together CfEL, key SME policy teams and new expertise from the private sector. The management team will be augmented with additional product development, finance and risk management capability as its programme of activities expands and it prepares for full operational readiness once EU state aid approval has been obtained.

Throughout 2013, the business bank team will be putting in place the new finance and advice solutions set out in this paper. The business bank is expected to be established as a new entity in Spring 2014 with an expectation that responsibility for all finance solutions is transferred from BIS to the business bank in Autumn 2014.

Appendix

The table below outlines the debt and equity schemes which will initially be integrated into the bank. It displays the level of Government commitment provided for those schemes and the amount of funding for business which they have the potential to support.

Debt and equity schemes to be initially integrated into the business bank

Active Schemes	Current Government Commitment (£m)	Total market impact including private sector contributions (£m)
Equity		
Enterprise Capital Funds	413[7]	690 (based on current trends)
Business Angel Co-Investment Fund	100	400 (based on current trends)
UK Innovation Investment Fund	150	330[8]
Aspire Fund	13	25
Debt		
Enterprise Finance Guarantee	425 (maximum cost to BIS)	3,270[9]
Start-up Loans	110	110
Business Finance Partnership (Mid-cap)	1,100	2,200 (minimum amount)

[7] Defined as £238m already committed, add £150m in remainder of Spending Review period and the new £25m

[8] UKIIF is invested into an underlying series of private sector funds. The total size of those funds, so far, is approximately £2.2bn.

[9] EFG is calculated as £1.7bn drawn down at Dec 2012 plus a further £1.5bn which Government has agreed to support over the current spending review period

Active Schemes	Current Government Commitment (£m)	Total market impact including private sector contributions (£m)
Business Finance Partnership (SMEs)	100	200 (minimum amount)
Subtotal – Active Schemes	2,411	7,225
Post-investment phase schemes		
Equity	350	984
Debt	147	178
Subtotal – post investment phase	497	1,162
Grand Total	**2,908**	**9,549**

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