

## **Business Collaboration Networks – Continuation Rationale**

### **Business Collaboration Networks: Helping businesses to work together to improve performance and exploit market opportunities**

#### **SUMMARY**

Business Collaboration Networks will bring together businesses to work on common challenges in fields of commercial activities that are essential for developing and strengthening regional economies.

Funding will be provided to procure intermediaries to establish and operate business collaboration networks. The intermediaries will facilitate access to a range of collaborative support activities.

Businesses will be able to participate in collaborations to address opportunities which they would not be able to address effectively alone.

The exact range of support provided via the intermediaries to the businesses participating in the networks will depend on the focus of the collaboration network and the size and attractiveness of the opportunity but may include the following:

Interventions will be restricted to collaborations where:

- The focus is on priority sectors highlighted in the relevant regional economic strategy;
- Market failure and difficulty in achieving collaboration is identified at the project level;
- Collaboration is necessary to develop and commercialise a business proposition that is outside the scope of supported activities elsewhere (e.g. under the 'Innovation Collaboration' product);
- The business case demonstrates the absence of subsidy to participating large companies; and
- Such networks will not support anti-competitive behaviour but will encourage co-operation between businesses.

## **Rationale for continued funding**

Throughout the negotiation process on the product descriptor, it was clear that the BERR starting position was that any collaboration network funding should be strictly time limited. One North East and other RDA's argued consistently that some of the BCN products were highly economically significant and relied heavily on brand and awareness that could only be achieved through an extended funding period.

After deliberation an 'exceptional circumstances' clause was included by BERR in the final product descriptor

It is clear, however, that where we seek extended funding this will come under extensive scrutiny by BERR.

This will focus on whether sufficient robust evidence exists of both;

- Evaluation of 'hard' output achievement
- Continued evidence of market requirements

In order to demonstrate a case for continued investment in a BCN activity the following will be required;

- Robust evidence of GVA based economic benefit through the investment
- An external independent evaluation completed confirming the above
- A clear case for the continuation of the funding and the likely impact and outcomes
- A detailed submission to BERR outlining the 'exceptional circumstances'
- Sign-off from BERR prior to funding approval

Whilst much of this will be covered through existing approvals processes, additional time may need to be factored in to the development cycle for BERR consultation.

For example a case for continued funding of NEPIC would need to evidence historic output data, continued GVA leverage and a continued demand from industry which would not be delivered on a self-sustaining basis. Issues around the long term brand development and traction from a well established organization, whilst important, are likely to be limited in value in establishing a case.

## Annex 1 – Product Descriptor extract

The Product descriptor states;

*Public sector investment in individual collaboration networks will be on a time-limited basis with a clear evaluation and exit strategy defined from the outset. The length of the intervention should however reflect the fact that network development is a long term process<sup>1</sup> and the time given for the intervention to become self-sustaining should reflect this. Public investment is typically used for pump-priming the network over 3 to 4 years in order to allow it to establish a presence amongst constituent businesses, develop a clear action plan and become self-sustaining.*

*Each network will be reviewed on an annual basis as part of the yearly business planning round of the funding organisation. Each network will also be reviewed as part of the normal 3 year planning cycle of the Regional Development Agencies. This review will be linked to the key monitoring and evaluation criteria assigned to this product. This transparent recording of outcomes will be necessary if, in particular circumstances, RDAs need to go beyond the typical period for pump-priming of 3-4 years.*

*Extensions to public funding might occur in exceptional circumstances subject to stringent evaluation and where market requirements show that continued investment is justified.*

Extracted from Product Descriptor – Business Collaboration Networks  
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<sup>1</sup> Best practice suggests that it takes a minimum of three years to build up momentum.