

6th May 2014

Agenda Item:

REPORT OF THE GROUP MANAGER, CORPORATE STRATEGY

BUSINESS SUPPORT – PROPOSALS FOR 2014/15

Purpose of the Report

1. To consider funding proposals for business support activity in 2014-15 and to provide an update on the performance of the Council's investment in the Funding Circle model.

Background

2. Committee agreed its overall budget and broad headings for initiatives over 2014-15 at its meeting in March 2014. At that meeting, up to £75,000 was allocated towards business support measures and this report offers details of initial proposed spend under this heading.
3. A number of factors have been considered when drawing up these proposals. Firstly, any activity supported by the Council is responsive to need and specifically the needs of Nottinghamshire businesses. The proposals recognise both statistical data and trends and concerns that have been discussed with business support organisations. Importantly, the development of these proposals was influenced by links with businesses directly via Key Accounts and via conversations through the Nottinghamshire Business Engagement Group (NBEG).
4. Secondly, given the changing position on business support nationally and locally and what is a relatively small pot of resources, it is important that any proposed provision reflects existing national and local provision, gaps within the market, seeks to add value and looks to bring forward creative solutions. The proposals within this report have been designed in this context.

Business Start-Up Provision

5. At Committee on 1st April 2014, Members received a report on the progress of the current Business Start-up contract, being delivered by NBV Enterprise Solutions on behalf of the County Council. This was complemented by a presentation by Joanna Clarke from NBV which provided more detail on the delivery of the support, the outcomes to date and some examples of how the programme has impacted positively on new business start-ups across Nottinghamshire.
6. It was agreed at the meeting that the project has so far represented good value for money and is delivering well against the outputs. It was also noted that, after a slow start in March

2013 while the project was being publicised, the project is progressing well, particularly in terms of engaging with people from those areas not in receipt of free business start-up support since the removal of the national offer in November 2011.

7. The programme has now entered the final monitoring stages. Given this positive perspective on the project's performance and with activity coming to an end, it is proposed that Committee approves the allocation of a further £55,000 from the Economic Development budget to continue this project during the 2014/15 financial year. This amount of funding would allow NBV to deliver activity to the end of March 2015 and can be found from within the budgetary allocation.
8. There is provision within the current contract with NBV to extend this agreement and this brings substantive benefits in terms of costs and efficiencies, allowing NBV to capitalise on the marketing activity already delivered, which has led to large numbers of individuals continuing to be engaged. This approach allows for a prime focus on delivery with less of a requirement for building momentum.
9. The proposal would allow the County Council to facilitate blanket coverage of free support across the whole County, which is not dependent on postcode or circumstance. This flexibility is key as via the Council's support, NBV can deploy resources flexibly to any emerging hotspots or areas of concern within the County. This whole-area support is a unique offer and is not replicated in many locations across the country.
10. Indicative targets for the extension of this programme have been discussed, taking into account both the performance to date and the comments received at the Economic Development Committee in April. If approved, an agreement will be developed with NBV based on the following (figures for 2013-14 in brackets):

Duration of extension	1 st July 2014 – 31 st March 2015
Number of individuals engaged	375 [346]
Number of New Business Starts	93 [86]
Ratio	1 business start for every 4 engagements [same as 2013-14]
Cost per business start	£590 [£674]

Funding Circle

11. In March of 2013, Members agreed a pilot partnership with Funding Circle over the course of 2013/14, allocating a total of £45,000 (£40,000 for investment and £5,000 to support PR and direct mail activity) from that year's budget to support Nottinghamshire businesses with an alternative "peer-to-peer" (P2P) route to finance for established business.
12. P2P finance works as a way of supporting direct lending or investment by individuals or organisations to other individuals or businesses, by-passing what has been the more traditional means of lending such as the banks or other mainstream sources of funding. It is a significant growth area in securing access to finance over recent years following the credit crunch of 2008 onwards which has seen a move away from traditional sources because of a lack of available finance and / or a tightening of the approach to credit and the terms and conditions that relate.

13. Due to logistical delays in establishing the Funding Circle approach, activity was not underway fully until July 2013 but it has been operating well since. An end of financial year review offers the following assessment:
- A total of 16 Nottinghamshire companies have secured investment through Funding Circle supported by the Council;
 - The total investment by the Council is just under £24,000, with the value of the total loans requested at £805,000;
 - There are no bad debts in the portfolio at this stage with all loans being re-paid and two loans having been already paid back in full;
 - The companies supported work in a range of sectors including electronics; accountants and financial management; manufacturers (including printers, blinds, specialised furniture); the leisure industries; contract maintenance; IT development and training and a hotel. The Nottinghamshire based borrowers are drawn from across the County;
 - The requirements for loan funding are referenced as being for business expansion (including the purchasing of equipment and working capital); the development of an on-line presence; the expansion into new premises / branches and the development of new markets.
14. The ambition with the Funding Circle relationship was to offer an opportunity for the County's businesses to secure finance quickly, effectively and at very competitive rates through alternative routes. The co-investment approach has minimised exposure to risk and is securing returns on investment allowing for resources to be re-cycled into further investments. The competitive nature of the process for investors is welcomed by businesses as this effectively reduces the final interest rate set. Around £20,000 remains in the Council's Funding Circle account and is available to be lent out to Nottinghamshire businesses. This amount reflects the remaining investment amount agreed by this Committee from its 2013-14 budget plus the regular re-payments plus interest being made since the lending commenced.
15. Given all of these factors, it is proposed that no additional resources are allocated from the 2014-15 budget towards the Funding Circle account at this time, noting that the account can continue to operate through its existing and re-cycled resources into the current financial year.

Further Business Support Options

16. If the above proposals are agreed, that leaves £20,000 for further activity. A number of options are currently being explored, including support to ideas generated via the Council's Key Account work; working with the universities on maximising the impact of their programmes on Nottinghamshire companies; supporting the take-up of national Government programmes such as the Growth Accelerator within the County and exploring the merits of establishing an account with a P2P platform to support investment in Nottinghamshire start-ups.
17. It will be unlikely that all of these could be supported with the remaining resources available. A report on considering options for the remaining funds will be brought to a future Committee meeting.

Reason for Recommendation

18. To support the Committee in meeting its priorities regarding its business support activities as approved at its March 2014 meeting.

Statutory and Policy Implications

19. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

20. The financial implications are set out in the report.

RECOMMENDATION/S

21. It is recommended that the Economic Development Committee:
- a) Agrees an allocation of £55,000 to continue the Business Start-Up programme contracted to NBV Enterprises Ltd from July 2014 – March 2015;
 - b) Notes the performance of the partnership with Funding Circle and its continued operation over 2014-15;
 - c) Receives a further report on options regarding the remaining £20,000 under the Business Support heading at a future meeting.

Report of the Group Manager, Corporate Strategy, Celia Morris

For any enquiries about this report please contact Geoff George (0115) 977 2046

Constitutional Comments (NAB 25.04.14)

Economic Development Committee has authority to approve the recommendations set out in this report by virtue of its terms of reference.

Financial Comments (SEM 24/04/14)

The financial implications are set out in the report.

Background Papers and Published Documents

None

Electoral Division(s) and Member(s) Affected

All