

9th July 2013**Agenda Item:****REPORT OF THE GROUP MANAGER, CORPORATE STRATEGY****OPTIONS FOR USE OF THE NOTTINGHAMSHIRE MICRO LOAN
FUNDING****Purpose of the Report**

1. To offer the Committee options for the use of the funds previously allocated to the proposed Micro Loan Fund in Nottinghamshire and to seek approval to proceed with a preferred option.

Information and Advice**Background**

2. At the previous Economic Development Committee on 11th June 2013, Committee were advised that the proposed Micro Loan Fund in Nottinghamshire would not be proceeding. Committee proposed a number of options that could be considered in terms of re-allocating the funding towards activity which would support business growth. These are considered in further detail below.
3. Committee asked that one of the options for consideration should be the Council operating its own loan fund, with a similar design to that of the Micro Loan Fund. This option was tested and discounted due to the low level of investment available through County Council resources at this point in time. The overheads and administration costs of running a loan scheme with a £20,000 'pot' were considered to be unviable and to offer poor value for money in terms of overall investment likely to be delivered through loans to small businesses. A more significant amount of funding would be required to make such a scheme viable. For illustration, Newark and Sherwood District Council's Think Big (Business Investment for Growth) Fund, which offers loans to existing SMEs with the potential for growth but who have been refused by a bank, has an investment of £2 million over 3 years.
4. Committee also asked that options for delivering loans through the Nottingham Credit Union (NCU) be explored. NCU currently only offers personal loans. They have previously been in discussion with Nottingham City Council regarding a scheme to administer business loans, but did not go ahead because;
 - the administrative costs for loan appraisals were prohibitive
 - business loans were considered too high risk and

- NCU did not have the business knowledge to easily assess the viability of applications

Options

- Options for use of the funds (£20,000) can now be considered, following a short piece of research looking at existing business support models and potential gaps in what is offered. All of the options could have a focus on micro enterprises (up to 10 employees), the under 25 age group and/or specific geographical targets.
- Option one – First Enterprise.** First Enterprise are the local Community Development Finance Institution (CDFI) offering business loans to individuals over 18, requiring a minimum contribution of 30%. They target disadvantaged groups and lend money to people who may be unable to borrow from banks and building societies. A contribution to this programme could potentially bridge some, or all, of the 30% gap.
- Option two – Spark competition and business support programme through workshops, web training content, mentoring and coaching.** This follows a model previously used as a variation to the Innovation Centres management and support contract held by Oxford Innovation Ltd. The programme would provide practical business planning and skills training to pre-start and new businesses, and offering more intensive (one to one) specialist support and coaching to those entrepreneurs or businesses with the highest growth potential. This option is likely to engage a number of businesses accessing different levels of support; up to 40 receiving light touch awareness sessions, up to 15 receiving more intensive training and workshops, and 5 short listed businesses receiving intensive ongoing training, mentoring and coaching. The winning business(es) would then receive a prize package which could include (subject to sponsorship) 12 months office space or virtual office tenancy, professional support (accountancy, legal, marketing), website development, professional or sector body memberships and cash awards. The value of the prize is estimated to be in the region of £15,000.
- Option three – outreach business support.** The support would consist of business support assistance to facilitate growth in micro-companies and sole traders covering business planning, financial modelling and forecasting, marketing, signposting to finance opportunities and support where necessary to complete applications for finance, advice on legal issues including patent / copywriting. This option could be delivered as a variation to contracts already held with either NBV or Oxford Innovation Ltd, and is likely to engage a minimum of ten businesses.
- Option four – invest in the Nottingham City Growth 100 project.** The Council could sponsor up to four Nottinghamshire SMEs to take part in the next cohort of the programme. The tailored business and management education programme is delivered across twelve workshops (one per month) where business owners learn from their peers to develop individual business growth plans; models of business growth, best practice approaches from guest speakers explaining how they acquired investment and resources support from mentors (e.g. investors, entrepreneurs) and coaches (e.g. lawyers, accountants,

personal coaches). The County Council has already supported the involvement of two businesses in the programme, which is currently one quarter of the way through the first cohort.

10. **Option five – to develop and run our own business plan competition.** This could be delivered in conjunction with district councils, subject to their interest and availability of funds. The Council would have greater control over the nature and focus of a competition this way, but has limited resource and expertise
11. Finally, Committee requested consideration of allocating the funds to the Wheels to Work project, which supports people into work and training by providing moped loans and other transport solutions. Wheels to Work is already supported by £20,000 in 2013/14, and new outputs and outcomes would need to be negotiated as part of any contract variation.
12. Summary of advantages and disadvantages for the options outlined above :

Option	Advantages	Disadvantages
Option One	<ul style="list-style-type: none"> Existing scheme Encourage more Nottinghamshire businesses to take up loans 	<ul style="list-style-type: none"> Further work would need to be done to ascertain whether the 30% contribution requirement is a barrier and therefore intervention by the County Council is warranted. Would need to discuss with delivery agency how this would work in practice
Option two	<p>This option could be contracted to offer a Nottinghamshire County Council branded business competition with a number of business support benefits including;</p> <ul style="list-style-type: none"> Supporting the three Nottinghamshire Innovation Centres Covering a wide geographical area across the whole of Nottinghamshire Encouraging innovation and / or growth in new businesses across all sectors Engaging a large number of businesses through promotion of the competition and Working with an established partner with a proven track record and wide-ranging business contacts Could be delivered as an extension to an existing tendered contract 	<p>Would need to ensure that the contract is flexible and responsive to our needs and aims</p>

	<ul style="list-style-type: none"> • Web training resource could be accessed beyond the life of the competition • Follows a model already trialled in both Nottinghamshire and in Harborough, Leicestershire. 	
Option three	<ul style="list-style-type: none"> • Existing contract so no competitive tendering required • Tailored support 	<ul style="list-style-type: none"> • It could be difficult to assess the added value of any outreach work for business growth given the existing contracts (both with NCC and government funded) for business support that NBV have. • This option is likely to engage a smaller number of businesses (10) than option 2. • Much of the work may be taken up with identifying and engaging businesses for outreach support.
Option four	<ul style="list-style-type: none"> • Existing programme with contracted delivery partners 	<ul style="list-style-type: none"> • It is too early to be able to assess its effectiveness (in month 3 of a 12 month programme for the first cohort). • The project is Nottingham City Council based. • Further discussion with the City council and their delivery partner would be needed to clarify whether participants could be recruited from any Nottinghamshire district. • This option would only provide support for a small number of businesses (4). • Could be perceived as a more academic-based option and as a 12 month programme may have the potential for greater drop-out
Option five	<ul style="list-style-type: none"> • Would provide an NCC branded competition which could be flexibly designed to meet the desired aims 	<ul style="list-style-type: none"> • There is not currently the in-house expertise and resource to deliver this , so a competitive tendering exercise would need to be undertaken to source a delivery partner. • A tendering exercise would take additional time and resources.
Further fund Wheels to Work	This option would support additional individuals to access and stay in work	<ul style="list-style-type: none"> • This option would not support business development, which was the original aim of the funding.

Reason/s for Recommendation/s

13. Committee is required to consider options for the use of the funds and approve a preferred option.

Statutory and Policy Implications

14. 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 in the report.

Financial Implications

15. The cost for delivering the options offered has already been met from the 2012-13 budget. Options two, three and four could be covered through extensions to existing contracts or programmes, requiring a financial waiver but no procurement exercise. Options one and five may require tendering exercises or the negotiation of new service level agreements.

RECOMMENDATIONS

16. That Committee consider the options for the re-use of the £20,000 allocation as outlined in the report at paragraphs 6-12, and agree and approve option two as the preferred option

Report of the Group Manager, Corporate Strategy

For any enquiries about this report please contact: Hilary Porter ext 72146

Constitutional Comments (NAB 27.06.13)

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

Financial Comments (SEM 28/06/13)

The financial implications are set out in the report.

Background Papers

Report to Economic Development Committee 11th June 2013 on the Nottinghamshire Micro Loan Fund

Electoral Division(s) and Member(s) Affected

All