

Economic Development Committee

Thursday, 28 March 2013 at 14:00

County Hall, County Hall, West Bridgford, Nottingham NG2 7QP

AGENDA

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|---|--|---------|
| 1 | Minutes of the last meeting held on 22 January 2013 | 3 - 6 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | D2N2 LEP - (presentation from David Ralph, D2N2 Chief Executive) | |
| 5 | Contribution to D2N2 LEP Core Funding Costs | 7 - 10 |
| 6 | Youth Employment Strategy - (presentation from Derek Higton, CFCS) | |
| 7 | Invest in Nottingham and Inward Investment Activity 2012-13 | 11 - 16 |
| 8 | Peer-to-Peer Leading Schemes and Funding Circle | 17 - 36 |
| 9 | Work Programme | 37 - 40 |

Notes

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Christine Marson (Tel. 0115 977 3887) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

minutes

Meeting	ECONOMIC DEVELOPMENT COMMITTEE
Date	22 January 2013 (commencing at 2.00 pm)

Membership

Persons absent are marked with `A`

COUNCILLORS

Keith Girling (Chairman)
Gordon Wheeler (Vice-Chairman)

A	Victor Bobo	Alan Rhodes
A	Steve Garner	Mel Shepherd
	Glynn Gilfoyle	Liz Yates
	Stan Heptinstall, MBE	
	Ex-officio (non-voting)	
A	Mrs Kay Cutts	

CO-OPTED MEMBERS

A	Mr M Chivers – Boots Plc
	Ms N G Gasson (Federation of Small Businesses)

OFFICERS IN ATTENDANCE

Geoff George)	Economic Development Team
David Forster)	
Matt Lockley)	Policy, Planning and Corporate Services
Christine Marson)	Department

MEMBERSHIP OF THE COMMITTEE

It was reported that Councillor Gilfoyle returned to the Committee in place of Councillor Fielding, who was a substitute for Councillor Gilfoyle at the last meeting.

Councillor Rhodes replaced Councillor Knight for this meeting only.

MINUTES**RESOLVED 2013/001**

The minutes of the last meeting held on 22 January 2013 were taken as read and confirmed and signed by the Chairman.

MATTERS ARISING

Councillor Gilfoyle asked if any new targets had been set for the Experience Nottinghamshire Service Level Agreement. Councillor Girling reported that he had discussed the Service Level Agreement with Experience Nottinghamshire and Nottingham City Council. He stated that they had looked at the SLA used by Visit England and were hoping to use it as a basis for the Experience Nottinghamshire SLA.

It was agreed that the revised Service Level Agreement for Experience Nottinghamshire would be circulated to this Committee.

APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Stephen Garner (medical/illness) and Mark Chivers (Co-opted Member – Boots plc).

DECLARATIONS OF INTEREST

There were no declarations of interest.

CONSTRUCTION SUPPLY CHAIN DEVELOPMENT

RESOLVED 2013/002

That members agreed:-

- (1) The findings from the improving competitiveness programme to be disseminated to all registered companies from Nottinghamshire County Council by email (communications from Firefly may not carry as much weight / may be deleted without reading)
- (2) Further communications be sent from Nottinghamshire County Council to red and white suppliers to remind them of the need to complete the East Midlands Property Alliance Pre Qualifying Questionnaire.
- (3) A series of workshops based on these findings be delivered to businesses. Workshops could be offered to other business sectors in addition to the construction sector. This could be facilitated through the Nottinghamshire Business Engagement Group.
- (4) The importance of full East Midlands Property Alliance registration should be better communicated at the point of initial registration. through modifying the existing technology
- (5) The information in recommendations 3 and 4 be made available on the Nottinghamshire County Council website
- (6) That further detail on the actual business secured as a result of this project be circulated to the Committee.

PEER TO PEER FUNDING OVERVIEW – PRESENTATION

Mr Geoff George, Senior Economic Development Officer gave a presentation to the Committee on the Peer to Peer Funding. He gave the Committee an overview of a perspective for both Nottinghamshire and the wider context.

RESOLVED 2013/003

That Mr George be thanked for his presentation and that a firm proposal for the County Council's involvement in such a scheme be brought to the next meeting of this Committee.

BUDGET PROPOSALS FOR 2013-14

RESOLVED 2013/004

- (1) That Members noted changes to the budget position as outlined at paragraphs 3 and 4 of the report;
- (2) That Members agreed the proposals for expenditure in 2013-14.

It was noted that Councillor Glynn Gilfoyle and Councillor Alan Rhodes abstained from voting on this report.

WORK PROGRAMME

RESOLVED 2013/005

That the report be noted.

The meeting closed at 3.15 pm.

CHAIRMAN



28th March 2013

Agenda Item: 5

**REPORT OF THE CHAIRMAN OF ECONOMIC DEVELOPMENT COMMITTEE
CONTRIBUTION TO D2N2 LEP CORE FUNDING COSTS**

Purpose of the Report

1. To request Committee approval for a financial contribution of £62,500 pa to be made to the D2N2 Local Enterprise Partnership (LEP) in 2013/14 and 2014/15, which will enable the LEP to draw down 'core funding' from central government.

Information and Advice

2. In the 2012 Budget, the Government announced the allocation of 'core funding' to each Local Enterprise Partnership. £125,000 was made available to each LEP in 2012/13, with no requirement for match funding. For 2013/14 and 2014/15, £250,000 per annum is available to each LEP, subject to a pound-for-pound match from local sources.
3. The core funding is primarily to enable LEPs to establish executive staffing teams to support the delivery of growth objectives and to allow it to be as responsive as possible to local issues and the needs of local businesses. It also recognises the fact that Government is expecting LEPs to lead and deliver on a wide range of strategic and complex initiatives, including:
 - i. Enterprise Zones
 - ii. Growing Places Fund
 - iii. Regional Growth Fund
 - iv. Local Transport Boards
 - v. Trade and investment
 - vi. Economic research and intelligence
 - vii. Skills provision
 - viii. European funding
4. The Heseltine Review ("No Stone Unturned" October 2012) recommended that the role and function of LEPs be further strengthened by additional Government support but also by giving LEPs control over funding streams related to skills provision and other previously centralised funding streams. These will be combined into a 'single pot' to be managed by LEPs. LEPs will also have primary responsibility for European funding streams for the 2014-20 programme period.
5. The D2N2 LEP has recently recruited a Chief Executive, David Ralph, who will be attending the March meeting of this Committee, to outline his perspective on the D2N2 LEP's ambition for the area. Plans are being progressed by the LEP for the recruitment of

additional posts to support these project development, management and delivery requirements and to enhance the LEP's communications and outreach work. These will all be funded through the core funding allocation.

6. Core funding expenditure will be aligned with the proposals contained D2N2 LEP Growth Plan, with Derby City Council acting as the Accountable Body for the funding.

Request for financial contribution

7. The D2N2 Board has approached the four principal authorities with a request for them to collectively contribute to match the core funding and enable it to be drawn down from Government. The Leaders and Chief Executives of the four Councils have discussed this and given in principle support to the request. This would mean each Council offering the LEP £62,500 in 2013/14 and £62,500 in 2014/15.
8. As the work of the D2N2 LEP is in the remit of Economic Development Committee, it is a decision of this Committee as to whether to make these contributions towards the D2N2 LEP's core costs.

Other Options Considered

9. The Committee could decide not to meet the request from the D2N2 LEP. Were this to be the case, the LEP would not be able to draw down £62,500 pa of its core funding allocation, with potential implications arising with the other three Councils and the wider LEP Board.

Reason/s for Recommendation/s

10. The D2N2 LEP has to provide evidence to Government of match funding commitments by the end of March 2013 in order to access the core funding allocation.

Statutory and Policy Implications

11. 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

12. Economic Development Committee has approved its budget for 2013/14. The additional expenditure of £62,500 in both 2013/14 and 2014/15 will be funded from contingency.

RECOMMENDATIONS

13. It is recommended that Committee approve a contribution of £62,500 per annum over 2013/14 and 2014/15 to the D2N2 LEP to enable the core funding allocation to be drawn down.

Report of Group Manager, Corporate Strategy

For any enquiries about this report please contact: Matt Lockley, ext 72446

Constitutional Comments (NAB 13.3.13)

14. The Economic Development Committee has authority to approve the recommendation set out in this report.

Financial Comments (SEM 15/03/2013)

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

Background Papers

None

Electoral Division(s) and Member(s) Affected

All

28th March 2013**Agenda Item: 7****REPORT OF THE CHAIRMAN OF ECONOMIC DEVELOPMENT COMMITTEE
INVEST IN NOTTINGHAM AND INWARD INVESTMENT ACTIVITY 2012-13****Purpose of the Report**

1. To offer the Committee an overview of the Council's inward investment activity for the current year and specifically its working relationship with the City Council and the Invest in Nottingham team.

Information and Advice

2. The Committee is aware that the City and County Councils work collaboratively on inward investment activity. This is undertaken by a combination of financial resources from its Economic Development budget and a member of staff co-located with the Invest in Nottingham (IIN) function based at the City Council.
3. For the current financial year (2012-13) the County Council's support may be summarised as follows :
 - £25,000 of financial support
 - 0.5 FTE of a post co-located with the City Council
 - Additional managerial support and input via the Economic Development Team on related enquiries
4. This relationship seeks to maximise energies, share intelligence and bring a perspective which works with local companies and investors whose needs are not dependant on precise local authority boundaries. The position as referenced in this report relates to the current financial year, for which statistics are presented for the end February 2013, compared to last year's totals (where appropriate) for the same equivalent period to allow for like-for-like comparisons.

Background

5. The Council has always maintained an active interest in inward investment activity. Historically this was delivered through a direct arrangement with the East Midlands Development Agency (emda). Funds were devolved from emda to local authorities to enable them to deliver inward investment activities related to enquiries from potential investors. The County Council hosted an inward investment function, but this was disestablished following the end of emda funding in 2011. At this time, the development of a relationship with the Invest in Nottingham team was started.

6. Nationally, UK Trade & Industry (UKTI) has two main objectives – to support UK-based businesses to export and to encourage overseas companies to look to the UK for investment. The Council works with IIN to support UKTI activity locally as well as dealing with potential moves within the UK and growth / movements from within the local business and commercial markets.
7. At a more local level, arrangements vary. Some District Councils have a healthy focus on investment activity, including their own branding arrangements and web presence. Others have no specific inward investment role. Regardless, efforts to engage via IIN are being made.

Invest in Nottingham

8. The IIN function promotes Nottingham as a top UK business location and works to attract and assist new companies to the area – both from abroad and from within the UK. The IIN team has a team manager plus 4 account staff, complemented by the County Council's staff and resources as above. IIN's support may be summarised as follows :
 - Bespoke research and economic data
 - Property solutions and location advice
 - Recruitment and training support
 - Exploring access to funding and incentives
 - Linkages into business networks, expertise and commercial opportunities
 - Continued support to ensure businesses succeed and expand
 - Press/PR support to raise profile of businesses moving to Nottingham
 - Links with USA, Germany, Russia and Ningbo in China
9. A further important link is achieved via the private sector. IIN supports a Club which is managed, driven and supported by Nottingham and Nottinghamshire businesses committed to supporting growth. The Club's support to investment is vital in bringing a "private sector to private sector" dimension to the wider activity and many investment opportunities arise as a consequence of informal conversations or trading links or other networks.
10. This year, the relationship between the City and County has been reinforced via a memorandum of understanding (MoU). The MoU is designed to ensure that operational arrangements are effective with an emphasis on joint working arrangements and the establishment a clear information flow.
11. The MoU covers three issues, specifically how information and enquiries are shared, handled and monitored between the two authorities; matters for development over the course of the year and the development of linkages with the IIN Club. Further detail on these three areas is offered below:

Inward Investment Performance

12. Targets were set based upon a review of previous years' achievements. It should be stressed that this is not an exact science. Benchmarking is helpful but of course any investment performance is required to be set in the context of the global economic trends; wider foreign investment and its destination and the relative performance of the UK

economy and business confidence. Information from Ernst and Young's 2011 survey provides additional context:

- From 2008, FDI tailed off markedly but the signs of improvement are visible up to 2011;
- The UK leads in European terms as the destination of choice. Historically this has been the case for some time but Germany's share of FDI is rising fast;
- Germany secured a higher share of manufacturing FDI than the UK for the first time and twice the number of projects from China;
- The USA remains the largest investor in the UK, followed by Germany, India, France and China. Trade with these partners should be seen in a two-way context;
- FDI investors see the nature of demand within the UK as key to decisions, alongside the wider UK attributes of quality of life, culture and language, the stable political context and technology and infrastructure;
- London and the south east dominate FDI decisions taking over 60% share of the total FDI decisions and there is a wide gap between those areas and other parts of the UK;
- The East Midlands took a 2.9% share, a decline of over 50% on the year.

13. In the local context, Invest in Nottingham delivered the following up to February 2013:

- IIN handled 163 enquiries up to end of February 2013, up 28% on last year;
- Of these, 22 significant enquiries (being those involving foreign investments and / or significant inter-regional relocations) had a County focus, with the projected annual total of 24 exceeding the expectation of 22;
- A further 30 smaller enquiries (those involving local relocations or expansions) had a County focus, with the projected annual total of 33 exceeding the expectation of 22;
- 10 significant successes were recorded to date across city and county, helping to create over 1,100 new jobs and safeguarding a further 120 existing jobs. This is twice the number of successes from last year, evidencing recovery;
- Current "active pursuits" include a proposal for a new regional distribution centre, a regional manufacturing company and a food and drink sector requirement;
- Over 34,000 individual visits to / 95,000 pages visited on the IIN website, up by 17% for both over the year. The value of the website alongside the personal contact as a first port of call is important and forms part of the development issues referenced below.

Development Issues

14. In developing the relationship, the following have been progressed :

- **Financial Incentives.** The development of a guide to financial support available across the City and County. This is on-going; it is now by far the most significant request received from investors when considering the City / County area. There are emerging resources available for investment but are differentiated by sector, geography, size of company etc. This work will also relate to the D2N2 LEP's proposed solution via a Business Support portal, as referenced in previous reports to this Committee and will take into account important issues such as state aids.
- **Targeting.** The development of a targeted approach to emerging markets in China and potentially Europe / specifically Germany, to be championed by the County Council's Chief Executive at the Nottingham Economic Growth Board.
- **The Nottingham Enterprise Zone.** Overall responsibility for the Nottingham Enterprise Zone (NEZ) lies with the D2N2 LEP and a Steering Group has now been formed; the

County Council is a partner on the Group. With the support of the County Council, a Marketing & Communications Plan is being developed with resources potentially to be allocated to its implementation via the D2N2 LEP. IIN is positioned as the lead contact for promoting the NEZ on behalf of the D2N2 LEP partners.

- **IIN Website Refresh.** This is on-going to reflect the integration of the City and County offer. To date, this has been facilitated by the inclusion of information about sub-areas within the County and perceived sector strengths (eg Logistics). In a wider on-line context, IIN has initiated accounts on LinkedIn, You Tube and Twitter.
- **Business Investment Zones.** This too is being pursued via the Growth Plan and it is anticipated that a set of strategic employment land opportunities can be positioned on the IIN website in due course.
- **Relationship Building.** The MoU majors on how the parties are working together, sharing information and mutually supporting each other by the wider involvement of officers from the respective economic development functions. This allows us to respond quickly and effectively and forms part of the relationship building with local employers seeking to expand / generate new jobs. Further, relationships have been rebuilt with UKTI and IIN has embarked on regular meetings with the Districts to ensure information is shared and responses are jointly made. Finally, the D2N2 LEP has agreed a presence at MIPIM, the world's most important property market on the 12th – 15th March 2013, offering an important opportunity to stay on top of industry trends, promote the area and meet the most influential developers, corporate end-users and investors. All 3 of the above mentioned investment functions including IIN will be present.

Invest in Nottingham Club

15. A series of discussions have been held with the Club to review the potential to expand its role within the County in line with the ambitions set out within the Nottinghamshire Growth Plan. Initially, it has been agreed that :
 - The IIN Club explore enhanced relationships with Nottinghamshire based businesses through the various business County-based clubs (and specifically the Nottinghamshire Business Engagement Group) and through other direct business-to-business contacts;
 - Support is offered to the IIN Club's London Event in April 2013;
 - The County Council participate in the IIN Club's Board and Working Groups as appropriate.

Conclusions

16. It is considered that the relationship formed between the two Councils to respond to inward investment is working well and merits continued support over 2013/14. This Committee has previously agreed a continued relationship and the associated finances. It is proposed that the MoU be refreshed to reflect the conclusion of or new matters arising as a consequence of the development issues raised above. A healthy degree of flexibility is required to allow IIN to respond to emerging issues as and when they arise.

Other Options Considered

17. There are no other options applicable to this report.

Reason/s for Recommendation/s

18. This report offers a review of the Council's inward investment activity for the current year and specifically its working relationship with the City Council and the Invest in Nottingham team. The recommendation requests that the Council maintains and develops the relationship over the forthcoming year.

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 in the report.

Financial Implications

20. As referenced throughout the report, the relationship between the two authorities sees the Council contributing staff time and financial resources. The £25,000 in 2012-13 comprises £20,000 for supporting the IIN mainstream activity (materials, website development, case studies as referenced above) and £5,000 being towards co-sponsorship of the IIN Club's London event.

RECOMMENDATIONS

21. It is recommended that the review of the current year's activity is noted and that the Council maintains and develops the IIN relationship over the forthcoming year.

Report of Group Manager, Corporate Strategy

For any enquiries about this report please contact: Geoff George ext 72046

Constitutional Comments (NAB 13.3.13)

22. The Economic Development Committee has authority to consider and approve the recommendation set out in this report.

Financial Comments (SEM 15.3.13)

23. There are no specific financial implications arising from the report.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All



28th March 2013

Agenda Item: 8

**REPORT OF THE CHAIRMAN OF ECONOMIC DEVELOPMENT COMMITTEE
PEER-TO-PEER LENDING SCHEMES AND FUNDING CIRCLE**

Purpose of the Report

1. To request Members' consideration of further detail regarding Peer-to-Peer Funding Schemes and to request approval for a proposal to engage with Funding Circle.

Information and Advice

2. At its meeting in January 2013, this Committee received a presentation on Peer-to-Peer (P2P) funding schemes. The presentation aimed to explain how P2P schemes work, demonstrate the extent to which they were in operation nationally and to offer a Nottinghamshire perspective given the inclusion of the idea within the Nottinghamshire Growth Plan.
3. This presentation was followed by a report presented at the same meeting where the Budget Proposals for 2013-14 were set, including an allocation of up to £50,000 towards a P2P scheme, subject to consideration of the detail to be offered in this report.
4. Since presenting the concept of a P2P scheme to the Committee in January, further discussions have taken place with Funding Circle and this report proposes an engagement with them as well as attempting to address the issues raised in discussion at the January meeting.

Background to P2P Funding

5. P2P works generally through electronic, on-line means as a way of supporting direct lending or investment by individuals or organisations to other individuals or businesses, bypassing 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, particularly over recent years following the credit crunch which has seen a move away from such sources either because of a lack of available finance or a tightening of the approach to credit.
6. This has led to a perceived "stand off" between banks on one hand who were concerned that despite having money available, applications were not forthcoming and on the other, concerns expressed by business that despite the good ideas being put to them, lending was not forthcoming or was only available at uncompetitive rates or at particularly harsh terms.

7. Discussions with the likes of Nottinghamshire Business Engagement Group, business agencies and the theme group brought together to support the development of the Nottinghamshire Growth Plan appeared to validate that access to credit was a real problem locally. Small and medium sized businesses in particular – the backbone of the Nottinghamshire private sector economy – appear to struggle to secure access to finance.
8. A number of P2P platforms have been established, essentially coming under a broad banner of crowd-funding, where many small-scale investors together fulfil a larger scale investment need. It is perhaps worth stressing that some of these platforms are more reputable and have a better track-record than others and some have specific markets or approaches. For example, some are geared towards community or social investment projects; others towards individuals with innovative ideas or technical projects while others are geared towards investment in existing businesses. Some therefore have greater inherent risks associated with them but this report reviews the latter perspective of investment in Nottinghamshire's existing and expanding small and medium sized businesses.

Funding Circle

9. Funding Circle (FC) is amongst the most respected and growing P2P lenders in the UK. FC gears its support to small and medium businesses specifically and has welcomed the interest from and entered into partnerships with both national and local government. FC was the first P2P platform established specifically for business loans and has facilitated to date £78M in loans to UK businesses. It continues to grow apace, currently facilitating between £7M and £8M loans per month. The Government is entering into a partnership arrangement with FC and the implications are reflected upon later in this report. The presentation to this Committee in January reflected on FC's approach and how a partnership with them might be facilitated. Pioneering this approach with local government is Lancashire County Council and as part of the assessment process, links have been made with them to understand how the relationship was established and is progressing.
10. For investors, businesses are graded A+ through to C with A+ businesses having the lowest risk. FC screens all applications and only allows creditworthy businesses onto the platform. Every business that passes FC's credit assessment process is allocated one of these risk bands as a guide on their relative strength. FC also provides expected bad debt rates for each band of businesses, to help guide lending decisions.
11. The risk band that FC allocates to a borrower reflects consideration of the following :
 - Financial data from annual returns filed at Companies House including balance sheet data and financial ratios;
 - The credit scores and track records of directors of the company;
 - Information from high courts and county courts including County Court Judgements
 - Data on the how quickly a company pays other businesses, from a wide database of companies in the UK – slow payment being one indicator of financial distress;
 - Data on the existing outstanding credit of a business with banks and other investors, and the payment performance of these debt obligations
 - Data on previous credit searches by other providers on that business;
 - Experienced FC underwriters review all loan applications before they are allowed to list loan requests on the website.

12. The actual borrowing / investor rates are not set by FC but are facilitated via an on-line auction. The business seeking funding can set an ideal or target rate within set parameters depending on the risk band into which the business is placed. Loans are available over a 1, 3 or 5 year period. The investors themselves then set the pace regarding returns on investment they are seeking through a competitive process of an on-line auction. At the time of writing, based on current actual completions, the following average interest rates were secured :

Risk Band	Average Interest Rate
A+	7.5%
A	7.7%
B	8.9%
C	9.4%

13. Appendix A attached to this report offers further insight into FC’s origins, its growth and how the process works. Within the context of Nottinghamshire, a partnership with FC looks to offer :

- An opportunity for the County’s businesses to secure finance quickly, effectively and at very competitive rates;
- An opportunity for the County Council to demonstrate its commitment to local economic growth and to be seen to do so via joint branding;
- An encouragement to Nottinghamshire’s entrepreneurs to invest in local opportunities alongside the Council with positive returns, facilitating a show-piece for Nottinghamshire companies and potentially promoting inter-trading spin-offs;
- With Nottinghamshire being demonstrably open for business, the approach offers the County a competitive advantage – at least in the short / medium term;
- Linkages with existing Nottinghamshire based business support organisations can be facilitated quickly and links with small and medium sized businesses can be readily secured through routes such as the Nottinghamshire Business Engagement Group;
- A minimised exposure to risk with a co-investment approach and potentially securing returns on investment allowing for resources to be re-cycled into further investments. Being demand-led, it may have a slow start but if not needed, the resources are not spent.

14. Perhaps from all the positive perspectives offered to date, the most beneficial testimonies come from businesses who have sourced and secured support for their investment plans through FC. FC’s on-line presence – www.fundingcircle.com – and support through the likes of its FAQs, blog and statistics pages offer significant support and further insight into its continued development and conversations with FC demonstrate a continually evolving approach to support both investors and to businesses.

Considerations

15. As part of an on-going dialogue with FC and indeed with insight from Lancashire CC, the following additional information was addressed :

- **Targeting.** Discussions with FC suggest that in scale, the County-level represents a strategic approach to funding. Much less of a geography and clearly the scope narrows. Further, there is the ability to restrict lending to certain types of company, perhaps deploying a sector-based perspective or restricting lending for specific

purposes. These too would inevitably restrict the funding's reach. It might be suggested that by default, those businesses using the FC platform are in essence companies seeking to grow and thus any further refinement is unnecessary though the array of statistical monitoring will help with any review and support an assessment the value of a targeted approach. This particular issue is reflected upon in the conclusions below.

- **Fees.** Opening an account with FC is essentially free. However, an investor must register with FC and open an account and by so-doing place a fixed amount with FC before any investment can be made. As with all investors, individual bids are made via the site and only taken up when the auction is completed and agreed. Only then do investors pay a 1% annual fee on lending actually made and is calculated on the amount outstanding of each of the loan parts. The fee is deducted on a proportional basis each time a repayment is received from a borrower. FC only secures payment when the investors get paid. Other requirements such as appropriate promotion may require support but these are expected to be minimal.
- **Risk.** A number of elements merit reference. While no investment is without risk, there are a number of checks and balances within the FC process generally and that the Council could deploy as an investor. In addition to the points offered in the section above and as summarised on page 9 of the Appendix, a number of additional safeguards are employed :

- It is perhaps self-evident but the fact that investment is only facilitated for established businesses (ie not start-ups) offers the required track-record and evidence to readily secure a good risk assessment;
- The FC platform is designed to allow investors to easily diversify their portfolio across a wide range of businesses to manage risk. FC confirms that every investor lending to businesses who has followed a diversified approach for at least 12 months is earning a positive return (November 2012 figures). This approach, plus adopting an approach which places a maximum on an amount lent to each business supports a managed approach to risk;
- It will be noted however that when lending to businesses within one region rather than nationally, a longer time period will be required to reach the suitable level of diversification;
- Bad debt levels are consistently and openly monitored by FC and remain relatively low, though of course vary across the risk bands. Referencing the estimated life time of bad debt per band (the percentage of all FC loans which are not expected to be repaid over their total lifetime) suggests levels running at 1.1% for band A+ through to 6% for C – an average of 3.7% overall. It might be an option for an investor to only invest in projects deemed lower in risk;
- Finally, FC typically takes asset security or guarantees from directors on loans to provide further comfort to investors in the form of either a director's personal guarantee, a charge across a company's assets or a security on a specific asset. The security taken is dependent on the size and purpose of the loan.

16. As referenced at paragraph 9 above, the Government has recently announced its intention to lend £20M directly through the FC marketplace to growing businesses in the UK. As it stands, subject to Parliamentary approval, it is proposed that the Government will take part in every loan and will fund each one up to 20% of the total amount. The remaining 80% of a loan will be funded in the normal way and thus all other parties including the County Council in the case of Nottinghamshire businesses will be sought to provide the remaining

amount. Once a loan closes and the average interest rate is set, the Government will fund the remaining 20% based at the average interest rate.

17. The County has some 27,000 businesses, the vast majority of which are small to medium sized. In itself there should be a hungry market for such a partnership approach in Nottinghamshire, notwithstanding the early feedback on need as referenced elsewhere in this report. However, as a marker regarding the present penetration of FC within Nottinghamshire, FC has provided the following information :
 - From August 2010 to February 2013, a total of 169 companies with Nottinghamshire postcodes (see note below) have registered on the platform and are at the various pre-live stages. Of these, a total of 28 have secured a loan to the total value of £1.61M (an average sized loan of £57,500);
 - As indication of the more recent growth of FC sourced funding, 19 of these 28 were facilitated within the past 12 months;
 - Note – by Nottinghamshire postcodes, the first 3 prefixes represent an approximation of the County area.
18. Finally, two points. Firstly, it should be stressed that loans bring a return and thus within the parameters of risk, the Council's investment should see a return for re-investment, potentially into more Nottinghamshire businesses. The current average investor gross yield is 8.9% and average return is 6%. Secondly, FC also allows access to resources by selling parts of the loan portfolio on to other investors at par value, should this be required.

Options and Conclusions

19. As will be seen from page 11 of the Appendix, FC is offering a choice of routes for the Council's investment, being essentially lending on an individual basis and one which makes use of FC's automated bidding system. Either approach has its merits but the individual approach could come with a number of expectations and considerations. Firstly that the authority invests in staff time and expertise to review each Nottinghamshire application – and quickly – as the auction process is facilitated promptly. Secondly, it infers some level of discretion as to which projects are supported – and to what degree – and which are not. An automated approach would allow certain parameters to be introduced (as reflected under the targeting or levels of risk bullet points under paragraph 15) but avoid the possibility of inadvertently introducing an inappropriate degree of arbitrariness into the process.
20. Regardless, a key factor in determining the appropriate approach as far as the County Council is concerned is reflected upon in paragraph 22 below.
21. In discussion with FC and reflecting on their local authority engagement to date, the following investment approach is proposed :
 - An account is opened with initially up to £45,000 invested over the course of 2013/14, with the remaining £5,000 retained for fees and any required publicity and promotion;
 - An approach of a "flat" figure per loan, lent at a fixed rate by each risk band. This would be set at 50 points beneath the average of all "retail" bids. The average would be monitored and the fixed rate for County Council bids adjusted monthly.

- As a guide, current averages on the marketplace are :

Risk Band	Average Rate as at February 2013
A+	7.5%
A	8%
B	9.1%
C	9.6%

- The flat figure be set at £1,500 per business initially at least, offering support to 30 Nottinghamshire businesses. This figure could be higher but would impact on diversification levels and achievements. This is a diversification rate of 3.3%. FC advise that of all investors currently lending at a 2.5% diversification rate across their portfolio, 97% have achieved positive returns;
22. Given the above, it was initially presumed that an automated approach could be adopted. However, in discussion with FC, the platform is not yet able to respond to a full postcode restriction to determine precisely whether a business is within the County or not. This is being worked on but until that is completed, it is suggested that the Council adopts the individual loan approach to at least ensure the business concerned is within the County, but all other aspects remain as above.
 23. A range of permutations are possible but it is suggested this approach is adopted, to be reviewed over the course and at the end of the financial year.

Other Options Considered

24. There are no other options applicable to this report.

Reason/s for Recommendation/s

25. This report is offered to request the Committee's support for the establishment of a partnership approach with funding Circle to facilitate the development of loans to small and medium sized businesses across the County.

Statutory and Policy Implications

26. 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

27. The financial implications are referenced throughout the report, reflecting on the risk and potential benefits to the County Council of a partnership with FC.

RECOMMENDATIONS

That following their approval of resources towards a P2P scheme in Nottinghamshire, members consider the details of the proposed approach with Funding Circle as set out in the report.

Report of Group Manager, Corporate Strategy

For any enquiries about this report please contact: Geoff George ext 72046

Constitutional Comments (NAB 13.3.13)

28. The Economic Development Committee has authority to approve the recommendation set out in this report.

Financial Comments (NS 6/13/2013)

29. Providing loans to business for investment purposes would be classified as capital expenditure. Consequently, for the proposals set out in the report a variation to the capital programme will be required, with the capital expenditure being financed from the Economic Development revenue budget.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All



Funding Circle – a short introduction

Nottinghamshire County Council

29 Jan 2013

www.fundingcircle.com

Funding Circle is an online marketplace for individuals to lend to small businesses

Individuals looking for good returns

Investors choose Funding Circle for attractive rates and because they enjoy lending to businesses



Key facts:

- A community of over 11,000 active investors
- Average size of funds: ~£5,000

£70m lent through Funding Circle



- Loan terms: 1, 3 or 5 years
- Loan **amount** £5K-£500K
- Loans **amortise monthly**
- **Secured and unsecured lending**

Businesses looking for finance

Businesses choose Funding Circle because of the speed, efficiency and transparency



Key facts:

- ~1,300 businesses have accepted loans through Funding Circle
- Average loan size ~£50K

A model that's attracting support from the media and government for role in supporting SMEs

London
**Evening
Standard**

**The
Economist**

FT
FINANCIAL
TIMES

The Daily Telegraph

THE INDEPENDENT

The Mail
ON SUNDAY

theguardian

THE TIMES

BIS
Department for Business
Innovation & Skills

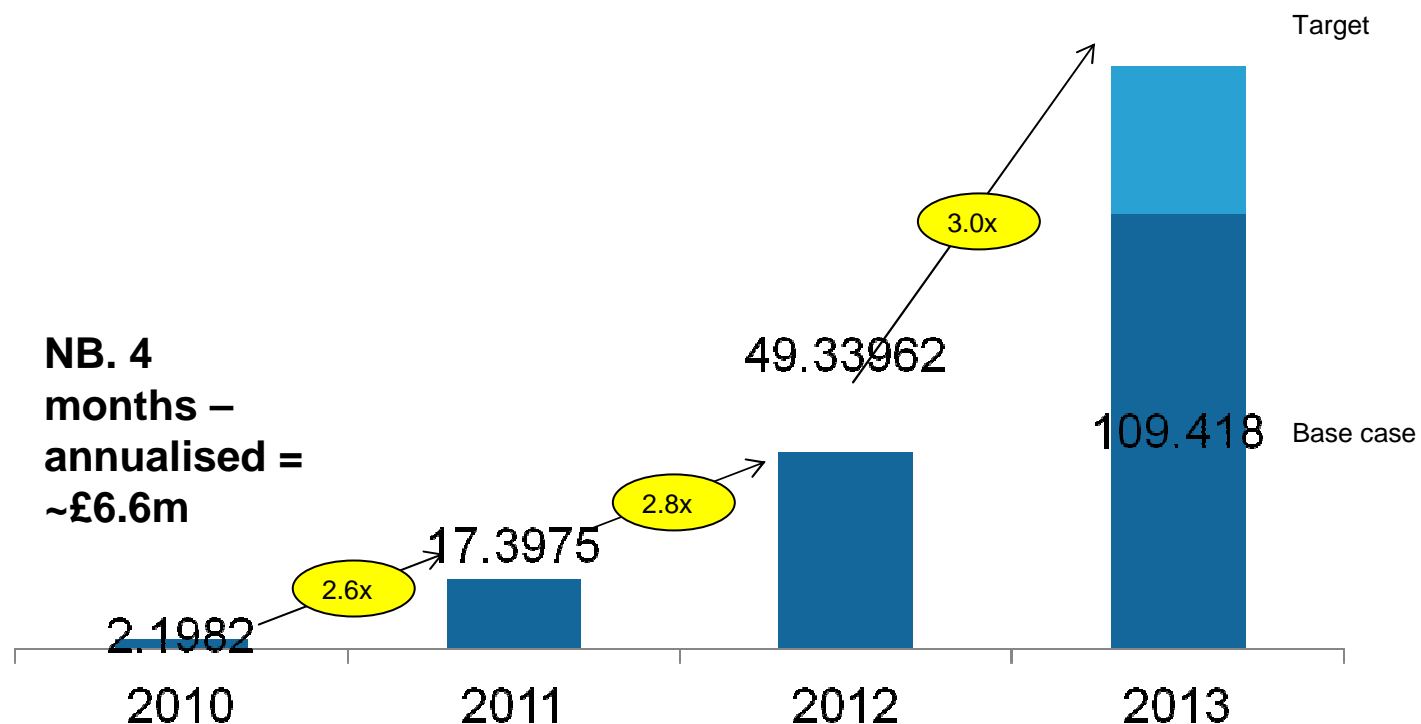


Lancashire
County
Council

 **Funding Circle**

Funding Circle loan originations tripling each year, with 2013 target of ~£110m - £145m

Amount lent per year (£m)



The team behind Funding Circle

Management



Samir Desai
Co-founder & CEO



Andrew Learoyd
Non-exec Director



James Meekings
Co-founder & CMO



Ed Wray
Non-exec Director



Andrew Mullinger
Co-founder & COO



Neil Rimer
Non-exec Director

VCs & prominent investors



£13.2m capital invested in Funding Circle,
together with Union Square Ventures

Prominent investors behind Lovefilm, ASOS,
JustEat, Skype, Not on the High Street.



US-based Venture capital firm
Also behind Twitter, Kickstarter, Zynga,
FourSquare, Tumblr.



Charles Dunstone



Jon Molton



Edward Wray



How it works: the auction process

✔ Smallest bid - £20

✔ Investors can 'outbid' each other by offering a lower rate bid – even once the loan's 100% funded

✔ The investors offering to lend at the lowest rates win (business rate = weighted average of these)

The screenshot displays the Funding Circle interface for a loan auction. The loan title is 'Nursing Home Refurbishment Funding' with 1073 other bids. The loan amount is £100,000, and the current rate is 7.3%. A progress bar indicates the loan is 100% funded. The borrower is Rider House Limited, a healthcare business in the South East region, established in 1999. The loan term is 36 months with a target rate of 6.0% and a risk band of A+ (Very low risk). The estimated bad debt rate is 0.6%. The loan is guaranteed by the director and has no asset security.

#	Lender	Amount	Rate	Date	Status
1	Mr Pierre	£20	7.7%	19 Mar 2012 10:21	Rejected
2	ark49	£20	7.7%	19 Mar 2012 10:20	Rejected
3	daddy nutkin	£40	7.7%	19 Mar 2012 10:08	Rejected
4	AnnieM	£20	7.7%	19 Mar 2012 10:06	Rejected
5	oblong	£20	7.7%	19 Mar 2012 09:59	Rejected
6	RCT Enterprises	£120	7.7%	19 Mar 2012 09:49	Live
7	chiltern	£40	7.7%	19 Mar 2012 09:49	Live
8	chiltern	£40	7.7%	19 Mar 2012 09:49	Live
9	chiltern	£40	7.7%	19 Mar 2012 09:49	Live

Legend
✔ Live
✘ Rejected

Please note: Only the last 5 rejected bids are now shown on this page.

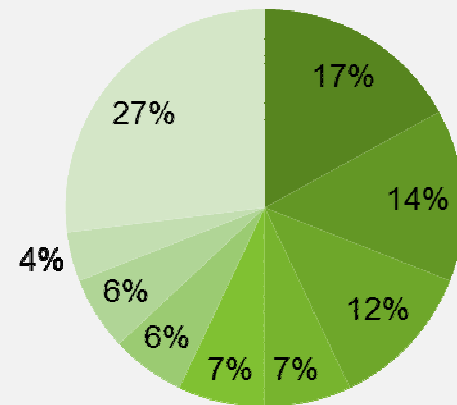
Funding Circle has a well diversified SME loan book

Business Profile

- **Turnover**
 - Median. £0.6m
 - Range £100k - £25m
- **Employees**
 - Typically 5-50
 - Median 8
- **Years Trading**
 - Minimum 2 years
 - Average 15 years
- **Director Guarantees**
 - 87% of loans
- **Directors**
 - 90% Male
 - Average 48 years old

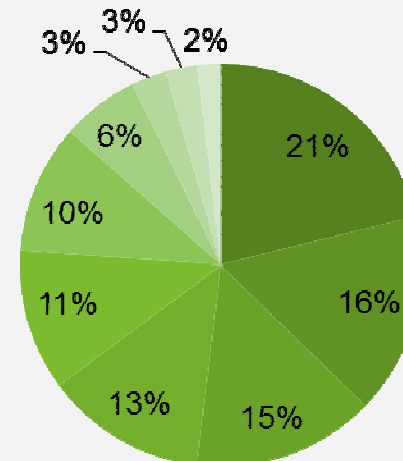
Loan Book Value By...

Sector



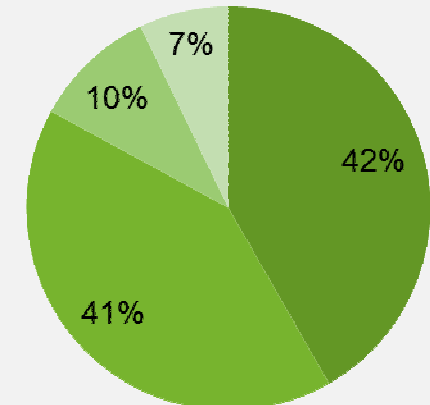
- Manufacturing and Engineering
- Professional and Business Support
- Retail
- I.T and Telecommunications
- Wholesale
- Leisure & Hospitality
- Healthcare
- Automotive
- Other

Region



- South East
- Midlands
- London
- North West
- North East
- South West
- East Anglia
- Scotland
- Wales

Purpose



- Expansion/growth Capital
- Working capital
- Asset purchase
- Other

Small business profiles

Business borrowers this week and last year

Two of the ten business who have borrowed from us in the last 2 weeks



Safety equipment manufacturer borrows to bring production onshore from China

- Borrowed £40,000 at headline interest rate of 6.6%
- Graded A (Low risk)

Ice cream manufacturers looks to refurbish factory

- Family business established in 1922
- Borrowed £100,000
- Graded C (average risk)



Our loans have allowed businesses to expand and grow



Manufacturers of decorative lighting expands

- Borrowed £50,000
- Had applied for a loan from a bank and took 3 months to get a decision; with Funding Circle had the funds in his account 3 weeks from application.
- As a result of finance could buy stock, grow and have since expanded into the USA

Safety equipment company purchases new equipment

- Borrowed £135,000 at headline interest rate of 9.7%
- As a result have increased headcount by 25%



Our credit assessment process



We assess each business to ensure:

- ✓ Affordability of the loan
- ✓ There is a good history of repaying debts
- ✓ The business is healthy and likely to remain so
- ✓ The directors have a good credit history
- ✓ Validation around the security

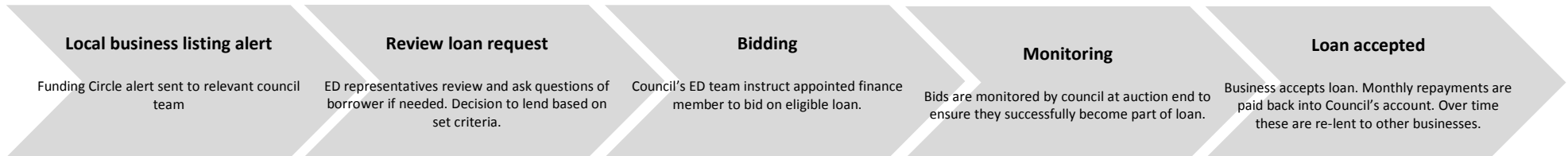
A model for Local Authorities to deliver against key objectives in an efficient and tangible way

- **Economic development benefits**
 - Tangible evidence of support for local businesses, growth & employment
- **Efficiency of investment**
 - LAs leverage the technology of Funding Circle to become direct lenders without the overheads / infrastructure of specialist financial functions
- **Strong returns for treasury**
 - Using a well diversified approach including national and local lending, Funding Circle delivers stable and strong returns.

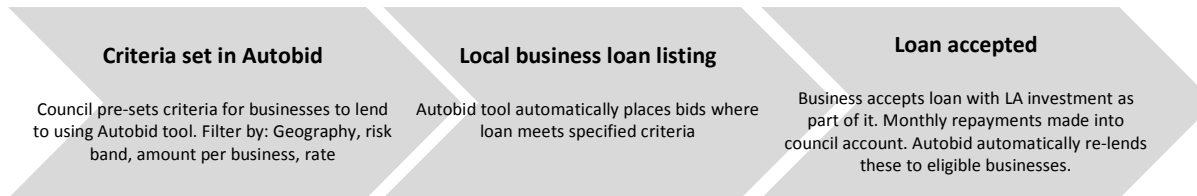


How it works for Local Authorities: a choice of two lending methods

Option 1: Lending on an individual loan basis



Option 2: Automated lending across eligible businesses



Both options deliver a portfolio of loans to local, eligible businesses. The Automated approach offers additional benefits of efficiency and equitable bidding / lending across all local businesses.

Tracking and reporting of all lending is available to local authorities via their investor account.



28 March 2013

Agenda Item: 9

**REPORT OF CORPORATE DIRECTOR, POLICY, PLANNING AND
CORPORATE SERVICES**

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme for 2013/14.

Information and Advice

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.
3. The attached work programme has been drafted in consultation with the Chairman and Vice-Chairman, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. As part of the transparency introduced by the new committee arrangements, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme. It may be that the presentations about activities in the committee's remit will help to inform this.
5. The work programme already includes a number of reports on items suggested by the committee.

Other Options Considered

6. None.

Reason/s for Recommendation/s

7. To assist the committee in preparing its work programme.

Statutory and Policy Implications

8. 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.

RECOMMENDATION/S

- 1) That the committee's work programme be noted, and consideration be given to any changes which the committee wishes to make.

Jayne Francis-Ward
Corporate Director, Policy, Planning and Corporate Services

For any enquiries about this report please contact: Christine Marson x 73887

Constitutional Comments (HD)

1. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (PS)

2. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

None.

Electoral Division(s) and Member(s) Affected

All

ECONOMIC DEVELOPMENT COMMITTEE - WORK PROGRAMME

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>For Decision or Information ?</u>	<u>Lead Officer</u>	<u>Report Author</u>
28 March 2013				
Invest in Nottingham: update	To consider progress to date on the joint working arrangements for inward investment with Nottingham City Council	Information	Geoff George	Geoff George / Tom Rawsterne
Youth Employment Strategy	To present the Nottinghamshire Youth Employment Strategy to Committee for consideration	Information	Derek Higton	Derek Higton
Peer to peer funding proposal	To agree an approach to the peer-to-peer funding model, as discussed at the January Committee meeting	Decision	Geoff George	Geoff George
D2N2 LEP funding contribution	To seek Committee approval for a financial contribution to the core costs of the D2N2 LEP.	Decision	Celia Morris	Celia Morris
D2N2 Local Enterprise Partnership – ambition and opportunities	To receive an update on the D2N2 LEP from its new Chief Executive, David Ralph.	Information	David Ralph	NA
June 2013				
Innovation centre contract performance	To present the annual figures for performance at Nottinghamshire's three innovation centres managed by Oxford Innovation.	Information	Kay Massingham	Kay Massingham
September 2013				
Corporate Economic Development Strategy	To consider and approve a corporate economic development strategy / statement for the County Council.	Decision	Celia Morris	Celia Morris
Experience Nottinghamshire Service Level Agreement	To review performance against the service level agreement with Experience Nottinghamshire.	Information	Celia Morris	Celia Morris
November 2013				
State of the Nottinghamshire economy	To present an update on economic indicators across Nottinghamshire, and comparisons against the 2012 baseline.	Information	Matt Lockley	Matt Lockley
2014-15 budget options	To present outline options for allocation of the Committee's budget in 2014-15	Decision	Celia Morris	Matt Lockley
January 2014				

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>For Decision or Information ?</u>	<u>Lead Officer</u>	<u>Report Author</u>
2014-15 budget – final proposals	To agree the Committee’s budget for 2014-15, in advance of County Council consideration of the budget.	Decision	Celia Morris	Matt Lockley
March 2014				
July 2014				
Innovation centre contract performance	To present the annual figures for performance at Nottinghamshire’s three innovation centres managed by Oxford Innovation.	Information	Kay Massingham	Kay Massingham

Last updated 06 March 2013