

ABERDEEN CITY COUNCIL

COMMITTEE	Enterprise, Strategic Planning and Infrastructure
DATE	21 January 2014
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Notice of Motion by Councillor Greig on support to SMEs
REPORT NUMBER:	EPI/13/247

1. PURPOSE OF REPORT

The purpose of this report is to respond to Councillor Greig's Motion on support to SMEs (Small and Medium Enterprises): "That the Council recognises and appreciated the key role that micro, small and medium sized local businesses, including shops and single traders in Aberdeen, as economic generators which play a major part in determining and enhancing the quality of life across the city.

That this Council undertakes a broad-ranging review to identify specific ways that the Council and its partners can work together to support and foster micro, small and medium sized business activity.

To this end, that the Council carries out a consultation exercise to enable micro, small and medium sized business people to have their say in identifying specific suggestions and proposals; and that report is produced with recommendations for action."

2. RECOMMENDATION(S)

It is recommended that Committee:

1. Note the recent and current work carried out by the Business Growth team in support of SMEs.
2. Approves the proposed outline plans to continue to support SMEs in a range of ways, including with partner organisations.

3. FINANCIAL IMPLICATIONS

There are no financial implications beyond the current, existing operational and staffing budgets of the Economic and Business Development team.

4. OTHER IMPLICATIONS

None.

5. BACKGROUND/MAIN ISSUES

The Council's activities to support economic growth are driven by a number of key documents: "Aberdeen – the Smarter City", the policy document of the City Council's Administration; the City Council's corporate and directorate business plans; the Local Development Plan; the Strategic Infrastructure Plan; and "Building on Success", the economic action plan for Aberdeen City and Shire for 2013-2018. Collectively, these documents set out the economic development strategy for the city and surrounding area and the City Council's activities to support economic growth can correspondingly be linked back to these documents.

Direct support for start-ups and growth is delivered by the national Business Gateway service, funded by central Government via local authorities. Aberdeenshire Council manages this contract for the City (and Shire) areas on behalf of Aberdeen City Council.

The Business Gateway service particularly targets pre-start-ups, sole traders and micro businesses, as well as community enterprises and small-medium sized businesses that are looking to grow.

Support is offered in the form of a very wide range of online and face to face training, advice and guidance and workshops on finance, marketing, employing people, business planning etc.

In 2012/2013, 462 start-ups were supported by Business Gateway.

The Centre for Cities Outlook 2013 reported that Aberdeen had a business start-up rate of 55.1 per 10,000 population (2011 figures), 2nd only to London. Aberdeen also had the 2nd lowest (after Edinburgh) business closure rate, at 34.7 per 10,000 population (2011 figures).

Successful partnership working is particularly important in the field of economic development and business support, to ensure there is no duplication of service, and likewise to minimise any gaps in provision.

The Council's Economic and Business Development team works with other organisations and trade associations, such as the Federation of Small Businesses, Scottish Business in the Community, Enterprise North East Trust, Aberdeen and Grampian Chamber of Commerce etc, to support small and medium sized businesses.

Some examples of the way in which businesses (micro, small and medium enterprises) are being or have recently been supported by the Economic and Business Development team include

- Retail Rocks in Torry (focused on micro businesses)
- Business Improvement District
- Positive Procurement Programme

- Business Booster events
- First Employee Grant
- Relaunch of the business loans scheme (likely from April 2014)*
- Chairing the Employability Training Providers Forum
- Overseas recruitment fairs to help companies address key skills shortages
- Sponsorship of two business awards
- Advice on commercial land and property
- Biennial International Trade Survey
- Chairing North East Scotland Trade Group; Construction Forum etc
- Hosting regular inward business delegations and facilitating direct links between local and international companies
- Supporting local companies' presence at trade exhibitions and conferences
- Catalyst to establish the Unconventional Gas Aberdeen conference
- Provision of export market intelligence
- Major initiative to support improved digital connectivity
- Successful bids for European funding, especially in the areas of low carbon economy, including green transport and the built and natural environment
- Support (funding and seconded staff) for the Aberdeen Renewable Energy Group and Aberdeen City and Shire Economic Future
- Participation in ACSEF Skills Group, Aberdeen Works etc

* Discussions are ongoing with the business banking community to develop a mechanism that would be a catalyst to improve lending to SMEs. The current Aberdeen Business Enterprise Scheme was informally suspended in 2008 as there was no budget available to provide business loans. Previously such loans rested on the Council's balance sheet, however this created unacceptable stress during the economic crisis. Small businesses and various support bodies continue to complain that securing working capital loans from the banking sector remains very difficult. Loans to SMEs generally comprise three elements, bank funding 60%, applicant investment 10% with the balance from a third party.

A scheme whereby the Council becomes the third party lender is being discussed. In return for such participation, the bank will require to carry out due diligence on any application and manage the collection of repayments, thereby minimising council resources. A final decision to participate will always rest with the Council. An initial budget vired from the South of the City Regeneration Company will support the programme. A detailed report will come forward to the next meeting of this Committee.

The Economic and Business Development service is in regular contact with local businesses, both directly including face-to-face, and indirectly via trade associations. This regular contact reduces the need for ad-hoc surveys, which companies appear reluctant to complete, and enables the team to tailor its services according to business need.

It must be emphasised that, in order to achieve maximum value for money, the team targets its limited staffing and budget resources towards areas where they can have most impact. This tends to be focused primarily, but by no means exclusively, on small businesses involved in the energy industry, and frequently involves joint working with partner organisations.

The recent re-establishment of the North East Scotland Trade Group, which brings all relevant organisations around the table to share information and coordinate strategy and activity, is a good example of how the Council's contact with business and trade organisations works well in practice.

Work is currently ongoing to enhance the support to small businesses, by:

- identifying SME business development needs and engagement levels via the Business Aberdeen e-bulletin;*

*The team has deliberately avoided creating additional surveys of companies, as recent evidence suggests there is significant "survey fatigue" among companies. Response rates to existing surveys are low and the team has anecdotal evidence that companies are a) too busy to keep responding to different surveys and b) fed up responding to different surveys from a wide range of different organisations, with limited evidence of these organisations coordinating their support. The team is currently engaged in work with partner organisations to share findings from respective surveys and, most importantly, to coordinate activities responding to the findings of these surveys, and to let companies know how the various organisations are acting on the information companies provided. The team is also confident that there is already sufficient up-to-date local market intelligence available to inform plans.

- determining whether these needs are being met or whether there are any service gaps that agencies such as Business Gateway, Scottish Enterprise or ACC's Business Growth Team could effectively fill, given likely available resources
- assessing how the Council, and existing partner organisations, might best respond to any service gaps and/or enhance the support to small businesses
- subject to available resources, commissioning additional service provision from partner organisations to bridge the gaps

The Business Growth team will shortly produce an action plan for 2014/2015 which will bring together the programme of initiatives, including many of the above, to continue to support micro, small and medium enterprises. This will form part of the wider Directorate service plan.

In addition, the Business Growth team is working closely with the Improvement Service and SLAED's (Scottish Local Authorities Economic Development officer group) Performance Indicator Framework to significantly improve performance reporting to better demonstrate the impact of the team's work.

6. IMPACT

The above-mentioned 2014/2015 Business Growth action plan will contain both qualitative and quantitative performance indicators that aim to measure the impact of the action plan's initiatives.

7. MANAGEMENT OF RISK

The risk of not providing support to micro and SMEs is that the very entrepreneurship that has led to Aberdeen having the 2nd highest business start-up rate in the UK may be lost. One likely consequence of this is a rise in unemployment. The documents cited in the first paragraph of section five above all clearly demonstrate the need for a high-performing economy to drive the future growth of the city. The City Council, alongside partner organisations, has a key role to play in supporting and facilitating this private sector-led growth.

8. BACKGROUND PAPERS

- Micros Untapped: Realising the employment potential of micro-businesses – Federation of Small Businesses Scotland, November 2012
- Centre for Cities Outlook 2013

9. REPORT AUTHOR DETAILS

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