

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	18 September 2018
REPORT TITLE	Finance for business
REPORT NUMBER	PLA/18/149
DIRECTOR	
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TERMS OF REFERENCE	2.3

1 PURPOSE OF REPORT:

- 1.1 To update Members on Business Loans Scotland and to seek approval for the implementation of the Co-operative Business Development Fund

2 RECOMMENDATION

That the Committee:- -

- 2.1 Note that the Council's investment in Business Loans Scotland of £225,000 will be repaid when the loan fund is closed;
- 2.2 Approve the Council's continued participation in a new national loan fund model whereby appropriate council officers will only be required to carry out initial verification of local businesses with all due diligence being carried out by a specialist team. As the Scottish Government is providing all the loan funding there will be no direct financial implications to the Council; and
- 2.3 Approve the implementation of the Co-operative Business Development Fund to support local businesses to deliver pilot projects and events designed to increase their business prospects per the proposals at 3.8-3.13.

3 Business Loans Scotland

- 3.1 At the Policy and Resources Committee of 15th September 2015, the Council agreed to join a pan-Scotland Business Loan Fund comprising all local authorities. The loan fund required councils to be part funders along with the Royal Bank of Scotland and the European Regional Development Fund. This Council invested £225,000.

- 3.2 The Business Loan Scotland (BLS) fund of almost £8 million was launched in April 2017. The allocation for the Aberdeen City area was £400,000. The fund had an expected life of 24 months and offered loans to small and medium-sized enterprises of between £25,000 and £100,000.
- 3.3 The fund had many constraints to lending including the need for 50% match funding and required outputs including increases in staff employment and demonstrating the aspiration to export.
- 3.4 Sixteen months into the Fund only £1.9 million of loans have been issued across Scotland. It is accepted by the Loan Board and Regional Management groups that the fund was launched at a time when business confidence was low and the risk of being unable to repay loans was significant. These two factors have undermined the strategy on which the fund was based. Locally, despite extensive marketing, no viable applications have been received since April 2017. In most cases, potential applicants were not able or prepared to offer any security and/or match funding.
- 3.5 Recognising these issues, the Scottish Government is in the final stages of agreeing with BLS a new loan fund of £10 million, with fewer constraints and greater flexibility especially regarding processing time. The Government will provide all the funds, thus removing risk to Councils. The Government will employ a central team of experts to carry out the due diligence and monitor loan repayments – local councils will be able to input through initial local verification of the business and its proposals.
- 3.6 At the time of writing full details of the scheme and its management have still to be agreed. An information update will be circulated to members and will only be presented to the committee if a decision is required.
- 3.7 The Committee should note that the Scottish Government are establishing two additional private sector funds that in total will make available almost £30m of loan funding. As less than £2m has been awarded from the current scheme there is a likelihood of overprovision especially as there is little evidence that businesses have the confidence to embark on growth strategies.

Co-operative Business Development Fund

- 3.8 At its budget meeting in March 2018, the Council approved an annual allocation of £75,000 to establish a Co-operative Business Development Fund. This Fund will be managed by City Growth.
- 3.9 Officers have subsequently been working on proposals for the implementation of this fund to secure the most impact and benefit for local businesses and the wider economy. It is proposed that the following are core criteria for applications to the fund:
- It will only be open to micro and small businesses, charities and social enterprises (i.e. those with fewer than 49 employees) who are based within the Aberdeen City Council administrative area;

- Grant awards will be capped at £10,000, with a minimum grant level of £5,000. Applications will be expected to evidence some match resources, which could be cash or in-kind;
- To fulfil the co-operative element of the fund, proposals for support must be able to demonstrate the active involvement of at least three local businesses, charities or social enterprises;
- Proposals will have to be able to demonstrate a positive impact on local neighbourhoods or localities and show how communities have been / can be engaged in activities;
- Given the scale of the fund and the likely value of projects, outcomes will be locally designed by applications but will be expected to show economic value. Creative interpretations of how to evidence this will be welcomed;
- Applications will be encouraged from all sectors; it is anticipated that the fund will be particularly attractive to the creative, retail, cultural, leisure and hospitality sectors given its focus and the relatively low initial values involved;

3.10 Early work to inform the development of the fund has included a business engagement programme with high quality independent retailers in the city. This sector is vital in adding that shopping ‘spark’ encouraging locals and visitors to enjoy different products not available elsewhere including online. The programme aims to capture opinions from about 100 business but already trends are appearing. The most consistent views focus on Business Rates, the downturn in the economy, the dwindling footfall especially in secondary shopping areas and more flexible car parking. The Co-operative Business Development Fund could support collective activities that look to stimulate footfall and local vibrancy and improve economic viability.

3.11 The City Events team have a well-founded programme of business engagement developed for the Tour Series and Great Aberdeen Run that also brings collaboration with partners including Event Scotland and Visit Scotland. The team also is well experienced on safety requirements and procedures. Building on this, it is anticipated that applications to the Co-operative Business Development Fund could deliver cultural and arts presence at small local events, making them more engaging and attractive for everyone and showcasing district business communities. This could have longer-term gains in terms of ongoing trade improvements.

3.12 It is anticipated that grants through the fund will be capped at £10,000, with potentially 10 projects supported in the financial year. If Committee approval is secured, the intention would be to open the fund for applications on 1st October 2018 to enable proposals for the festive season to be considered.

3.13 A short application process, including guidance notes and an application form, is being developed and will be tested by colleagues in finance and legal to check that it is sufficiently robust and proportionate to the level of grants likely to be awarded.

4 FINANCIAL IMPLICATIONS

- 4.1 The reimbursement of the Council's contribution to the Business Loans Scotland fund will most likely take place in the current financial year.
- 4.2 The costs of the Business Co-operation programme 2018/19 are contained within existing budgets and there are no other direct financial implications arising from recommendations in this report. Costs of promotion and documentation will be contained within the programme budget.

5 LEGAL IMPLICATIONS

- 5.1 A proportionate legal agreement to cover the grant awards will need to be developed. It will include the latest guidance on State Aid issues, although this is unlikely to be a significant issue given the level of grant award.

6 MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Council funds are misused / do not deliver appropriate outcomes	LOW	Scrutiny of outcomes and VFM assessment
Legal	Health and Safety / Public Liability Compliance	LOW	Trained and experienced staff in event delivery
Employee	None	NA	
Customer	Lack of take-up of Co-operative Business Development Fund	LOW	Effective marketing campaign in place alongside experience staff supporting proposal development
Environment	None	NA	
Technology	None	NA	
Reputational	Perceived poor value for money achieved for Council investment	LOW	Scrutiny of outcomes and VFM assessment

7 OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report

Prosperous Economy	Support and encourage sustainable local businesses.
Prosperous People	Provide economic and social opportunities.
Prosperous Place	Enable communities to become sustainable, dynamic and vibrant. Supports community activity in priority localities.

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	The application process for the Co-operative Business Development Fund will be designed to be accessed online, with user-friendly interfaces and facilities such as FAQs. The process (and subsequent legal and financial agreements) will be robust and proportionate to the level of award involved.
Process Design	See above.
Partnerships and Alliances	The fund will be promoted across a wide range of partnership networks in the city and through the Community Planning Partnership. It is expected that new local alliances / co-operatives will be generated.

8 IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not required

9 BACKGROUND PAPERS

None

10 APPENDICES (if applicable)

None

11 REPORT AUTHOR CONTACT DETAILS

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