

REPORT TO INFRASTRUCTURE SERVICES COMMITTEE – 10 MAY 2018

FUNDS DISTRIBUTED BY ECONOMIC DEVELOPMENT SCHEMES AND BUSINESS GATEWAY ACTIVITY 2017-18

1 Recommendations

The Committee is recommended to:

- 1.1 Endorse the information on the distribution of funds from the ‘Support for Aberdeenshire Business Scheme’ in 2017-18 as outlined in Appendices 1 and 2.; the First Employee Grant Scheme in Appendix 2; the new Social Enterprise Support Fund in section 2.8 below; and the Business Gateway contract in 2017-18, as outlined in Appendix 3.**
- 1.2 Instruct the Head of Economic Development and Protective Services to explore the introduction of a new grant to encourage the development of new digital technologies, outlined in section 2.7 below, and report to the Committee on the outcome.**

2. Background/Discussion

- 2.1** This is an annual report that informs the Committee Members of the funds distributed through the Support for Aberdeenshire Business Scheme and work carried out under the Business Gateway contract each year. The report describes the work carried out in year 2017-18 and also seeks approval for officers to explore the introduction of a new grant.
- 2.2 Support for Aberdeenshire Business (SAB) Scheme 2017-18**

The SAB grant and loan Scheme is for businesses operating within Aberdeenshire, or businesses moving into Aberdeenshire, that have a proposal to develop their business. To qualify a business has to demonstrate that their proposal meets the following criteria:

 - (a) The proposal brings additional economic benefit to Aberdeenshire.
 - (b) The proposal demonstrates viability.
 - (c) The proposal has the potential to increase employment in the Aberdeenshire area.
 - (d) The proposal proves that there is a need for top up finance over and above what is available on the open market or within the business.
 - (e) The proposal does not have a detrimental effect on existing local businesses.

More details on the [SAB Scheme](#) can be found on the Council's website.

- 2.3 The SAB Scheme has been operating since 1998 and was last reviewed in 2017. On 16 March 2017 (Item 16), Infrastructure Services Committee (ISC) approved the reintroduction of a first employee grant scheme and the number of grants on offer through the SAB scheme was reduced so that there would be budget for the new First Employee Grant Scheme.
- 2.4 Appendix 1 gives a breakdown of the SAB grants and loans awarded in the year 2017-18 by Council Area. The table shows that last year the SAB Scheme assisted 19 businesses. The Scheme also helped to create 45.5 jobs and safeguard 37 jobs. Three businesses later decided not to go ahead with their projects. The funding from the SAB Scheme helped to lever in £3,072,485 of investment from other sources.
- 2.5 Appendix 2 shows how the businesses receiving SAB support were distributed by industry sector. Most of the businesses assisted are in the Food and Drink and Tourism sectors.
- 2.6 The new **First Employee Grant Scheme**, which helps businesses take on their first employee with a £1,000 grant and advice, was relaunched on 21 September 2017 as part of the SAB scheme. From September to 31 March 2018 there were 16 awards approved although one was subsequently withdrawn.
- 2.7 Officers are increasingly being asked for SAB grant assistance for the development of new digital technologies, such as apps, where no jobs will be created. If no jobs are being created we cannot offer SAB assistance. Officers are seeking Members approval to explore the advantages and disadvantages of introducing a grant under the SAB Scheme which will not require the creation of jobs in Aberdeenshire but could assist in the growth of a digital sector in the north east.
- 2.8 **Social Enterprise Support Fund 2017-18**
On 1 June 2017 ISC approved officers investigating the introduction of a new Social Enterprise Support (SES) Fund of £200k which will operate till March 2019. The SES Fund was launched in October 2017 and after advertising in the press and in social media enquiries were received from throughout Aberdeenshire. Two applications were approved in year 2017-18 and since the year end a further two applications have been approved. An additional five applications are at an advanced stage. The two applications that were approved in 2017-18 are as follows:

7 December 2017	Gordon Rural Action, Huntly	£2,000
31 January 2018	Starsparks, Stonehaven	£4,140

2.9.1 **Business Gateway in 2017-18**

Business Gateway, funded by the Scottish Government, is provided to deliver business support to pre-starts, start-ups, and growth businesses. Aberdeenshire is the Lead Authority and is responsible for ensuring provision in the Aberdeen City and Shire area. The current contract for delivery, which started on 1 April 2017, is held by Enterprise North East Trust trading as Elevator. Year 2017-18 is the first year

that Business Gateway in the northeast has managed to draw down European Regional Development Fund (ERDF) monies for two operations.

2.9.2 Targets and Results for the Business Gateway Contract

A summary of the results achieved for the year to 31 March 2018 is shown in Appendix 3.

2.9.3 Key points to note in the delivery of the Business Gateway contract 2017-18 are as follows:

- a) Since the Business Gateway service moved to Local Authority control the target for start-ups has been 1,000. However, over the past few years it has become clear that this target could be surpassed and was no longer ambitious enough for the economic aspirations of the area. For the new contract which started on 1st April 2017 the target was raised from 1,000 to 1,150. This financial year the target has been surpassed and resource was moved from the Local Advisory Service to fund additional start-up activity allowing 1,227 businesses to benefit from Business Gateway start-up support. Of the 1,227 start-ups, 533 (43%) were in Aberdeen City and 694 (57%) were in Aberdeenshire.
- b) A change to the Business Gateway national service has placed more emphasis on business growth as measured through employment. Start-up businesses, that are projected to grow and employ staff, benefit from the support of a dedicated business adviser and additional time is provided by the ERDF funding. 150 businesses benefitted from this service with an approximate equal split between Aberdeen City and Aberdeenshire and it is now hoped to continue the service to 2023.
- c) Growth businesses are those that are expected to turnover more than £200k within 3 years and this group of businesses receive enhanced support. The Business Gateway service assisted 115 Growth businesses and half of these businesses were in Aberdeenshire which is up from 39% last year.
- d) The best performing businesses move from Business Gateway to Scottish Enterprise to be Account Managed. It is disappointing that only one business has been accepted this year into Account Management but a further four are awaiting decisions on moving into this service. The low number of applications is due to a change to the contract this year and next year it is expected that 6 to 8 businesses will enter SE Account Management.
- e) In addition to European funds being used for the Early Stage Growth service, a larger ERDF funded service was introduced this year called Business Boost. This new service focuses on assisting the growth for those existing businesses that don't meet the criteria for the traditional Business Gateway growth service. Previously Business Gateway was only able to offer limited support for these businesses but with the introduction of this service over 200 businesses have benefitted from a dedicated business adviser, expert consultancy on business areas such as sales, marketing and HR, and specialist workshops targeting growth. As they exit the service, data will be

collected on changes in turnover, employment and any export activity during the intervention period.

More information on the Business Gateway support offered to businesses can be found at <http://www.bgateway.com/>

- 2.10 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider this item in terms of Section F1.1b of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to the approval of resources to support Economic Development.

4 Equalities, Staffing and Financial Implications

- 4.1 An Equality Impact Assessment, and a Town Centre Impact Assessment, were carried out before introducing the changes to the Support for Aberdeenshire Business Scheme. Only positive impacts were identified.
- 4.2 There will be no staffing implications arising from this report.
- 4.3 SAB grants awarded in 2017-18 were met from the Economic Development Revenue Budget, page 67, line 19, "Business Support". The cash requirement for SAB loan financing is met from an element within the Council's borrowing. The repayment of all loans issued last year has been in line with the loan agreements. The Business Gateway Programme 2017-18 is funded through the Business Gateway budget shown on the Economic Development Budget, page 67, line 22 under "Business Gateway".
- 4.4 The interest element for the SAB loans in 2017-18 came from the applicant and the Economic Development Budget, page 67, line 19, "Business Support". For the past five years the service has set aside £10,000 to pay for the interest element not covered by the applicant. The average payment for interest in the past five years has been £7,000.

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3 April 2018

Appendix 1

**SUPPORT FOR ABERDEENSHIRE BUSINESS SCHEME
SUPPORT APPROVED 2017-18**

AREA	NO. OF BUSINESSES ASSISTED	TOTAL AMOUNT £	OTHER FUNDING LEVERED IN £
Banff and Buchan			
Grants	3	31,057	1,226,056
Loans	-	-	
Buchan			
Grants	2	7,950	182,650
Loans	1	22,500	
Formartine			
Grants	0	0	
Loans	-	-	
Garioch			
Grants	4	24,788	305,603
Loans	1	24,000	
Kincardine and Mearns			
Grants	2	37,500	1,070,112
Loans	-	-	
Marr			
Grants	7	66,611	288,064
Loans	1	20,000	
Total			
Grants	18	175,106	3,072,485
Loans	3	66,500	

19 businesses received support from the Scheme. Two businesses were awarded a loan and a grant with one business receiving a loan only.

22 applications were approved with 3 applications subsequently decommitted as the applicants did not proceed with the project. One business in Formartine was awarded grant support but this was subsequently decommitted.

In addition to the above 16 businesses were awarded a First Employee Grant in 2017-18.

Appendix 2

BUSINESSES RECEIVING SAB ASSISTANCE BY INDUSTRY

Industry	2015-16	2016-17	2017-18
Engineering	9	4	
Business Services	1	2	1
Tourism	13	7	5
Renewables			
Recycling			
Energy	3	3	3
Food and Drink	3	12	9
Community Economic Development	1	1	
Rural Shop	3	1	
Social Services			
Software/Technology			
Training	1	2	
Textiles			
Manufacturing	4	2	1
Craft			
Sports			
Building and trades	2	1	
Fishing, Agriculture and Forestry			
TOTALS	40	35	19

Appendix 3

**BUSINESS GATEWAY - ABERDEENSHIRE AND ABERDEEN CITY
TARGETS v ACTUALS 2017-18**

SERVICE	TARGET 2017-18	ACTUAL 2017-18
Total new start-ups assisted	1,150	1,227
Early Stage Growth (projected to employ staff)	150	150
Businesses assisted to increase turnover by >£200k over the next 3 years	115	115
Businesses assisted to increase turnover by >£400k over the next 3 years	46	64
Businesses accepted for Account Management by Scottish Enterprise	10	1
Bespoke local events delivered	10	10
Start-up workshops delivered	192	193
Existing business workshops delivered	100	100

