

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 29 NOVEMBER 2016

FINANCE FOR BUSINESS AND EAST OF SCOTLAND INVESTMENT FUND

REPORT BY CHIEF EXECUTIVE

ABSTRACT

This Report seeks approval from Committee on a proposed alternative use of a £50,000 carry forward ring-fenced previously for Business Loan Scotland Fund with a contribution of up to £32,000 to implement VOOM - a new business support scheme in Angus using crowdfunding and transfer of £18,000 to the East of Scotland Investment Fund (ESIF) in order to clear the current deficit in the Angus Council account.

1. RECOMMENDATIONS

It is recommended that the Committee:-

- (i) Approve the alternative use of a £50,000 carryforward for Business Loan Scotland Fund
- (ii) approve the expenditure of up to £32,000 to implement innovative funding support for Angus based businesses in association with VOOM and Crowdfunder; and
- (iii) approve the transfer of £18,000 to ESIF.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT

This report contributes to the following local outcome contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- We have a sustainable economy with good employment prospects.

3. BACKGROUND

- 3.1 Reference is made to Information Report 233/16 – Schedule 2 submitted to the Policy and Resources Committee 7 June 2016. This report updated Committee on ESIF, the establishment of Business Loans Scotland (BLS) and advised of Angus Council joining BLS as an associate member only (i.e. non-participating). It also advised a further report would be brought to committee with recommendations for the use of the £50,000 previously ring-fenced as a contribution to BLS.
- 3.2 Officers have undertaken a review of existing grant and loan schemes available to business and have identified an opportunity to build on our Crowdfunder success with Crowdfund Angus through VOOM - an innovative competition with potential to support more businesses in Angus.
- 3.3 www.vmbvroom.com VOOM 2016 is an online and offline business funding competition led by Virgin Media Business' in partnership with Crowdfunder. Businesses compete to win a share of up to £1,000,000 in prizes and the chance to pitch to Sir Richard Branson in the live final. This provides a unique opportunity for us to celebrate the nation's best entrepreneurs.

3.4 In 2016 there were two categories of the competition for businesses to enter: Start-up for fresh and exciting businesses that are in the early stages (either not yet started trading or just begun), and Grow for businesses with revenue that are looking to grow. As well as the main prizes for the two categories of £50,000, mentoring from Virgin Start-up, a £250,000 marketing campaign, a Virgin Media Business broadband package and financial advice from the Institute of Chartered Accountants, in 2016 there were three special awards that any business could enter.

- The Impact Award for a business that put social and environmental impact, as well as profit, at the heart of their business. They received an all-expenses paid invitation to Virgin Unite's Leadership Gathering on Necker Island in May 2017, plus mentoring, workshops and access to networking from the team at Virgin Unite.
- The Great Award was for a business that flew the flag for Great Britain. In partnership with the UKTI team at Exporting is Great, VOOM was looking to find real ambassadors making big waves outside of the UK and Ireland. The winner received a one-to-one mentoring session at 10 Downing Street with one of the Prime Minister's Business Ambassadors, as part of a package of export services from UKTI.
- The Crowdfunder Award was for businesses that opted in to the brand new feature of the 2016 competition – to run a crowdfunding campaign alongside their pitch. If the business exceeded the funding target they were automatically entered to win an additional £50,000 from Crowdfunder.

4. ANGUS VOOM

4.1 The difference for 2017 is that VOOM is going regional and a number of key areas around the UK are investing to encourage local activity.

4.2 Crowdfunder approached Angus Council based on our national success with our crowdfunding platform with the opportunity to be a regional VOOM area, offering an innovative approach to loan funding and allowing us to set our own criteria and ensuring that it links with local priorities in Angus and for Angus.

4.3 Rather than a traditional approach to offering finance, Angus businesses would be supported to develop a campaign for their business proposal in line with agreed criteria. It is proposed that the criteria is aligned to existing priorities of innovation, investment, internationalisation and inclusive growth and in particular targeting our key sectors in Angus.

4.4 Angus Council's contribution of up to £32,000 will be used to offer a number of prizes to those businesses raising the most amount of money for their project through crowdfunding. It will also support training and coaching to support campaign development and pitching which is fast becoming a popular way to support business innovation and investment.

4.5 The campaign will be national allowing people across the UK to vote for their favourite business proposal (like a virtual dragons den) while anyone voting for a business will also have an opportunity to pledge a financial donation for a reward of the business' choice. This will also give Angus businesses an excellent opportunity for national exposure to their business and products and for additional investment.

4.6 Even if a business does not win one of our awards, they will still have had the opportunity to campaign for funding and can develop their idea further.

4.7 Businesses with the highest amount of votes get the opportunity to pitch their idea to Richard Branson.

5. Angus Council Role in VOOM

5.1 Investing in VOOM is the start of this project, it will be essential to promote, market and support local businesses to enter VOOM. They will get support from Crowdfunder, however to ensure the success of the local element we will promote the programme throughout the area at events, through our newsletters and social media etc. This will be complemented by the national media and PR for the VOOM Programme.

6. Benefits for Angus

- 6.1 There are already a number of businesses in the local area that could benefit from this programme and others who have been involved in crowdfunding, awards and competitions who could benefit. Offering a range of awards will give more businesses the opportunity to be successful.
- 6.2 As a VOOM participant area Angus will receive national coverage and exposure for Angus businesses, highlight product and demonstrate the innovative approaches being taken to support business in this area.

7. EAST OF SCOTLAND INVESTMENT FUND

- 7.1 Preparations for the launch of BLS and the transfer of the ESIF loan portfolio to BLS continue. The process has taken much longer than was originally anticipated however, the Scottish Government has now confirmed financial support for BLS from the European Regional Development Fund (ERDF) and members of BLS are currently considering the terms and conditions of the offer.
- 7.2 At 30 September 2016 Angus Council had a deficit of (£15,446) in its ESIF account (an increase from (£14,816 at 31 March 2016 as reported to committee 7 June 2016). As previously reported the deficit is primarily a result of the need to pay back previous ERDF funding amounting to £14,854. The ESIF board has requested that this deficit be cleared prior to the transfer of the full loan portfolio to BLS. Some additional fund management costs from ESIF are expected together with legal costs associated with debt recovery. It is anticipated the deficit will rise to no more than £18,000 prior to the transfer to BLS. Going forward, operational costs incurred by Angus Council as an associate member of BLS should be minimal.
- 7.3 At 30 September 2016 Angus Council had 2 loans to local companies outstanding. One loan continues to be repaid on schedule with a balance £10,056 outstanding. Unfortunately, the second loan, with £25,652 outstanding, is now in default and the business which took out the loan has ceased trading. Solicitors have been instructed to recover the debt from the business owners and the outcome of this action is awaited.

8. FINANCIAL IMPLICATIONS

- 8.1 Up to £32,000 will be made available for the Angus VOOM programme for the benefit of businesses in Angus using a previously approved carry forward.
- 8.2 An amount of £18,000 is required to be transferred to ESIF in order to clear the deficit within the Angus Council account prior to the transfer of the loan fund to BLS. Over time the new account held within BLS will be replenished and move into surplus as further loan repayments are received and debts are recovered. The two loans outstanding amount to £35,708 and it should be noted that one of the borrowers with £25,652 owing is currently in default.
- 8.3 Up to £50,000 in total is required to fund both the VOOM initiative and cover the Angus Council deficit within the ESIF account. This can be met from the £50,000 carried forward from the 2014/15 Economic Development revenue budget into 2015/16 and then into 2016/17. This amount was originally set aside as a contribution to BLS, thus enabling Angus companies to borrow from this fund.
- 8.4 It is proposed that the VOOM Programme delivered through Crowdfunder replace the current Business Grants offered by economic development annually resulting in a saving of £20,000.

9. CONSULTATION

The Strategic Directors of Children and Learning, Communities and Resources, the Head of Legal and Democratic Services and the Head of Corporate Improvement and Finance have been consulted in the preparation of this report.

RICHARD STIFF
CHIEF EXECUTIVE

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Article 4 of the minute of the meeting of the Policy and Resources Committee of 7 June 2016.
- Article 8 of the minute of the meeting of the Development and Enterprise Committee of 20 January 2015.

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