

ECONOMIC DEVELOPMENT COMMITTEE

21 NOVEMBER 2018

BUSINESS SUPPORT UPDATE

1.0 Purpose of Report

1.1 The purpose of this paper is to advise the Committee on current and planned activity relating to Business Support.

2.0 Background Information

2.1 Within Newark and Sherwood, linked with our Economic Development strategy, our key priorities are

- ❖ Inward Investment
- ❖ Business Support
- ❖ Employability, Skills and Schools
- ❖ Infrastructure
- ❖ Key Sectors
- ❖ Tourism

2.2 This report identifies that there is further support required for businesses in the District. The aim is to improve the prosperity of businesses by enabling them to create new jobs and to encourage growth. 2 key areas of focus are Investment Readiness and Productivity.

2.3 Local Information Regarding Business Figures

As at August 2018 the most recent NOMIS report provides an analysis of businesses at both Enterprise and Local Unit level within Newark & Sherwood.

The data contained in the table are compiled from an extract taken from the Inter-Departmental Business Register (IDBR) recording the position of units as at March of the reference year. The IDBR contains information on VAT traders and PAYE employers in a statistical register which provides the basis for the Office for National Statistics to conduct surveys of businesses. The table presents analysis of businesses at both Enterprise and Local Unit level. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy within an Enterprise Group. An individual site (for example a factory or shop) in an enterprise is called a local unit. The employment information on the IDBR is drawn mainly from the Business Register Employment Survey (BRES). Because this is based on a sample of enterprises, estimates from previous returns and from other ONS surveys have also been used. For the smallest units, either PAYE jobs or employment imputed from VAT turnover is used.

Businesses				
UK Business Counts (2018)				
	Newark And Sherwood (Numbers)	Newark And Sherwood (%)	East Midlands (Numbers)	East Midlands (%)
Enterprises				
Micro (0 To 9)	4,310	89.5	158,840	88.9
Small (10 To 49)	430	8.9	16,300	9.1
Medium (50 To 249)	65	1.3	2,930	1.6
Large (250+)	10	0.2	680	0.4
Total	4,815	-	178,745	-
Local Units				
Micro (0 To 9)	4,695	83.6	174,765	83.7
Small (10 To 49)	760	13.5	27,480	13.2
Medium (50 To 249)	145	2.6	5,795	2.8
Large (250+)	10	0.2	810	0.4
Total	5,615	-	208,850	-

Source: Inter Departmental Business Register (ONS)

Note: % is as a proportion of total (enterprises or local units)

Estimates in the table are rounded to prevent disclosure.

The number of micro businesses in 2018 numbered 4310 which is 89.5% of businesses in the district, small and medium businesses numbered 430 at 8.9% with a small number of medium and large businesses identified (medium businesses at 1.3% and large businesses 0.2%).

It is crucial that we make the best use of the potential of these businesses. Although not all businesses can grow, or wish to grow, businesses face barriers that hold them back from growing.

The key enablers of business success are:

- Internal capacity and capability
- The external environment
- The vision of the business owner

It is important to support micro and SME businesses to help them grow to their full potential, create and safeguard jobs, improve survival rates which is a crucial element to economic growth.

2.4 Business Enquiries

From April 2016 to June 2018 the Economic Growth Team received 130 enquiries from businesses. From those enquiries 25 businesses were not eligible for NBV or D2N2 support or other partner organisations.

Those businesses that were identified as not eligible for NBV/D2N2 and other partner organisations support were provided with assistance. However due to the size of the Economic Growth Team and the volume of work, this was limited.

During 2017 to 2018, 10 local businesses required support with their business strategy, operational needs, marketing, finance and products and services.

Some of those businesses have limited resources such as skills gaps and suffer from insufficient training as well as lack of funding for growth and expansion. Some do not have a structured approach to management development within their business therefore their needs are clearly disadvantaged without support.

Please see quotes from 4 businesses not eligible for NBV/D2N2 but received support from the Economic Growth Team:

"Thank you so much for your time and advice. Only wish I had met you sooner"

"Thank you so much for meeting me on Friday and for your advice and support. Plus, for you to love my product well that gives me so much encouragement"

"Thank you so much for all your help on Thursday, your advice and experience in such matters was really appreciated"

"Thanks Sue. I will definitely follow all this up and am confident that it will be really useful to me. Thanks for all the help and I will be in touch when things begin to happen"

2.5 Business Events/Programmes

Starting/Growing Business

Over 90 business people attended our free "Starting or Growing Business" events held at 2 venues in Newark and Edwinstowe during September and October 2016. The main theme covered was learning about public procurement and how to bid for public sector contracts. The event also offered finance and business support solutions for new and existing businesses

The feedback was extremely positive with 2 noting from each session:

"Good to see local council supporting local businesses, useful insight to procurement and finance. Could have used this 3 years ago"

"Many thanks for the inspiring event. It was lovely to meet everyone and to start finding out about the support and guidance out there for start-up ideas like ours. This week is all about further research"

Ready, Set, Grow

Following on from these events a free "Ready Set Grow Your Own Business" workshop was held in Newark during March 2017. Speakers included D2N2, Nottinghamshire Fire & Rescue Service, Wright Vigar, NBV and The University of Nottingham. The day was focussed on individuals thinking of starting a business or those already running a new business and brought together partners who offer support to individuals at either pre-start or start up stages.

Over 20 attended which consisted of 33% pre starts and 67% in the early stages of trading. The feedback received was excellent with one noting:

"I was really impressed with the wide scope of the discussion and the quality of the speakers. I'll be looking out for other courses to continue learning in this area".

All attendees were offered ongoing support from all partners involved to move forward. The Economic Growth Team maintain a document providing information on funding and support available throughout the county and this was circulated to the audience and emailed to all further to the session. This document is available as background reading to this report.

One to One Clinics

NSDC/NBV Clinics took place from September 2015 to April 2016 and all delegates informed their expectations were met.

7 out of 21 individuals that attended the clinics commenced trading and 5 businesses are still trading as at to date. Details are available of all attendees.

From April 2016 to date NBV/ERDF workshops offered individuals to get up and running through the "Starting In Business Programme". 38 individuals attended from Newark & Sherwood with 6 confirming they started their business further to attending.

The "Business Assist Programme" support trading businesses with access to an experienced business person to act as a sounding board with focussed and objective assistance. 20 Newark & Sherwood businesses attended and completed the programme.

Grants are available from £1000 to £2500 or up to a maximum of 25% of eligible costs for the purchase of capital equipment where it supports business expansion or diversification Please note the grants are only available for business to business NOT Business to Customer/Retail. 8 Newark & Sherwood businesses claimed grants.

Due to data protection NBV are not allowed to share details of the businesses in the district they have supported.

Business Health Checks

The Economic Growth Team in partnership with D2N2 organised a "Grow Your Business Health Check" during June 2017 and 8 local businesses participated. A further 3 Health Checks were held during January, February and March 2018 and 7 businesses participated. 2 are planned for May and September 2018.

The feedback was excellent with two noting:

"Thanks for arranging this I found it extremely useful."

"Very informative – there were many things I hadn't heard about before – thank you"

The majority of the attendees at the Business Health Checks held in June 2017 had been successful in accessing the Think Big Loan prior to the clinic.

D2N2 carry out follow up one to ones with the attendees from all sessions to provide further assistance.

D2N2 in Partnership with NSDC Delivered the Following Workshops

“Marketing Is Changing” held November 2017 and 22 businesses attended of which 2 noted from the session:

“Totally enjoyable and informative, a massive amount of content covered in such a short period of time. I now have new vigour to regenerate our marketing strategy”

“Great tips, very useful take away actions. Thank you very much”

“Access to Finance” held 16 January 2018 and 14 businesses attended and it was noted:

“Well done organisers”

“Using Digital PR to Grow Your Business” held 22 March 2018 and 27 businesses attended and it was noted from the session:

“More beneficial than I was expecting. Always looking for ways to grow my business and this has really helped give me direction”

“Excellent engaging and one of the most interesting workshops I have attended”

“Very engaging and informative, develops confidence of producing good quality press releases”

A further 2 workshops are being held” HR Keeping it Legal” held on 14 September 2018 and “Your Finances” to be held 16 November 2018.

2.6 NBV Business Eligibility

For those start-ups that receive mentoring from NBV this is a total of 12 hours support. NBV are flexible and support as many individuals above the 12 hours if possible, however this is limited and not always available.

From September 2015 to date the Economic Growth Team referred 60 Newark & Sherwood pre starts and new start businesses to NBV.

2.7 D2N2 Growth Hub Business Eligibility

Support is available for High Growth businesses and NSDC works collaboratively as part of our delivery support programme to businesses in D2N2.

D2N2 Scale-up businesses is for those businesses with at least 10 people, turnover between £1-15m and annual growth of 20%+ for the last 3 years.

Potential Scale-up businesses is for those businesses with at least 10 people, a turnover of £1-15m and that have achieved some of the ScaleUp criteria, such as annual growth of 10%+ for the last three years or 20% + for the last 2 years.

Ambitious Businesses - is for those businesses that can demonstrate their potential to scale up along with partial scale-up characteristics, such as: right size but not growing because they need specific help.

Those businesses that employ less than ten people or with a turnover of less than £1million are not eligible to access the D2N2 Scale-up business support.

2.8 Newark & Sherwood Business Support

There are a number of organisations supporting businesses in the District. The Economic Growth Team assist and signpost businesses in accessing the right service and act as the liaison point.

Support is available for pre/new and high growth businesses via collaborations/partnerships with D2N2 Growth Hub (D2N2), NWES merged with NBV Enterprise Solutions Ltd (NBV), Oxford Innovation, other agencies and Think BIG Loan Fund Panel.

2.9 Key Account Management

The Economic Growth Team deliver a key account management role for larger businesses in the district and where possible support and signpost Small & Medium Enterprises (SME's), plus, handle a combination of property enquiries, start-up business enquiries as well as requests for support regarding funding and advice.

NBV provide business support for start-ups and established businesses. Their services include one to one business advice, workshops, networking events and mentoring.

D2N2 provide a 'one stop shop' for ambitious new and developing businesses looking for advice on training, growth and how to access funding help to expand into fresh markets.

Due to evaluating the effectiveness of both support from NBV/D2N2 and other partners the Economic Growth Team have identified the current gaps in support for businesses:

- Employing less than ten or with a turnover of less than £1million
- Developing early stage and growing businesses

3.0 Proposals

3.1 Requirement for Investment Readiness Support

In order to further support businesses in the District, that fall within the area identified above, NSDC are partnering with the D2N2 Growth Hub to begin a process of encouraging businesses to look at accessing financial support and mentoring in order to grow their businesses. The first workshop will be held on 30 November 2018 and further workshops will then be organised in other locations in the district.

The aim of the initial workshop is to assist businesses in gaining an understanding as to what steps they need to take in order to grow their business. Follow up sessions, either one to one or small groups will be organised to further assist businesses, as appropriate to their needs.

NBV quote from a new start business based in Kelham Village, Newark:

“The business mentoring I received gave me a lot of insight into the legal side of starting your own business that I was unaware of. I also received lots of information on the areas that I was interested in such as marketing my business to different organisations. I think the main thing that I was looking for was support to build a business plan, not just because banks and business might want to look at it, but it also gave me an understanding of what I would need to do to maintain this business.”

D2N2 quote from a business based in the East Midlands that is eligible for the Scale-Up Business Support:

“The support we were able to access was a real kick-start for our growth, it gave us that extra focus and guidance to be able to find where we can improve and focus efforts on them with a reduced risk. The support has been really relevant and pro-active at every stage and I felt our business needs were understood from the beginning. At the heart of my business is a bunch of talented, creative people, and through the support we’ve received I’ve been able to help focus all this passion and talent into the most efficient, profitable and high quality operations and that has set us up for a growth and success.”

4.0 Equalities Implications

4.1 There are no negative equality implications as these workshops are open to all businesses within the district. The venue is also DDA compliant.

5.0 Financial Implications (FIN18-19/9269)

There are no direct financial implications arising from this report.

6.0 Comments of Director

6.1 This report contains the support, assistance and advice provided to local businesses, together with examples of positive feedback from business representatives.

6.2 It is important to support micro and SME businesses to help them grow to their full potential, create and safeguard jobs, improve survival rates which is a crucial element to economic growth. Support is available for pre/new and high growth businesses via collaborations/partnerships with D2N2 Growth Hub (D2N2), NWES merged with NBV Enterprise Solutions Ltd (NBV), Oxford Innovation, other agencies and Think BIG Loan Fund Panel.

7.0 RECOMMENDATION

That the Committee note the contents of this report and support the Investment Readiness Programme commencing in November 2018

Reason for Recommendation

The existing support for business, combined with this new programme with partnership working helps to encourage business growth within Newark and Sherwood.

Background Papers

None

For further information please contact Julie Reader-Sullivan on Ext 5258

Sanjiv Kohli
Director - Resources

Newark & Sherwood District Council
Midlands Engine Investment Funds

Purpose: Understanding how businesses in the District might be able to access Midlands Engine Investment Funds (MEIF)

Content:

- 1) Description of Funds
- 2) Fund Managers
- 3) Small Business Loans:
 - Criteria for consideration
 - Terms of Funding
 - Application
- 4) Debt Finance Loans
 - Criteria for consideration
 - Terms of Funding
 - Application
- 5) Identifying Businesses
- 6) Recommended actions

1) Description of Funds

The Midlands Engine Project covers East & West Midlands; the total funds available under the MEIF programme is £250m.

MEIF is a collaboration between British Business Bank and 10 LEPs across East and West Midlands. East Midlands incorporates 4 LEPs:

- D2N2
- Leicester & Leicestershire
- Greater Lincolnshire
- South East Midlands

Contact point at the British Business Bank is: Lewis Stringer, Senior Relationship Manager: email: lewis.stringer@british-business-bank.co.uk

2) Fund Managers

So far 2 Fund Managers have been appointed in the East Midlands to run 2 debt funds that are now open for business:

First Enterprise (established for many years providing start-up and early stage loans in Nottingham) will run **Enterprise Loans East Midlands**

Initially this is a fund of £13m for East Midlands to provide small business loans from £25,000 - £150,000

Maven Capital Partners (a national Equity and Debt Investment Fund Manager) will run **Maven Debt Finance** across East and West Midlands. Initially this is a fund of £40m for East Midlands to provide Loans of £100k - £1.5m

3) **Small Business Loans: Enterprise Loans East Midlands**

Loans of £25k - £150k are made to individuals, not to the business so the loans carry automatic personal liability (guarantees not necessary to tie in the business owners)

Purpose of Loan:

- To meet shortfall in funding for specific new projects, not existing running costs
 - to secure services
 - to purchase equipment

Criteria:

- Business must demonstrate job creation or safeguarding
- Business plan and viability are key

Terms of Loan:

- Repayment 3-5 years
- Minimum contribution by start-up and existing business of 25%
- Enterprise Loans East Midlands will partner with other funders to finance projects
- Interest rate 11% + Base Rate with a 2% arrangement fee and security fees.

The average loan is expected to be £33k

Application: (Make initial enquiry on web site)

<http://www.first-enterprise.co.uk/midlands-engine-investment-fund/>

Required for full application:

- Comprehensive Business Plan
- 2 years accounts for existing businesses
- Bank statements
- Cash Flow forecasts for at least 2 years
- CVs

The usual I/D & credit checks will be made.

Representatives of the local LEP sit on local investment panels to consider loan applications.

The fund is being managed by Neil Millington: nmillington@first-enterprise.co.uk.

4) **Debt Finance Loans: Maven Debt Finance**

MEIF Maven Debt Finance is available for loans of £100k to £1.5m to established SMEs that can contribute to regional economic development and job creation.

Criteria: In order to be eligible for a MEIF loan a business:

- Must have a material part of its operations or trading based in the Midlands.
- Will be required to meet a number of funding criteria, including a propensity to create jobs and contribute to economic development.
- Have fewer than 250 full-time equivalent employees
- Have turnover of less than £42m per annum

The fund is intended to stimulate innovation and expansion. The funding can be used to plug gaps and supplement conventional SME funding. It can help with the following:

- Funding expansion projects
- Capital expenditure
- Investing in new products
- Hiring a new team
- Purchasing new machinery or equipment
- Exporting abroad
- Filling gaps in working capital

The fund is not able to finance acquisitions.

Maven will require a detailed investment proposal. The focus will be on quality of Business Plans and the presentation of a case for funding covering:

Company Overview:

A detailed description of the company's products or services.

Investment & Growth Plan:

Details of the specific funding requirement and how the investment supports the long-term growth strategy.

Market Overview:

A description of the market and where the business is positioned

Financial Forecast:

The current financial position and financial projections

Team Biographies:

The key people involved in the business, demonstrating senior team experience in the sector.

Loan Affordability:

A description of how the company will service loan repayment

Loan Terms

- Repayment Max 5 years No early repayment costs
- Capital holiday up to 12 months
- Interest rate 8-10% Fixed
- Arrangement Fee 1.5% + security fees

The British Business Bank recognises the loss of bank relationship management of micro and small businesses; Maven will provide ongoing strategic and operational support.

To apply - complete an initial application at:

<https://www.mavencp.com/sme-finance/meif-debt-finance>

Main Contact:

Jonathan Lowe email: Jonathan.Lowe@mavencp.com

5) Identifying Businesses

Whilst the "alternative funding" culture has been long-established in the South East and has grown considerably in recent years in the North West and West Midlands, the British Business Bank recognises the very low rate of take up of alternative funding by businesses in the East Midlands

A culture change is required over an extended period of raising awareness and aspiration to develop a business by investing through debt or equity to achieve growth

Identification Elements:

i) MEIF Criteria

Fund	Stage of development of the business	Purpose of funding
Small Business Loan	<ul style="list-style-type: none"> • Start-up • Early stage • Established micro or small business 	Specific new projects <ul style="list-style-type: none"> • Secure Services • Purchase Equipment Job creation & safeguarding
Debt Finance	<ul style="list-style-type: none"> • Established SME • Profitable & growing 	To fund growth & job creation

ii) Business owners:

- Ambition to grow
- Willingness to prepare well to seek alternative funders
- Track record, experience and capability of the management team

iii) Potential for Growth in the Sector (including the supply chain)

Whilst most sectors will be considered, it is notable that initial funding has been for businesses involved in:

- Energy & Environmental Controls
- Medical Devices
- Education
- Clean Energy

Additionally, investors have recently shown a particular interest in

- Digital Technology (Silicon Forest)
- Advanced Engineering
- Creative Media

iv) Funding structure

- fit for purpose
- the business is investment/funding ready

Identifying these businesses in the District can be done directly through local business data or through contacts with local banks and professionals.

D2N2 Growth Hub are seeking to identify 200 businesses with growth potential across the LEP by March 2018; there is an opportunity to link in with those identified in the District