

FIN-URB-ACT

Local Action Plan City of Edinburgh



April 2011



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Initial situation:

The overall objective of Edinburgh's Local Action Plan was to help to address various aspects of the local support policy to SMEs, including better knowledge of existing financial and non-financial support schemes, access to private funding and better access to finance for small projects including self-employment as well as inward and outward communication.

Local Support Group

Organisation	Name of the representative	Position in the organisation	Expected contribution to the LSG	E-mail
East of Scotland European Partnership	Gordon McLaren	Chief Executive	Advisory and linking into Local Action Plans	gmclaren@esep.co.uk
Lloyds TSB	David Metcalfe	Head of Wholesale Banking	Involved in discussions about suitable private sector finance support for SMEs	David.Metcalfe@LLOYDSTSB.co.uk
Royal Bank of Scotland	Craig Reid	Business Relationship Manager		fraser.lusty@eu.nabgroup.com
Clydedale Bank	Fraser Lusty	Business Banking Partner		Craig.reid@rbs.co.uk
Edinburgh Chamber of Commerce	Roger Horam	Projects & Partnerships	Management and day-to-day running of the programme	Roger.horam@edinburghchamber.co.uk
Federation of Small Business	Graham Russell	Edinburgh Branch Chairman	Available for surveying and dissemination	gr@themillwarehouse.co.uk
Napier University	Ed Craig	European Projects Director	Bringing in finance issues for university start-ups	e.craig@napier.ac.uk

Mapping public and private financial and non-financial support instruments for SMEs

The mapping of support services includes the range of business support services available across the region. It is almost completed and will be published on the City website. It will be coordinated by the Scottish Enterprise in conjunction with the local authorities.

Relations with the MA have been good for a long time but FIN-URB-ACT opened an opportunity to present projects in a more innovative way: for instance, the ESIF combined innovative design in operational mode and innovative implementation of funds, through good cooperation with the MA.

Another example can be found in the implementation of ESF with the “Smart Exporter” procedure, built up from local level, and extended to the whole territory of Scotland by opening partnership to other Chambers of Commerce and involvement of the Confederation of local authorities, fast tracked by the MA. Additionally ERDF LUPS funding has been secured.

Survey on information and participation of target businesses

The mapping of business support provision shows that there are a number of generic offerings already in place that operate on a regional (Scotland-wide) and local basis and are also applicable to a segmented market of high growth, medium growth and universal businesses. The products and services are available as face-to-face and/or virtual offerings in both one-to-one and one-to-many formats. The range of services is from the high growth, key sectors (including renewable, life sciences, tourism, digital markets, financial services, food and drink etc.) to the social inclusion/under represented/deprived individuals – ethnic minorities, young people, females, people disadvantaged because of where they live, old people etc. There are some specific strong high growth areas – Incubation for Digital Markets (Alba) and Edinburgh Science Triangle – and funding for high growth businesses that includes R&D, co-investment etc.

Small scale funding includes the Edinburgh Business Loan Fund aimed at small businesses in the regeneration areas and the project has also developed links to the Capital Credit Union, which will shortly be able to provide funding to businesses. The business survey went out to over 4,500 businesses and had 53 responses of which 39% were sole traders, 55% micro and 6% small businesses. Of the respondents, 40% had a turnover in 2009/10 of less than £50k and 57% only worked in the domestic market; 80% started in the last four years.

Eight-one percent were unhappy with access to loans and cited problems such as availability, red tape, lack of knowledge (business and advisers) and being too targeted; 95% believe that grants should be available at start-up with a simple, clear, logical application and decision-making process; 65% had heard of the loan guarantee scheme, but 60% had not used it.

Ninety-seven percent of respondents used Business Gateway advisers and 82% were happy (and even stated it had improved over the last ten years), as opposed to the 42% who had used accountants, lawyers and banks as advisers, with only 38% happy.

Design of a financial support instrument for small sized projects

Due to the financial crisis, the strong cooperation that was supposed to be developed with Lloyds TSB and the Royal Bank of Scotland did not take place. The ESIF was set up instead, initiated in Edinburgh and extended to the eastern part of Scotland with the participation of nine local authorities, drawing on the experience and the expertise of the West of Scotland Loan Fund.

The East of Scotland Investment Fund (ESIF)

East of Scotland Investment Fund Key Facts	
Description	Loans for the creation, development and growth of small and growing businesses in the east of Scotland.
Value	Loans of up to £50,000.
Eligibility	Businesses with commercially viable proposals that may experience difficulty in raising all of the required funding from the usual commercial sources.
Additional Info	Applicants must demonstrate that at least 50% of the total funding package is being provided by the private sector. Interest rates are fixed, currently at 6%, for the duration of the loan with the maximum repayment period being five years.

The ESIF is a new investment loan fund, projected initially over five years, for the East of Scotland to benefit new and growing businesses which have good, commercially viable

proposals, but have experienced difficulty in raising finance from mainstream commercial sources. The fund will be modelled on the successful West of Scotland Loan Fund (WSLF). The project will run from the 1 September 2010 to 31 March 2015. The Loan Funds objectives are job creation/safeguarding of jobs, business start-up, business growth and gap funding by offering loans up to £50,000.

The proposal is being developed by a strategic partnership of Local Authorities in the East of Scotland which are working together to improve the availability of loan finance for SMEs in their area. A formal partnership is being established (the East of Scotland Investment Fund – ESIF) Partnership, which will provide a robust governance and accountability framework for effective management of the fund across the operating area. A detailed ERDF application was submitted by Fife Council Development Services on behalf of the East of Scotland Local Authorities on 9 October 2009. Fife Council Development Services have been closely involved with the WSLF over the last year to review options for augmentation of the Fife Investment Fund and have since facilitated a series of meetings of the ESIF partners to explore replicating the WSLF model. These meetings established that there was a strong interest in developing a similar fund in the east and have developed a cost-effective means of taking the proposal forward.

Administration of the fund will be managed by the WSLF under a contract arrangement with the established ESIF Partnership. This will enable the partnership to operate with minimal overheads and gain from the experience and expertise in the early stages of developing the project. It will also result in greater economies of scale, promote collaboration between regions and accelerate development of the ESIF. There will of course be a requirement to ensure that appropriate contractual compliance and monitoring processes are in place.

The funding model consists of investments in the fund by the subscribing member authorities and the matching ERDF those funds attract. In addition, the revolving nature of the fund, consisting of capital and interest loan repayments shall ensure that money is recycled and businesses benefit from the continued funding availability.

The Loan Fund is made up from three sources of funding totalling £5 million in year one. Local authorities are going to contribute £1.8 million, matched by major banks up to £1.86 million. The initiative is supported by £2 million in European Regional Development Funding.

The relationship and the role between the Cities and the Managing Authorities was definitely important and it was really complementary. The Managing Authority has bettered the city's access to EU funding and realised that the leverage effect of local authorities' own funds, the private sector banks and the Social Investment Scotland.

Communication campaigns were conducted on ESIF and other support schemes with leaflets, websites, local and national with the Business Gateway.

Business Gateway is a national programme, available in the Scottish Enterprise (the regional Economic Development Agency) area as the first point of contact for services to business. It delivers for those interested in setting up in business, or those who are setting out in business a range of business advisory services, business information (e.g. finance, employing people, sales & marketing etc.), start-up courses, business workshops and events (e.g. marketing, accounts, e-business, people and general management) and provides signposting to other public sector services. With the contact channels through a website and a phone number, there is the possibility to deliver the required advice directly to the client or to refer prospective clients to the various workshops and events. This is to ensure that when clients see business advisers on a “one-to-one” basis they are already well prepared and can make best use of the time available to them. The Business Gateway service is currently outsourced to a number of contracted suppliers throughout the Scottish Enterprise area. Locally the delivery of Business Gateway is provided through the Chamber of Commerce. The website and the contact centre are managed centrally by Scottish Enterprise.

CONTACT

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<p>Charlie Shanlin</p>	<p>Business Gateway Manager Economic Development City of Edinburgh Council Business Centre G.6 Waverley Court 4 East Market Street Edinburgh EH8 8BG Tel: 0044-131 529 3208 Mob: 07768 624268 Fax: 07092 206516 email: charlie.shanlin@edinburgh.gov.uk. www.edinburgh.gov.uk</p>

URBACT II

URBACT is a European exchange and learning programme promoting sustainable urban development.

It enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal challenges. It helps them to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT is 181 cities, 29 countries, and 5,000 active participants

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