1. RECOMMENDATION(S)

It is recommended that the Committee:

(i) Note the content of this report, which provides an overview of the background to business start-up grant provision here in Angus, an assessment of our current comparative position, and recommendations for an additional scheme;

(ii) Approve in principle the creation of an “Angus Employment Grant” scheme;

(iii) Agree an allocation of up to £42,500 to the Angus Employment Grant Scheme over the financial year 2012/13 to be funded from projected underspend arising from the 2011/12 Infrastructure Services Revenue budget, subject to the formal approval of a 100% carry forward request in accordance with established procedures; and

(iv) Delegate the Head of Service for Economic Development & Environment Consumer Protection to devise the detailed processes and administration of the new scheme in accordance with this report.

2. BACKGROUND

2.1 Angus Council has never provided business start-up grant support directly. In the recent past, Angus went through a period in 2005-07 when our Business Gateway (BG) contractors administered a local Angus & Mearns start-up grant, of up to £1,000, funded by GlaxoSmithKline in Montrose. When this fund was exhausted, there was another short period, 2007-08, when Scottish Enterprise (SE) provided funding for a national start-up grant scheme, again up to £1,000, again administered through BG. This national funding mechanism came to an end in 2008, since that time grant support for business start ups and indeed new employees has become increasingly fragmented and inconsistent across Scotland.

2.2 We have used our local Angus Grant Scheme (AGS), to provide grants of up to £5,000 for Capital items, over the last few years, in situations where we could support phoenix businesses coming from administrations or liquidations in order to safeguard local employment. This could be regarded as start-up grant support, but was never made more widely available to general start-up businesses. AGS has been closed to applications since April 2011, having exhausted the allocated resources.

3. CURRENT POSITION

3.1 It is generally accepted that small and medium sized businesses will have to create the bulk of the new jobs in the economy as the UK struggles to recover from the recent recession, and that general confidence levels in potential entrepreneurs remain fragile.

At present, Angus business start-up grant support is limited to 4 sub-sets of the entire potential business population;
1. Prices Scottish Youth Business Trust (PSYBT) start-up grant support, if under 26, and from a disadvantaged background. Accessed through the regional PSYBT office based in Dundee.

2. “Be the Boss” start-up grant support if the applicant is a former member of the armed forces, accessed through the British Legion.

3. Firstport start-up funding for social enterprise formation. Accessed through the Angus Association of Voluntary Organisations based in Arbroath.

4. New Enterprise Allowance (NEA) support for start-up businesses where the applicant has been unemployed for more than 6 months. This support takes the form of a weekly allowance plus the option of loan assistance. This scheme is administered locally by Claverhouse in Dundee on behalf of the Department of Works and Pension (DWP).

3.2 Loan funding through the East Scotland Investment Fund is, in principle, available to certain categories of start-up businesses. It is likely that some form of security would be sought in a business start-up situation, and match funding is always required.

3.3 As regards grant support for taking on new employees, the only national scheme generally available is through Skills Development Scotland (SDS). They can provide up to £2,000 for an employer taking on an employee, a modern apprentice or a redundant apprentice (for at least 12 months) towards the cost of recruitment, developing them within the business or for the latter, wage costs.

3.4 In comparing our situation here in Angus against neighbouring authorities.

1) Dundee City Council have the Dundee Development Grant; http://www.dundeecity.gov.uk/citydevelopment/economicdev/developmentgrant/

This can pay up to £750 per job created, up to a maximum of 3 jobs. Administered through BG.

2) Perth Council have a Business Growth Grant; http://www.pkc.gov.uk/Business+and+trade/Support+for+businesses/Grants+and+Loans/

Up to £20,000 of grant support, administered by their own in house team.

3) Aberdeen City Council and Aberdeenshire Council, offer a “first employee” grant of up to £1,000: http://www.aberdeencity.gov.uk/business_trade/economic_development/economic_business_development/aberdeenbusiness.asp

This overview confirms that the provision of start-up & new employee grant support has become fractured & localised over recent years as different local authorities have reacted to their own circumstances in different ways. This process will undoubtedly cause confusion & uncertainty in potential business applicants, though the local BG offices will have a comprehensive understanding of what is available in any given area.

3.5 In reviewing the statistics provided by the Committee of Scottish Clearing Banks on new business bank accounts in recent years, a number of trends are clear;

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<tr>
<th></th>
<th>Angus</th>
<th>% of 2007 base</th>
<th>Dundee City</th>
<th>% of 2007 base</th>
<th>Perth</th>
<th>% of 2007 base</th>
</tr>
</thead>
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<td>60</td>
<td>385</td>
<td>70</td>
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<td></td>
<td>179</td>
<td></td>
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</tbody>
</table>

1. That from a recent high point in 2007, all parts of Tayside have seen a significant reduction in levels of new business creation as recorded by this measure, due to the credit crunch and subsequent economic downturn.
2. That Angus has seen a disproportionately large % decrease in the rate of new business creation compared to neighbouring Councils

3. That Angus has not yet seen the reversal of the downward trend which Dundee recorded in 2010, though the indications from the first 6 months of 2011 are more encouraging.

4. In addition, our Business Gateway Contractor has substantially increased its penetration of the overall Tayside business start-up population, allowing them to meet & exceed increasing year on year business start-up targets even in a falling overall market.

3.6 In combination with the recent short term falling trend in business creation, there is also a longer term trend which shows that the % of total UK businesses with no employees has increased steadily from 72.8% in 2004 to 74.8% in 2009.

The British Chamber of Commerce Workforce Study from June 2011 states that “the increase in the percentage of entrepreneurs who operate as sole traders points to the existence of barriers which prevent or dissuade these people from taking on their first employee.”

They go on to suggest from the survey that “In their first year, 2 in 5 entrepreneurs want to increase staffing levels by more than 50% in the next 4 years. This number drops to one in five once an entrepreneur has been in business for over three years.”

The clear implication from these findings is that new entrepreneurs are the most ambitious to recruit staff, and that this ambition should be encouraged at an early stage in order to maximise their growth & employment potential.

3.7 Finally, it is apparent that within the overall increase in unemployment across Scotland brought about by the current recession, the 18-24 year old age group are being especially badly affected. As at August 2011, in Scotland 80,000 individuals in this age band were classed as unemployed, representing 20.7% of the total age group. This figure compares with a total of 33,000 in April 2008.

4. PROPOSALS

4.1 In response to these 3 key issues i.e. falling business creation rate, falling business employment rate, and falling youth employment rate, officers are proposing that a new Angus Employment Grant Scheme be launched which would have 3 distinct strands;

1. Business Start-up Grant - It is proposed that a flat rate £500 business start-up grant be introduced early in financial year 2012/12, administered through BG, restricted to that portion of business start-ups who register for VAT from the outset, available for any purpose on production of eligible business receipts.

The VAT+ portion of all start-up businesses are the ones which are most likely to create employment from their inception, trade outwith the local area, and have the ambition to grow most rapidly. Following consultation with our local BG contractor, officers believe that a £500 grant will be sufficient to encourage a larger proportion of these types of business to engage with the BG start-up process. Based on past outcomes, and current trends, the target would be to assist 40 Vat registered businesses per annum access the new start-up grant, at an estimated total cost of £20,000. 50% of these new businesses are also likely to be encouraged to take advantage of the First-time employee grant (see below). Our current BG contractor has indicated that they would not require any additional management fee to promote and administer the new grant in a business start-up scenario. They would positively welcome the additional support for one of their key current targets.

2. First-time Employee - It is proposed that a flat rate £500 “First-time employee” grant be created to encourage new and existing sole traders to make the key transition to being an employer. The target would be to directly assist the recruitment of an additional 20 individuals into new businesses and 20 into existing businesses by this mechanism, making 40 in total, at an estimated total cost of £20,000. In the case of existing businesses who wish to recruit their first employee, the administration of the application process would lie with the Councils own existing business advisory staff.

3. It is also proposed that an additional £250 “bounty” be made available if the first time employee recruited under items 1 or 2 is aged between 18 and 24 at the time of
recruitment. For the purpose of estimating the likely costs of the programme, officers have assumed that 10 of the estimated 40 new employees directly supported under items 1 & 2 will fall within that age category. The estimated cost of this strand of the scheme is £2,500.

All monies allocated for the new grant would remain within the Councils own budgetary control. It is proposed that the Head of Economic Development and Environmental and Consumer Protection be authorised to release grant payments under this initiative. A progress report on the application and take up of the scheme will be brought before committee mid way through the 2012/13 financial year.

5. FINANCIAL IMPLICATIONS

5.1 The estimated financial cost of the proposed new grant scheme for financial year 2012/13 is £42,500 assuming that uptake is in line with the target. It is proposed that funding for this grant scheme is met from projected underspend arising on the 2011/12 Infrastructure Services Revenue budget. In accordance with the Council’s virement flexibility scheme (Financial Regulation 4.9 refers) a 100% carry forward request has been submitted to the Head of Finance seeking approval to carry forward the projected underspend for this purpose and approval in principle has been given, subject to the formal approval of the Strategic Policy Committee. In the event that the value of the underspend is lower than the projected value of the grant scheme the scale of the scheme may need to be reduced in order to contain costs within resources available in 2012/13.

Expenditure on the grant scheme will be closely monitored and reported as part of the regular revenue monitoring and projected outturn reports to the Corporate Services Committee. A financial update will also be included in the progress report to be presented to a future meeting of this committee.

6. HUMAN RIGHTS IMPLICATIONS

6.1 There are no Human Rights implications arising from this report.

7. EQUALITIES IMPLICATIONS

7.1 The issues dealt with in this report have been the subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

8 RISKS.

8.1 There is a risk that demand for this employment grant support could outstrip the finances available, or that funding projected to be available from 2011/12 does not materialise. In this situation the grant aid would need to be discontinued once funds were exhausted unless it was possible to identify additional funding at that juncture, e.g. a projected underspend is identified towards the end of the financial year.

9. SINGLE OUTCOME AGREEMENT

9.1 This report contributes to the following local outcome contained within the Single Outcome Agreement for Angus

- Sustainable business growth in Angus is achieved.

10. CONSULTATION

10.1 The Chief Executive, Director of Corporate Services, Head of Finance and Head of Law and Administration have been consulted in the preparation of this report.

11. CONCLUSION

11.1 Most respected economic forecasters are predicting that the period 2012/2013 is likely to see stagnant economic growth, at best. The proposed Angus Employment Grant provides a carefully weighted and targeted local response to 3 of the key barriers to enhanced economic activity here in Angus.
11.2 The target outputs for the new Angus Employment Grant for the financial Year 2012/13 can be summarised as:

- Contribute to the creation of 40 new VAT registered businesses in Angus
- Support 20 existing sole trader businesses to become employers for the first time
- To improve the local employment opportunities for a total of 80 individuals (new business owners plus new employees.)
- To assist 10 individuals from the 18-24 age group to access mainstream employment by giving potential employers a specific financial incentive to recruit from within this age band.

ERIC S LOWSON
DIRECTOR OF INFRASTRUCTURE SERVICES

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.