

# Report

Report to:	<b>Community and Enterprise Resources Committee</b>
Date of Meeting:	<b>22 May 2018</b>
Report by:	<b>Executive Director (Community and Enterprise Resources)</b>

Subject:	<b>Business Support Services Annual Report</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise Committee of the business support activity undertaken during 2017/2018 and agree the programme for 2018/2019.
- ◆ provide an update on the Lanarkshire Business Gateway contract.

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendations:-

- (1) that the outcomes of the Council's programmes to support local companies during 2017/2018 be noted;
- (2) that the budget for business support and sector specific development programmes for 2018/2019, as detailed in the report, be noted; and
- (3) note the progress made to date on the new Lanarkshire Business Gateway contract implemented on 1 March 2017.

## 3. Background

- 3.1. Planning and Economic Development Services continue to focus on delivering the Connect objective to promote economic growth and tackle disadvantage through supporting the local economy by providing the right conditions for inclusive growth.
- 3.2. 2017/2018 has continued to be challenging for both large and small businesses. While the slow-paced recovery of the economy continues, the full impact of the Brexit vote on businesses is still uncertain and businesses are generally risk averse when considering larger investment and expansion plans.
- 3.3. The Council supports local businesses through Planning and Economic Development Services with the Business Support team in particular seeking to both assist and encourage local businesses to increase turnover, profitability and create new employment. This is undertaken through providing direct grants, loans and advice and also by signposting to other partner sources for advice and financial support. This, in turn, contributes to the delivery of sustainable economic growth. The activities undertaken throughout 2017/2018 are set out in the following sections of the report.

## 4. Business Support Activity

### 4.1. Business Support Grants

The Council's Business Support Grants are discretionary funds of up to £10,000 and to a maximum of 50% of eligible costs of a project. In 2017/2018, these grants have been supported by European Regional Development Fund (ERDF) under the Business Competitiveness Grant Support – Lanarkshire programme.

The grants provide financial support to small and medium sized enterprises (SMEs) and award levels are assessed by the Business Support team based on direct outcomes for the business- i.e. jobs created and / or safeguarded, increase in turnover and profit and satisfactory evidence of financial need.

- 4.2. Grants can contribute to the purchase of capital equipment and improvements to property as well as external costs such as employee training, consultancy costs and expenses related to attending exhibitions and events to explore and develop new markets.

- 4.3. **Business Loans Scotland**

In addition to grants, the Council administers loans to businesses of up to £100,000, on a commercial basis at 6% interest rate, through Business Loans Scotland Limited (BLS), a company limited by guarantee operated on behalf of all its' Scottish local authority members. BLS provides gap funding to eligible projects and is supported by ERDF through the 2015 to 2020 SME Holding Fund. Investments made into the fund and repayment of all loans made in South Lanarkshire are 'ring fenced' to be used solely within South Lanarkshire.

Loans can be granted for the purchase of plant and equipment, undertaking property improvements (but not repairs) and working capital with the purpose of achieving economic outcomes.

- 4.4. **Key Sector Support Initiatives**

Key economic growth sectors supported include national key economic growth sectors, tourism and food and drink, and locally important growth sectors such as construction.

- 4.5. Officers in the Business Support team are tasked with the responsibility of engaging with businesses in these key sectors to encourage growth, networking and, where appropriate, collaboration to build on areas of strength. In the case of the Tourism sector, to support businesses to improve marketing and the overall quality of their offer and, in doing so, raise the overall profile and attractiveness of Lanarkshire as a visitor destination. Work continues to be undertaken with partners, including North Lanarkshire Council, Visit Scotland and the Lanarkshire Area Tourism Partnership which comprises private sector accommodation, attraction and events businesses.

- 4.6. The team also engage with the food and drink sector and continue to work closely with Scotland Food and Drink, connecting businesses in this sector to appropriate opportunities to showcase and develop their products and access specialist industry assistance.

- 4.7. Officers also engage with the construction sector to develop connections and networking within the sector and to develop a new growth programme based on the Hub South West model of thematic workshops, each dedicated to a specific area of business growth, eg procurement, marketing, business strategy, successful team building.

- 4.8. **Public Sector Procurement-Supplier Development Programme**

The team work to both encourage and enable more South Lanarkshire companies to pursue public sector procurement opportunities and, ultimately to win more contracts and increase their turnover, through being more "tender ready." This includes connecting SMEs with local and wider public sector procurement opportunities, and promoting membership, training and events delivered through the Supplier

Development Programme, which offers information, support and training events and is hosted by the Council on behalf of the 32 member local authorities.

**4.9. Marketing**

The Council continues to make companies aware of the business support available through initiatives such as Lanarkshire Business Week (26 February to 2 March 2018) which includes many free events and workshops to showcase the range and levels of business support on offer by both the Council and its partners. Unfortunately, the severe weather this year resulted in some key events, including the Lanarkshire Business Excellence Awards dinner and the annual Lanarkshire Business Conference, being postponed and these are currently being rescheduled for 18 May and in early September 2018 respectively.

ChooseLanarkshire.com operated in partnership with North Lanarkshire throughout 2017/2018 as the key inward investment tool to showcase to businesses the attractions of Lanarkshire as a location to invest, work and live and to promote key public and private sector business accommodation.

**4.10. Business Advice**

Business advice is one of the most important forms of support, with businesses being given advice, introduced to the appropriate services within the Council or partners such as the Business Gateway, Scottish Enterprise and other partner organisations.

**4.11. Lanarkshire Property Advice Service (LPAS)**

The LPAS service offers up to date market information on the availability of commercial, industrial, retail and development properties in Lanarkshire (both North and South.) The service also acts as a valuable conduit to connect clients to relevant Council services such as planning, building standards, trading standards.

**4.12. Business Gateway**

The Business Support team continues to play a key role in the management of the Lanarkshire Business Gateway contract which is the key, nationally branded and locally delivered, business start up and growth advisory service. The key performance management and scrutiny role on the contract is undertaken through participating in contract operations management and chairing Steering Group meetings, together with the lead partner North Lanarkshire Council who manage the contract. The new contract has been running from 1 March 2017 and both start up and existing business support is delivered by a contractor, Lanarkshire Enterprise Services Limited. This new contract will run for two years initially to 31 March 2019 and there are options for two one year extensions thereafter. The contract focuses approximately 80% of resources on growth businesses and 20% on new start up businesses, and is focused on generating job and turnover outcomes from working with the businesses in the area.

**4.13. 2017/2018 Performance Highlights**

During 2017/2018, the Council's Business Support Grant for SMEs was enhanced by the ERDF Business Competitiveness Lanarkshire programme, which will run through to December 2018. This has created a ring fenced pot of funding which will generate an additional £255,000 in ERDF grant over the whole programme period to December 2018.

In 2017/2018, grants totalling £366,778 to 86 companies have been committed with a projected increase in jobs of 342, the safeguard of 753 jobs and increase in turnover by over £15M.

Four inward investment projects have also secured £41,876 in grants during 2017/2018 to enable investment in the area; projecting 21 new jobs created, 198 jobs safeguarded and increase in turnover of £1.2M

- 4.14. During the year, two maximum £100,000 BLS loans were approved totalling £200,000. The companies are projecting an increase in jobs of 15, safeguarding 32 jobs and increase in turnover by over £2.2M. South Lanarkshire is currently the second highest lender in BLS and have lent 18% of the total lending for the Scotland wide fund to date.
- 4.15. Tourism activity has continued throughout 2017/2018 and focused on delivering marketing campaigns in spring and autumn targeting visitors within a drive time of 2-3 hours, publications such as the Great Days out booklets which are distributed throughout the central belt and beyond, maximising the outcomes from the PR contract with BIG Partnership to promote Lanarkshire through trade, press and online activity. Product development has centred on developing and funding access statements for all tourism businesses on their website to encourage additional business from this market. In excess of 300 access statements have been completed, covering 90% of Lanarkshire's tourism assets including transport hubs and over 190 of these are in South Lanarkshire.
- 4.16. During the year, working closely with Scotland Food and Drink, South Lanarkshire businesses have been supported to participate in workshops preparing local producers for the Regional Showcase and to market themselves through the Regional Showcase event itself at Hampden in March 2018. Work is currently progressing in assessing the feasibility of a potential food and drink hub, based around the creation of modular production units available to small producers to upscale production, with the help of Scottish Agricultural Organisation Society Limited (SAOS) funded through the Connect Local programme. This study is likely to conclude by late May 2018. A refreshed version of the Lanarkshire Larder has also been commissioned and this will be available in print and online to promote independent food producers.
- 4.17. Over the last year, a new activity in the construction sector has strengthened ties with tier 1 contractors (namely Kier, Morrisons, Grahams and Morgan Sindall) through work with Hub South West. This has included hosting and participating in networking events, under the name Hub Club, and have referred local construction companies to register with the Hub to allow them access to their supply chain opportunities which are additional to those accessed via Public Contracts Scotland. An event was held in which the Council co-hosted a Supplier Showcase, with Hub South West and Clyde Gateway, for local suppliers to exhibit their services to other construction companies as well as tier 1 contractors.
- 4.18. To March 2018, 887 (2017 - 728) companies in South Lanarkshire are members of the Supplier Development Programme, an increase of 22% on the previous year and the focus continues to be on establishing strong relationships with the Council's procurement service, local suppliers and exploring how to increase the local SME share of procurement spend.

- 4.19. LPAS has assisted 229 (2016/2017 - 345) businesses during the year with enquiries and satisfied 47 (21%) property requirements. Whilst the number of enquiries from businesses looking to move is down, the number of enquires which have been satisfied has increased.
- 4.20. The Start Up element of the Business Gateway contract, which is approximately 20% of the overall resource, has performed well achieving the target of 1090 businesses started up in Lanarkshire in the 13 months to 31 March 2018, of which 516 new businesses started in South Lanarkshire. The contractor has introduced an innovative approach to accelerate the process for those thinking of starting up a business called a "Ready to Start Review" which has had a positive impact. This review tool is now being investigated by the Business Gateway National Unit with the potential to roll it out across Scotland.

The Growth element of the Business Gateway contract, which is approximately 80% of the resources, is performing well in some areas such as the Expert Help which provides two days of advice to businesses, and the Accelerator growth programme which is an intense 16 week programme of specific themed modules. However, other outputs such as Business Development Reviews and Action Plans with existing SMEs are slightly underperforming and this will be reviewed as part of the year end evaluation process.

## **5. Business Support Budget 2018/2019**

- 5.1. The total budget for 2018/2019 business support activities, attached as an Appendix, is £355,350 (2017/2018 £467,350) and includes ERDF awarded of £59,250 under the current ERDF programme. The reduction in overall budget of £112,000 is largely due to a one off receipt in 2017/2018 from an underspend in the previous Business Gateway contract and the timing and availability of additional resources from European funding. It is worth noting that additional ERDF funds may become available from January 2019 through to 2022 but this has not yet been formally agreed with Scottish Government.

### **5.2. Business Loans Scotland**

South Lanarkshire Council has an allocation of £400k within the £8M Scottish loan fund to lend to businesses at 6% within a 2 years operating plan, until December 2018. South Lanarkshire is currently the second highest lender in the fund behind North Ayrshire. For various reasons, but particularly the increased availability of private sector funding at more competitive rates and faster turnaround times in approving and releasing funds, the current pipeline is unlikely to result in successful loans and new enquiries are required.

The Scottish Government have indicated it is likely that the December 2018 deadline will be extended for the overall fund to meet its target. The overall fund must spend the total match funding and achieve a lending target in order to earn ERDF which is then distributed to members on a ratio reflecting their relative performance. Whilst South Lanarkshire has been successful to date and is at 50% of our lending target, the performance of the fund as a whole is behind expectations with current lending of £1.13M against a target of £8M.

The Council has a representative on the Regional Management Group and also officers on the operational groups. A Board of Directors has now been formed and meetings are taking place regularly.

### 5.3. **Key Growth Sector Initiatives**

#### **Tourism sector**

The Lanarkshire Tourism Action Plan is another pan-Lanarkshire initiative based on the national tourism strategy. The Council has worked closely with the tourism sector over the last 13 years to maximise the visitor expenditure in the area. The latest round of budget savings identified £18,000 in the tourism budget which has been removed in order to achieve new savings but also in recognition of the prioritisation of marketing through digital channels. The proposed budget for 2018/2019 has been reduced to £41,000. North Lanarkshire Council provided additional funding of £90,000 in 2017/2018 and expectations are that this will reduce slightly but that the tourism officer will continue to be in post at NLC.

The challenge moving forward is to make the most impact from the resources and budget available. Ensuring the VisitLanarkshire.com website is fresh will be a priority as well as identifying more digital marketing opportunities and capitalising on the accessible tourism project which has created over 300 access statements covering 90% of Lanarkshire's tourism assets including transport hubs, over 190 of these are in South Lanarkshire.

### 5.4. **Food and Drink sector**

The dedicated food and drink officer continues to work closely with Scotland Food and Drink to develop growing businesses and SAOS to understand the feasibility of a food and drink hub concept in the area for smaller producers and start up businesses.

The proposed budget for 2018/2019 is again £7,000 (2017/2018 - £7,000) and is included in Business Support Initiatives (see Appendix 1). Individual companies will still be encouraged to access additional Council grant support through the direct grant funding support mechanisms above to help them grow.

### 5.5. **Construction**

A new programme of support has been devised, initially for a cohort of 12 local construction companies, called Build Lanarkshire. This pilot programme (due to launch in May 2018) will consist of a series of workshops aimed at making construction companies more competitive and includes sessions on strategy, staff management, growing your business, procurement and marketing. This culminates in a final event where the participants will present to a panel of judges, including tier 1 contractors. Build Lanarkshire is a partnership between South Lanarkshire Council, North Lanarkshire Council, Hub South West, Business Gateway and Roadbridge (a major civil engineering company based in NLC who have agreed to host and deliver the procurement workshop).

### 5.6. **Young Entrepreneurship- Inspiring Enterprise Challenge**

The Council will continue to support younger entrepreneurs through supporting the Princes Trust, Youth Business Scotland (PTYBS) work in South Lanarkshire and the Business Support team is engaged with local secondary schools to develop and deliver new projects for potential school leavers, to ensure that new business start up is considered as a realistic career option. The Young Apprentice project has run successfully in summer of 2017 for the sixth year and a programme of activity, renamed Inspiring Enterprise Challenge, is currently under development to support the 2018 project.

**5.7. Supplier Development Programme**

The Supplier Development programme is a partnership project of 32 local authorities across Scotland. It is a key business growth initiative which delivers a range of specialist business support activities including the provision of advice, information, training and funding support with the aim of assisting businesses to become more capable of accessing and competing for public sector contracts. The subscription for 2018/2019 is held at £10,000.

- 5.8. The activities highlighted in paragraphs 5.4 to 5.6 will be funded from Business Support Initiatives appendix 1.

**6. Employee Implications**

- 6.1. There are no employee implications

**7. Financial Implications**

- 7.1. The proposed expenditure of £355,350 (2017/2018 - £467,350) in Appendix 1 will be met from existing revenue budgets within Community and Enterprise Resources for 2018/2019 and ERDF income under the Business Competitiveness Grant Support Lanarkshire project.

**8. Other Implications**

- 8.1. The risks in not proceeding with these proposed Business Support programmes are that the Council will fail to adequately achieve the Connect objective of supporting local businesses to grow in a time of economic uncertainty. This will, in turn, have a negative impact on the local economy, employment and general social wellbeing. This will also create a threat to existing partnerships and have a considerable negative impact on the Council's reputation.

**9. Equality Impact Assessment and Consultation Arrangements**

- 9.1. This report does not introduce a new policy, function or strategy and therefore no impact assessment is required.
- 9.2. Consultation has taken place with relevant partner agencies.

**Michael McGlynn**

**Executive Director (Community and Enterprise Resources)**

30 April 2018

**Link(s) to Council Values/Ambitions/Objectives**

- ◆ Promote economic growth and tackle disadvantage
- ◆ Support the local economy by providing the right conditions for inclusive growth

**Previous References**

- ◆ Community and Enterprise Resources Committee West of Scotland Loan Fund and Business Loans Scotland 6 March 2018
- ◆ Community and Enterprise Resources Committee Business Support Annual Report 8 August 2017
- ◆ Enterprise Services Committee Business Support Services Annual Report 17 May 2016
- ◆ Executive Committee 28 March 2018 Supplier Development Programme
- ◆ Executive Committee 11 February 2015 Scottish Local Authority Business Loan Fund.

**List of Background Papers**

None

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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## Appendix 1

### Business Support Budget 2018/2019

	<b>Note below</b>	<b>Budget 2017/2018</b>	<b>Budget 2018/2019</b>
Business Support Grants		230,000	230,000
ERDF 2015-2020 programme	note 1	78,250	59,250
Allocation from previous Business Gateway contract Underspend-	note 2	75,000	
Less Base budget income amount	note 3	(42,900)	(42,900)
<b>Net Business Support Grant Fund</b>		<b>340,350</b>	<b>246,350</b>
Tourism Sector Support	note 4	59,000	41,000
Business Support Initiatives	note 5	58,000	58,000
Supplier Development Programme annual subscription		10,000	10,000
<b>Business Support Total Budget</b>		<b>467,350</b>	<b>355,350</b>

Note 1 - This programme will run until 31 December 2018. Discussions are currently underway about the possibility of extending this programme through to 2022 but this is not yet agreed with Scottish Government.

Note 2 - This amount was allocated from an under spend on the previous Business Gateway contract and was committed in grants to local businesses to support growth in 2017/2018.

Note 3 - This amount is historical and relates to an income requirement from the base budget. This is offset against business grants total budget for the year.

Note 4 - Saving of £18,000 approved in March 2018.

Note 5 – Includes key sector initiatives expenditure for food and drink and construction sectors, marketing and events eg Lanarkshire Business Excellence Awards, and Lanarkshire Business week, and licences for online systems and access to data e.g. MINT, Costar and online grant application.