

Report

5

Report to:	Community and Enterprise Resources Committee
Date of Meeting:	8 August 2017
Report by:	Executive Director (Community and Enterprise Resources)

Subject:	Business Support Services Annual Report
----------	--

1. Purpose of Report

1.1 The purpose of the report is to:-

- ◆ advise Committee of the business support activity undertaken during 2016/2017 and agree the programme for 2017/2018.
- ◆ provide an update on the Lanarkshire Business Gateway contract and also Business Loans Scotland.

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 2016/2017 be noted;
- (2) that the proposed budget for business support and sector specific development programmes for 2017/2018, as detailed in the report, be approved; and
- (3) note the introduction of the new Business Gateway contract from 1 March 2017 and authorise the Executive Director (Community and Enterprise Resources), in consultation with the Head of Administration and Legal Services, to review and conclude the Memorandum Of Understanding which governs the respective roles of partners and contractor in delivering Business Gateway services.

3. Background

- 3.1 As a priority Connect Objective, Planning and Economic Development Services continue to focus on supporting the local economy and creating the right conditions for sustainable economic growth.
- 3.2 The 2016/2017 year has proved to be a challenging environment for businesses. The impact of the Brexit vote, the resulting currency fluctuations, the repercussions from the outcome of the election and macroeconomic issues that continue to play out in the wider economy.
- 3.3 The Council supports local businesses through the Business Support team within Planning and Economic Development Services and can act as a 'catalyst' to encourage local businesses to increase turnover, trade and create new employment. This is undertaken through providing direct grants, loans and advice, and also by signposting to partner resources for advice and financial support. This, in turn, contributes to the delivery of the Community Planning Partnership Improvement Plan as it relates to delivering on the Business theme and supporting sustainable

economic growth. Specific activities are set out in the following sections of the report highlighting activity for the year 2016/2017.

4. Business Support Activity

4.1 Business Support Grants

The Council's Business Support Grants are competitive, discretionary funds, of up to £10,000 and to a maximum of 50% of eligible costs. In 2016/2017, 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 cover 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 West of Scotland Loan Fund and Business Loans Scotland

In addition to grants, the Council administers loans to businesses of up to £100,000, on a commercial basis at 5% interest rate, through the West of Scotland Loan Fund which provides gap funding to eligible projects. The West of Scotland Loan Fund (WSLF) is a company limited by guarantee and has 12 Local Authority members. South Lanarkshire Council is the second biggest user of the fund and 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, property improvements and working capital. During the last ERDF programme, 2007-2013, which was completed in March 2016, loans of £2.075M were issued to South Lanarkshire companies. This has levered ERDF additionality of £783,802 which will be retained in the company for future lending and match funding.

4.4 As a requirement of any subsequent ERDF funding, the Scottish Government required local authorities to form a single, national loan fund. Consequently, a new company, Business Loans Scotland Limited (BLS), has been set up as the delivery agent for loans up to £100,000 to businesses across Scotland. South Lanarkshire Council's membership of this fund was approved by the Executive Committee on 11 February 2015 and officers have since partaken in multi-authority discussions to set up the new loan company and develop its governance and administration arrangements. A successful bid has been made to secure funding from the EU funding programme, 2015-2020 SME Holding Fund, to create a pan-Scotland business loans fund for the period December 2016 to December 2018.

The match funding required to invest in BLS, the new delivery agent, was transferred from the existing WSLF to the new company and loans, therefore, continue to be available for businesses until December 2018 through the new vehicle. Including ERDF, South Lanarkshire will seek to lend £400k over the next 2 years to December 2018. This target has been agreed following reference to the experience of lending through WSLF and the likely pipeline of business applicants to the new lending fund.

West of Scotland Loan Fund will continue to operate in order to manage its existing loans and the future objectives and priorities of WSLF are currently subject to

discussion at the WSLF board with any resultant proposals being the subject of a future report to Committee.

4.5 **Key Sector Support Initiatives**

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

4.6 In relation to tourism, the dedicated tourism officer engages with the sector to undertake initiatives to encourage businesses to improve their quality of their offering and, in doing so, raise the overall profile and attractiveness of Lanarkshire as a visitor destination. Dedicated resource ensures the main web portal www.visitlanarkshire.com is maintained, developed and responsive to customer needs and expectations. This work continues to be undertaken in conjunction with partners including North Lanarkshire Council, Visit Scotland and the Lanarkshire Tourism Association comprising private and third sector accommodation, attraction and events businesses.

4.7 Officers also engage with the food and drink sector. Following a successful launch of the Lanarkshire Food Map in March, three businesses were supported to attend the Royal Highland Show with the team, as part of a larger stand with North Lanarkshire Council, to represent Eat Lanarkshire in June of 2016, from where the participants have secured new orders.

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

The team work to encourage and enable more South Lanarkshire companies to benefit from public sector procurement opportunities and to increase their turnover through becoming more tender ready. This includes connecting them with local and wider public sector procurement opportunities, and promoting membership, training and events delivered through the Supplier Development Programme, which is hosted by the Council on behalf of all 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 (27 February to 3 March 2017), 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.

ChooseLanarkshire.com continues to operate in partnership with North Lanarkshire as the key inward investment tool to promote 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 or 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 lead partner North Lanarkshire Council who manage the contract. The previous contract terminated on 28 February 2017.

During 2016/2017, the tender process to secure a new contract from 1 March 2017 has been undertaken and this resulted in the incumbent contractor, Lanarkshire Enterprise Services Limited, winning both lots for new start up and growth businesses. This new contract will run for two years initially 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 tied to generating job and turnover outcomes from working with the businesses in the area.

Business Support officers will also, in consultation with Legal Services, review the Memorandum of Understanding which governs the partnership arrangements with the lead authority, North Lanarkshire Council, and contractor, Lanarkshire Enterprise Services Ltd. This will look at the role and conduct of the Steering Group in order to ensure this is fully up to date and aligned with the services being provided through the new contract.

4.13 **2016/2017 Performance Highlights**

During 2016/2017, 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 2016/2017, the Council committed £484,182 in grants to 98 companies which projected an increase in jobs of 293, safeguard 663 jobs and increase turnover by over £15M.

Two inward investment projects have been secured during 2016 and have supported them through £39,000 in grants to enable investment in the area; 15 new jobs were created and 39 jobs were safeguarded.

4.14 The Area Tourism Partnership completed and launched the new Lanarkshire Tourism Action Plan in June 2016. The largest project undertaken has been the development of a consolidated website on www.visitlanarkshire.com which now comprises www.belanarkshire.com the online customer training module, and www.venueslanarkshire.com the portal to attract more meeting and conference business into Lanarkshire. During 2016/2017, 57 tourism businesses were assisted through a range of activities including business advice, attendance at VisitScotland Expo in April 2016 and Digital Tourism workshops, press coverage and promotional activity.

4.15 In June 2016, working with colleagues in NLC economic development, 6 Lanarkshire food and drink companies, 3 from South Lanarkshire, were supported to attend the Scotland's Larder Live show at the Royal Highland Show.

- 4.16 Up to March 2017, 728 companies in South Lanarkshire are members of the Supplier Development Programme, an increase of 20% on the previous year and the focus continues to be on establishing strong relationships with the Council's procurement service, local suppliers and exploring the benefits from the Grow Local diagnostics tool which aids in the measurement of procurement spend and impact in the local economy.
- 4.17 LPAS has assisted 345 businesses during the year with enquiries and satisfied 50 (14%) property requirements.

5. Business Support Budget 2017/2018

- 5.1 The total budget for 2017/2018 business support activities is £467,350 (2016/2017 £563,077) and includes ERDF awarded of £78,250 under the current ERDF programme and an amount allocated from the previous Business Gateway contract underspend of £75,000. The reduction in overall budget of £95,725 is largely due to the timing and availability of additional resources from European funding.

However, as part of the new EU funding programme 2015 to 2020, an additional £1.2M in ERDF has been awarded to enhance the Business Gateway contract services.

The Business Support budget for 2017/2018 is set out in Appendix 1.

5.2 Business Support Grant

The total Business Support Grant budget for 2017/2018 is £340,350 including core funding and ERDF, (2016/2017 £407,077) and is detailed in the appendix.

5.3 LEADER Growing Business Theme Funding

There is a minimum allocation of £800,000 under the LEADER strand of the new Scottish Rural Development Programme for both rural enterprise and farm diversification funding to benefit businesses in the new Lanarkshire LEADER programme area, which now includes a small part of rural North Lanarkshire. Business Support officers have participated to shape the scope of the business theme funding available through this strand to ensure it is complementary to existing business support services. This support is now approved by the Local Action Group and offers rural and farm diversified businesses grants of up to £200,000 if the project is eligible for LEADER funding and the criterion of jobs and turnover growth can be met.

5.4 Business Loans Scotland

A successful bid has been made to secure funding from the EU funding programme 2015 to 2020 SME Holding Fund to create a pan Scotland business loans fund with South Lanarkshire's membership approved by the Executive Committee on 11 February 2015. A new company Business Loans Scotland Limited has now been set up as the delivery agent for loans of up to £100,000 across Scotland.

The match funding required to invest in the new fund has been transferred from WSLF to the new company, and loans with ERDF funding, subject to performance targets being met, continue to be available for businesses until 2018.

The total national fund is approximately £8M over a 2 year period and South Lanarkshire Council has an allocation of £400k within the fund to lend to businesses at 6% over the next 2 years. The company became fully operational in March 2017. 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.

In June 2017, the first loan was approved for £100,000 to an East Kilbride company creating 12 FTE jobs and increasing turnover by over £200,000 in the first year. This is a significant contribution to the South Lanarkshire lending target.

5.7 **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 12 years to maximise the visitor expenditure in the area. The proposed budget for 2017/2018 remains at the core level of £59,000 and the strategic focus will be on enhancing the digital offering at both an individual business and regional level. Discussions are underway with VisitScotland to explore mutually beneficial digital marketing opportunities. North Lanarkshire Council provided additional funding of £90,000 in the current year and expectations are that this will continue. We have recently completed an Accessible Tourism project early in 2017/2018 which has created 100 access statements covering the majority of Lanarkshire's tourism assets, 39 of these are in South Lanarkshire. As well as being socially desirable, this project represents a significant marketing opportunity for Lanarkshire.

5.8 **Food and Drink sector**

The Business Support team continue to work closely with Scotland Food and Drink, offering specialist advice to the sector, ranging from one to one support to workshops. This focuses activity on growing businesses in the sector, improving marketing food and drink products to businesses and to consumers and improving industry collaboration. The proposed budget for 2017/2018 is £7,000 (2016/2017 £10,000) and is again included in Appendix 1, Business Support Initiatives. In addition, we would hope that businesses would benefit from recently announced assistance from the Connect Local programme, Scotland's new food and drink marketing advisory service. Individual companies will still be encouraged to access Council grant support through the direct grant funding support mechanisms described above to help them grow.

5.9 **Young Entrepreneurship- Inspiring Enterprise Challenge**

The Council will continue to support younger entrepreneurs through supporting the the Princes Trust, Youth Business Scotland's work in Lanarkshire and the Business Support team is engaged with Education Resources to develop and deliver new projects for potential school leavers to ensure that new business start up is considered as a realistic option. The Young Apprentice project has run successfully in summer of 2016 for the fifth year and a programme of activity is currently underway to support the 2017 project.

5.10 **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 online webinars with the aim of assisting businesses to become more capable of accessing and competing for public sector contracts. The subscription for 2017/2018 is held at £10,000.

5.11 The activities highlighted in paragraphs 5.8 to 5.9 will be funded from Business Support Initiatives, see appendix 1.

6. Employee Implications

6.1 There are no employee implications

7. Financial Implications

7.1 The proposed expenditure of £467,350 (2016/2017 £563,077) in Appendix 1 will be met from existing revenue budgets within Community and Enterprise Resources for 2017/2018 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 negative impact on the Council's reputation.

8.2 There are no implications for sustainability in terms of the information contained within this report.

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)

11 July 2017

Link(s) to Council Values/Objectives

- ◆ Support the local economy by providing the right conditions for growth, improve skills and employability

Previous References

- ◆ Executive Committee 11 February 2015 Scottish Local Authority Business Loan Fund.
- ◆ Enterprise Services Committee Business Support Services Annual Report 17 May 2016
- ◆ Executive Committee 13 April 2016 Supplier Development Programme

List of Background Papers

None

Contact for Further Information

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

Ext: 5679 (Tel: 01698 455679)

E-mail: Yvonne.rogers@southlanarkshire.gov.uk

Appendix 1

Business Support Programmes

Proposed Budget 2017/18

	Budget 2016/2017	Proposed Budget 2017/2018	
Business Support Fund (including Business Training Grant)	230,000	230,000	
ERDF 2015-2020 programme	117,692	78,250	note 1
ESF 2010-2014 programme	102,285	-	note 2
Allocation from previous Business Gateway contract under spend		75,000	note 3
Less Base budget income amount	(42,900)	(42,900)	note 4
Net Business Support Fund	407,077	340,350	
Tourism Sector Support	84,000	59,000	note 5
Business Support Initiatives	40,000	58,000	note 6
Supplier Development Programme	10,000	10,000	
Marketing	22,000	-	note 6
Business Support Total Budget	563,077	467,350	

Note 1 - This programme will run until 31 December 2018.

Note 2 – This amount related to ESF on Skills and Business Growth Training programme which ran from April 2010 to June 2014 completing in September 2014. The programme is now complete.

Note 3 – This amount is allocated from an under spend on the previous Business Gateway contract and is committed to providing grants to local businesses to support growth.

Note 4 – This amount is historical and relates to an income requirement from the base budget. This is offset against our business grants total budget for the year.

Note 5 – Last year included an estimated amount of £25,000 from a bid for Tourism Destination Funding from Scottish Enterprise and this was not successful. Core budget remains at £59,000.

Note 6 – The marketing budget has gradually reduced in order to achieve savings, including a further budget reduction of £4,000 in 2017-18, and has recently contributed towards more direct business support initiatives and has therefore been realigned within the business support initiative budget line.