

Report

Report to:	Community and Enterprise Committee
Date of Meeting:	15 September 2020
Report By:	Executive Director (Community and Enterprise Resources) Executive Director (Finance and Corporate Resources)

Subject:	Economic Development Service: Business Support Proposals
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide an overview of the Council's Economic Development Service
- ◆ propose to increase the resources within the Service to support economic recovery

2. Recommendation(s)

2.1 The Committee is asked to approve the following recommendation(s):

- (1) that the proposals, set out in Section 4.0 of the report be agreed; and
- (2) that the proposed changes to the staff establishment for a 23 month period as detailed in sections 4.1 to 4.4 of the report, be approved

3. Background

3.1 At the Recovery Board on the 20 August 2020, a report setting out a enhanced business support proposals was presented and endorsed. From this, it was agreed that these proposals would be reported to the Community and Enterprise Committee for formal approval.

3.2 Economic Development Services' work broadly falls into the following categories:

- ◆ Support for Businesses: business advice, loans and grants
- ◆ Project Development: City Deal, Town Centres, Vacant and Derelict Land Fund
- ◆ Supplier Development Programme
- ◆ Rural Team: LEADER and REF

3.3 The service comprises 26.08 FTE (29 officers) as set out below:

- ◆ Manager: 1 FTE (1 officer)
- ◆ Business Support 4.8 FTE (6 officers)
- ◆ Projects: 7.68 FTE (8 officers)
- ◆ Supplier Development Programme (SDP): 4 FTE (4 officers)
- ◆ Secondment to Clyde Gateway: 1 FTE (1 officer)
- ◆ Rural/LEADER/Funding Team: 7.6 FTE (9 officers – separate manager)

- 3.4 The SDP team is hosted by the Council but funded by all 32 Scottish Local Authorities and other public sector bodies. In addition, LEADER Team - 3.5 FTE are funded by the EU LEADER Programme until March 2021. The proposals set out in the report do not affect the Rural, LEADER and Funding team, as such only the existing Business Support/Projects Team Structure is attached as Appendix 1.
- 3.5 In light of the economic crisis and the proposed establishment of the Lanarkshire Economic Forum, officers have assessed what further interventions / support can be brought forward in the context of other priorities and workload. In this regard it is important to recognise that economic development is a discretionary service, and whilst it can be viewed as a Council priority, it has over time been subject to efficiency savings when seeking to mitigate the impact on other services.
- 3.6 The role of Economic Development Services sits alongside the national approach to Economic Development and business support in particular, and within the 'hierarchy' of support for business. The Scottish Government sets out the national strategy which is, in turn, supported at a high level by the national agencies, for example Scottish Enterprise and Skills Development Scotland (SDS). In general terms, Scottish Enterprise engages with larger companies with more than 250 employees which are account managed by them, whilst the Council deals with Small and Medium Enterprises (SMEs) with lower staff numbers. However, there is cross over, especially since the Council is the regulatory body, delivering planning, environmental, trading standards and licensing services for all businesses regardless of size and hence initial contact is often with the Council. Officers from Scottish Enterprise and the Council have a close working relationship which ensure that a joined-up approach is taken when engaging with businesses.
- 3.7 At a local authority level, there are partnerships of local authorities providing "free to access" advisory services under the Business Gateway brand. In Lanarkshire, this is across a combined North and South authority geography. However, as explained above, local SMEs first port of a call when seeking support especially on regulatory matters is often their local Council. Effectively, the service's role and responsibility is to support locally based SME (c.9,000 businesses), the biggest segment of our economy (c. 92%) which are run by local people, employ local people and accordingly, identify with their local authority area. Hence, the Council has a pivotal role to play not only as a major employer, developer and procurer of services in its own right but also as a coordinator, enabler and facilitator of economic development activity.
- 3.8 Consequently, the Service is well placed to assist local SMEs navigate the complex range of business support available in Scotland and offer a "One Door" approach, not only offering services that the Council delivers itself but signposting businesses to services provided by other bodies, such as Scottish Enterprise, SDS etc. In this way, the Service can save businesses valuable time and help create a tailored support package which meets their specific needs. This support is even more vital during this time of economic crisis. However, to effectively fulfil this role, resources are required. In turn, the following sections of the report set out proposals to:
- ◆ Enhance business support
 - ◆ Additional funding through grants
 - ◆ Support to develop low carbon/renewables
 - ◆ Establish a fund to support external funding bids

- 3.9 Members are aware of the Scottish Government's Advisory Group, chaired by Benny Higgins, which published its report on 22 June 2020. On 5 August 2020 the Scottish Government published its response to this report – its Economic Recovery Implementation Plan and the detail of that response is subject of a separate report on this agenda.
- 3.10 In summary though, the Scottish Government, in their response to the Advisory Group, set out actions over six main themes:
- ◆ Theme 1: Protecting jobs by supporting business recovery and sustainable, green growth – including changes to public procurement and to the planning process.
 - ◆ Theme 2: Creating jobs through business engagement and a partnership approach
 - ◆ Theme 3: Supporting access to good quality jobs through employment, skills and training
 - ◆ Theme 4: Boosting local job creation through resilient people, communities and places
 - ◆ Theme 5: Creating jobs and a Just Transition through investment-led sustainable growth, and
 - ◆ Theme 6: Monitoring our progress and outcomes
- 3.11 The proposals detailed in Section 4 below, complement the actions set out in the Scottish Government's Economic Recovery Action Plan, in particular the first two themes. They are intended to strengthen capacity and focus and enable the Council to intervene both in business support and place-based economic development to enhance our role as a deliverer of activity but also as a coordinator and facilitator of activity delivered by other agencies. The additional resource will ensure that we are more able to participate in partnership based activity and be able to lead and respond by creating and safeguarding South Lanarkshire jobs, build and restore confidence, boost investment - including in green infrastructure and work with other key agencies to create the right conditions for our local economy to recover and thrive.
- 3.12 To fund the proposals in this report members may recall a report which was presented to the Community and Enterprise Resources Committee in June 2019, explaining that the former West of Scotland Loan Fund (WSLF) was being dissolved and agreeing an amendment to the Articles of Association to enable legacy funding from the Fund to be transferred back to Local Authorities. The report explained that the transfer of the money was conditional on the money being used by the Local Authorities specifically for economic development and business support. This would be consistent with the objects of the WSLF, one of which is to hold and manage a fund and to use the fund to promote commerce by giving financial assistance by way of loans, donations, subscriptions or otherwise to any firm, partnership, sole trader, company etc carrying on a commercial enterprise from a location within a Member's area. It is was on that basis the funds were distributed to the Council to be used for such purposes, and this was supported by legal advice. In turn, a sum of £1,043,726 has been held in the Economic Development budget whilst plans were formulated for it to meet the strategic economic development objectives of the Council. These are the proposals being laid before members in this report.

- 3.13 Prior to setting out the proposals, it is important that members should be made aware and consider that these funds can be used to support the current level of support delivered by Economic Development Services in effect substituting mainstream budget with the WSLF. The net cost of the Service is some £1.3 m. In turn, this would provide an in year saving of £1,043,726 which would go towards offsetting budget pressures and contribute to future saving exercises. An alternative option is to use a proportion of the funds to increase resources but not to the full extent set out in section 4.0 while using the residual amount to substitute the mainstream budget.

4. Economic Development Proposals

Business Support

- 4.1 The Business Support /Project Team's remit is set out in 3.2 above. This is a large remit and additional resource would enable significantly improved engagement with businesses and a wider range of key sectors to be proactively supported through, for example, development of networks, improved linkages with outside bodies, improved resilience and localised supply chains, development of collaborative projects and potential funding applications for joint projects.
- 4.2 The proposal is to add 4 Grade 3 Business Adviser posts to the Business Support Team increasing the team from 4.8 FTE to 8.8 FTE and the number of Grade 3 posts from 2.4 posts to 6.4 posts to add capacity to the team. These Officers will be recruited on the same grade as the existing Business Advisers and if all were recruited at the highest point of the salary scale, 4 Officers for 23 months will cost up to £423,667. This additional capacity will enable us to enhance the time advisers can spend with local SMEs.
- 4.3 The new and existing business advisors will have a remit covering key business sectors such as Food and Drink, Tourism, Construction, Engineering and Manufacturing and the 'low carbon' economy, as well as supporting businesses in the rural area. On this latter point, this recognises that although many economic challenges are shared with more urban areas there are unique rural issues, especially around access to services and with a concentration of certain employment sectors – especially Food and Drink and Tourism. They will also work closely with other officers dealing with projects, in particular in the retail sector and related town centre proposals.
- 4.4 Appendix 1 shows the existing structure and Appendix 2 shows the Revised Structure with the addition of the 4 newly created Business Advisers.

Business Grants

- 4.5 The Council's Business Support Grants are discretionary funds of up to £10,000 and a maximum of 50% of eligible costs of a project. Grants support SMEs with the purchase of capital equipment, improvements to property and costs such as employee training, consultancy costs and expenses related to exploring and developing new markets.
- 4.6 The grant award levels are 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. The following table 1 illustrates the positive economic outcomes of the Business Support Grant in 2019-2020.

Table 1: Overview of Grant Support 2019/2020

Activities	
Enquires for funding assistance	74
Outputs	
Number of grants awarded	80
Value of grants awarded	£323,101
Private Sector Investment	£382,199
Total value of projects supported	£705,300
Outcome	
Total value of projected increased turnover companies assisted with grants	£13,903,758
Jobs created or sustained as consequence companies assisted with grants	995

- 4.7 The grant budget has been supported by European Regional Development Fund (ERDF) under the Business Competitiveness Grant Support – Lanarkshire programme. Discussions are ongoing with the Scottish Government on allocating further ERDF towards enhancing the level of grant support which may enable any additional funds introduced to the grants budget to be increased by a similar ratio. Consequently, it is proposed to increase the core revenue grant by £120,000 from £180,000 to £300,000 in 2020-2021, and 2021-22 and seek to match fund this with ERDF, as set out in table 2 below.

Table 2: Proposed Business Grant

Funding Source/description	Core budget	ERDF	Total
SLC Business Support Grant 2020-2021	£180,000	£120,000	£300,000
Additional Funding-	£180,000	£120,000	£300,000
Total Business Support Grant 2020-2021	£360,000	£240,000	£600,000
SLC Business Support Grant 2021-2022	£180,000	£120,000	£300,000
Additional Funding-	£180,000	£120,000	£300,000
Total Business Support Grant 2021-2022	£360,000	£240,000	£600,000

- 4.8 Therefore, the ability to match our funding with ERDF could potentially increase funding available up to a total of £1.2 million over 2 years.

- 4.9 It should be noted that EDRF and ESF Scottish Programmes have been suspended by the European Commission due to audit procedure issues within Scottish Government. The Scottish Government as Managing and Audit Authority are confident the programme “interruption” will be lifted. ERDF and ESF project activity and payment from the Scottish Government are continuing as normal. The current Scottish Government ERDF programme has a current under commitment of £56.8m which is where the increased ERDF allocation for business support will be sought. The current EU programme requires spend completion of these funds by March 2023. Negotiations are ongoing with the Scottish Government to secure the increase in ERDF which this allocations of funds will facilitate.
- 4.10 Lanarkshire Business Gateway’s recent survey of client businesses during the Pandemic, together with other market reports shows that cash flow is proving to be a significant constraint to business survivability, prospects for growth and sustaining employment. Maintaining financial support will, therefore, be critical to aiding and sustaining economic recovery.
- 4.11 Business Support grant would comprise 3 funds within which variables can be flexed to meet demand as set out below:
- ◆ Growth Fund - Key focus in growth in jobs/ turnover and profit - up to £20k grant
 - ◆ Safeguarding Fund – focus on Sustaining business, safeguarding jobs and regaining turnover towards pre-lockdown levels – Up to £10k grant
 - ◆ Small Fund –up to £3k – grant; “working capital” focus to accelerate business to return to previous levels.
- 4.12 It is proposed to allocate £360,000 towards enhance Business Support Grants for remainder of 2020-2021 and 2021-2022.

Project funding for Low Carbon/Renewables

- 4.13 The transition to low carbon economy and green infrastructure is a key element of local and national economic development strategies and the Scottish Government’s Economic Recovery Implementation Plan. At a local level this is being progressed with the formation of a private-sector led partnership, Smart Sustainable East Kilbride (SSEK). There is currently an emerging collaboration in the field of Low Carbon with a proposed branding of the town as a centre of excellence. This in turn creates the opportunity to develop a private sector partnership to provide investment and establish East Kilbride as a hub for Low Carbon development, helping to tackle the current challenges of moving to a low/zero carbon economy. The development of the Council owned site at Langlands can provide a basis for developing such a response.
- 4.14 The 25-acre site is embedded and recognised in the Local Development Plan as East Kilbride’s only major strategic employment location, suitable for a range of sectors and immediately available for development. A City Deal infrastructure investment of £25.7m through the duelling of Strathaven / Greenhills Road is being made to enhance access to A725, the main arterial route through East Kilbride which provides access to Scotland’s motorway network and the M74 providing access to the south.

- 4.15 It is proposed to use a portion of the funding to develop options in bringing forward the Langlands site for development, which may comprise a partnership or joint venture, which would build on the momentum of SSEK and the City Deal investment. This would involve working with the SSEK officer whose post is part-funded by the Council. It is therefore proposed a budget of up to £100,000 is allocated from the funds to facilitate detailed master planning and market testing with the aim of facilitating development on the site, with an emphasis on the Low Carbon sector. The detail of proposals will be reported back to Committee at a later date following the market testing exercise.

Match Funding Stream

- 4.16 As part of gaining access to external funding streams it often requires to be matched from other sources, and as such it is considered appropriate to set aside a sum that would allow for this as and when such opportunities arise. It is considered this should represent the balance of the legacy funds amounting to £160,059

5. Summary and Next Step

- 5.1 In summary, it is proposed that:

Proposal	Cost
4 Grade 3 Business Support advisers are recruited on fixed 23 month contracts	£423,667
Business Support Grants	£360,000
Low carbon economy initiative at the Langlands site	£100,000
Match Funding Stream	£160,059
Total	£1,043,726

- 5.2 In anticipation of receiving formal approval officers have already commenced work to:

- ◆ Put in place arrangements to advertise for the officers posts
- ◆ Publicise the Grants programme
- ◆ Engage with partners to explore the options for the marketing and development of the Langlands site.
- ◆ Explore all external funding opportunities

- 5.3 Regular updates on progress of the work streams will be provided to the Community and Enterprise Resources Committee.

6. General/Other Implications for the Council

- 6.1 There is a risk that if insufficient resource is allocated to economic recovery, businesses in South Lanarkshire will not be adequately supported to become sustainable. Whilst not the only provider of local economic development, this report demonstrates the key part which the Council plays. Without adequate capacity we will be unable to play this important role effectively, to the detriment of local businesses and jobs. This will also lead to damage to the Council's reputation and the potential loss of businesses relocating to other areas where a more comprehensive package of post Pandemic support is available.

7. Employee Implications

- 7.1 The following posts would be added to the Services establishment for a 2 year period:-

Post title	Current Number of Posts (FTE) – Grade 3's	Proposed Number of posts (FTE) Grade 3's	Grade	SCP Range	Hourly Rate	Annual salary (excluding on-costs)	Gross Cost (including on-costs 30.3%)
Development Officers, (Business Support)	2.4	6.4	Grade 3 Level 2-8	63-80	£18.08 - £23.24	£32,994 - £42,410	£171,965-£221,044 (per annum)

8. Financial Implications

- 8.1 The proposals to assist restarting the economy post pandemic lockdown will be funded from existing 'ring fenced' funds which have been withdrawn from WSLF and must be used for economic development purposes. However the option set out in paragraph 3.13 is highlighted to members when considering these proposals.

9. Climate Change, Sustainability and Environmental Implications

- 9.1 There are no direct climate change implications as a result of this report.

10. Other Implications

- 10.1 There are no implications for sustainability in terms of the information contained in this report.

11. Equality Impact Assessment and Consultation Arrangements

- 11.1 This report does not introduce a new policy, function or strategy or recommend a change to existing policy, function or strategy and therefore no impact assessment is required.
- 11.2 There was also no requirement to undertake any consultation in terms of the information contained in this report.

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1 September 2020

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, effective, efficient and transparent

Previous Reference

None

List of Background Papers

Community and Enterprise Committee in June 2019: West of Scotland Loan Fund

Contact for Further Information

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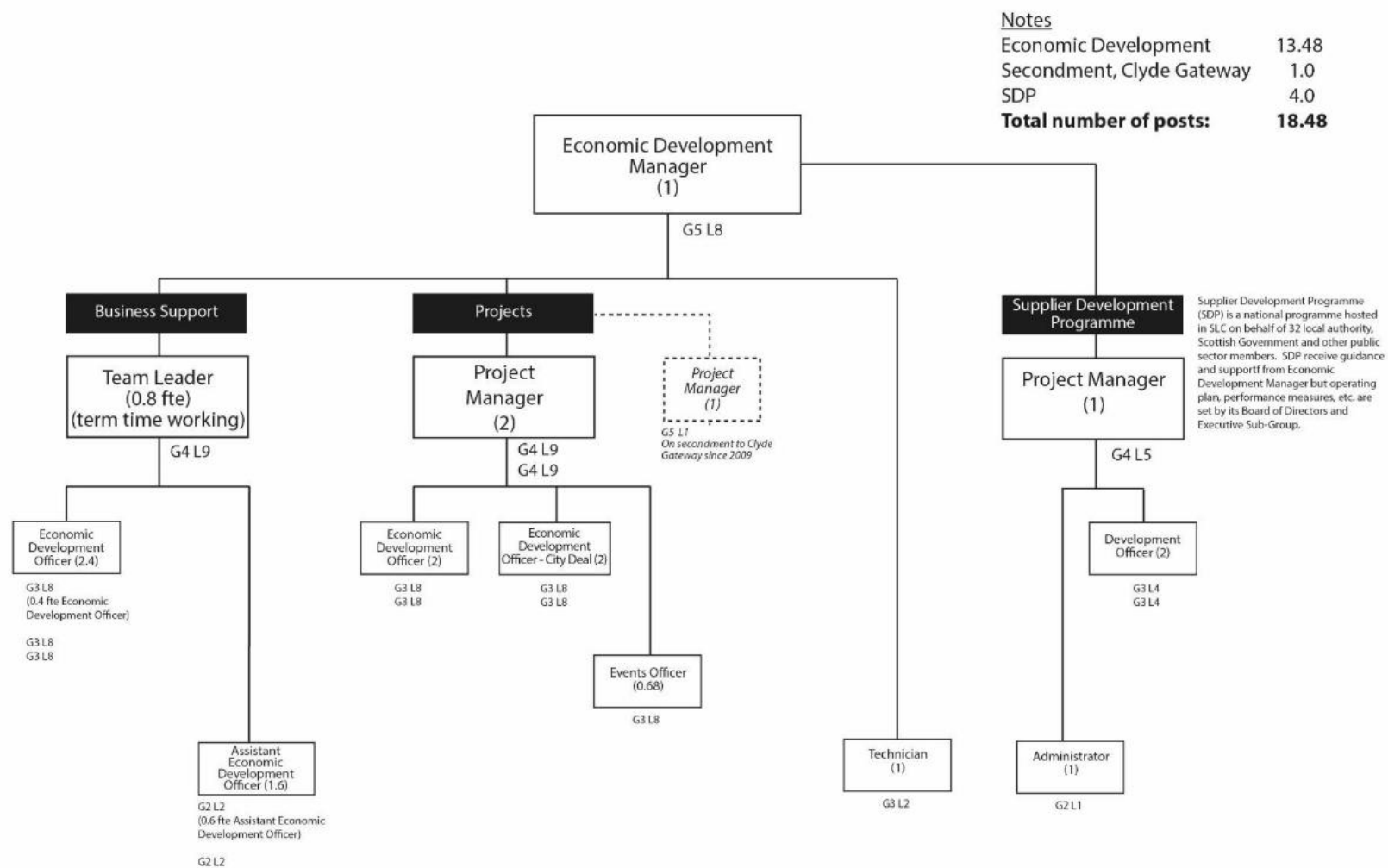
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Appendix 1 Current Structure

Economic Development Service (excluding LEADER and Rural Development) - Current



Appendix 2 Proposed Structure

Economic Development Service (excluding LEADER and Rural Development) - Proposed

