
Business Gateway Local Growth Accelerator Programme – ERDF Application

1.0 EXECUTIVE SUMMARY

- 1.1 The new Structural Funds programme 2014-20 gives the Council the opportunity to leverage European Regional Development Fund (ERDF) monies to increase the scale and scope of support to local businesses with growth potential, via Business Gateway.
- 1.2 In March 2015 Argyll and Bute Council submitted a Strategic Intervention application, outlining the strategic rationale, costs, outputs and activities proposed.
- 1.3 The Strategic Intervention was approved by the Scottish Government on 14th October 2015. This gave approval to submit an Operation Application.
- 1.4 The Operation Application was submitted on 2nd November 2015 and outlined the operation activities to support the programme approved in the Strategic Intervention. It detailed a £544,200 programme for 2015-2018 known as the Business Gateway Local Growth Accelerator Programme (BG LGAP) and requested £272,100 of ERDF funding. The proposed programme included specialist advice, growth grants, graduate placements, growth workshops, regional specific entrepreneurial support and key sector support.
- 1.5 The £272,100 match funding contribution required from the Council can be wholly met by existing Business Gateway and Economic Development budgets. This is because existing Business Gateway activity supporting growth companies can be considered as match funding.
- 1.6 The Scottish Government advised that they expected to make a decision on Operation Applications before the end of December 2015. In January 2016 we were advised that this had been extended to the end of March 2016.
- 1.7 The launch of BG LGAP is wholly dependent on the timing of approval by the Scottish Government. If approved by 1st April 2016, BG LGAP activity could be 'soft launched' in May 2016 to businesses already engaged with Business Gateway, followed by a full launch in June 2016.

- 1.8 It is recommended that members of the Environment Development and Infrastructure Committee:
- note the scope of the proposed support to businesses;
 - note the scale of the programme;
 - note that no additional Council funding is required; and
 - approve the proposed launch approach, noting that timescales are dependent on Scottish Government approval timescales.

Business Gateway Local Growth Accelerator Programme – ERDF Application

2.0 INTRODUCTION

- 2.1 The new Structural Funds programme 2014-20 gives the Council the opportunity to leverage European Regional Development Fund (ERDF) monies to increase the scale and scope of support to local businesses with growth potential, via Business Gateway.
- 2.2 Unlike previous programmes which operated as a competitive bid process, for this programme period the Managing Authority (Scottish Government) for the Scottish programme identified Lead Partners to deliver strategic interventions under each theme of the Structural Funds programme.
- 2.3 Argyll and Bute Council is one of the Lead Partners agreed for the ERDF Competitiveness theme 03: Enhancing the competitiveness of small and medium sized enterprises.
- 2.4 In March 2015 Argyll and Bute Council submitted a Strategic Intervention application, outlining the strategic rationale, costs, outputs and activities proposed.
- 2.5 The Strategic Intervention was approved by the Scottish Government on 14th October 2015 and the Council was invited to submit a more detailed Operation Application by 2nd November 2015.
- 2.6 The Operation Application was submitted to deadline, and outlined the operation activities to support the programme approved in the Strategic Intervention. It detailed a £544,200 programme for 2015-2018 known as the Business Gateway Local Growth Accelerator Programme (BG LGAP) and requested £272,100 of ERDF funding.
- 2.7 The key activities within the Operation Application include specialist advice, growth grants, graduate placements, growth workshops, regional specific entrepreneurial support and key sector support.
- 2.8 The Scottish Government advised that they expected to make a decision on Operation Applications before the end of December 2015. In January 2016 we were advised that this had been extended to the end of March 2016.

- 2.9 If approved by 1st April 2016, BG LGAP activity could be ‘soft launched’ in May 2016 to businesses already engaged with Business Gateway, followed by a full launch in June 2016. These timescales are wholly dependent on the Scottish Government approval timescale.
- 2.10 If the approval timescales moves further back, the launch of the programme will be further delayed. Any additional delay is likely to have an impact on the activity and outputs that can be achieved within a shorter project timeframe. The Scottish Government is aware of the impact of further delays.
- 2.11 The latest advice we have is that a decision will be made in March 2016. A verbal update will be available for Members at the EDI Committee meeting.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that members of the Environment Development and Infrastructure Committee:
- note the scope of the proposed support to businesses;
 - note the scale of the programme;
 - note that no additional Council funding is required; and
 - approve the proposed launch approach, noting that timescales are dependent on Scottish Government approval timescales.

4.0 DETAIL

Rationale

- 4.1 Argyll and Bute Council’s BG LGAP fits under the Scottish Government’s “Enhancing the competitiveness of small and medium sized enterprises” thematic objective for the European Structural and Investment Funds Programme 2014–2020.
- 4.2 At a wider European level BG LGAP aligns with the Europe 2020 Strategy that aims to guide Europe’s economy out of the global recession by creating jobs, encouraging “green” economic growth and creating an inclusive society. The application proposes activities which will help build capacity and skills in businesses across the region, creating employment and supporting economic growth.
- 4.3 The proposed support directly addresses some of the issues identified in the Operational Programme in terms of building a strong mid-sized business base better suited to increasing employment and diversity in the economy. The core Business Gateway programme delivers generic business development support. However, there is significant scope to provide additional services to small companies with potential and with a desire to grow, thereby strengthening the pipeline of growing businesses.
- 4.4 The operation specified within the BG LGAP application – growth grants, graduate placements to support growth projects, growth workshops, specialist advice, key sector support and regional specific support - all directly support enhancing the competitiveness of small and medium sized enterprises, and are the activities specified in the approved strategic intervention.

- 4.5 BG LGAP also aligns to Outcome 1 of the Council's Single Outcome Agreement (SOA) - the economy is diverse and thriving - and contributes directly to outcomes ET01 in the Economic Development and Strategic Transportation (EDST) Service Plan and to the Economic Development Action Plan, 2013-18 by providing additional support to new and existing businesses.
- 4.6 A gap was identified in support available to clients in the early stage growth pipeline, including:
- One-to-one and one-to-many support to clients who do not meet the core Business Gateway growth thresholds but who exhibit some growth ambition; and
 - Additional added value services to strengthen and deepen the support available to growing companies, before they can access support from the enterprise agencies (Highlands and Islands Enterprise (HIE) and Scottish Enterprise, (SE)).

Proposed activity

- 4.7 BG LGAP will provide early stage support to address these gaps and strengthen the pipeline of growth businesses in the area. It is additional to core Business Gateway activity and includes:
- **Specialist Advice** – a half day to three days advice to help with specific issues relating to business growth such as marketing, HR, growth strategy.
 - **Growth Grants** - 50% of growth project costs paid up to £5,000.
 - **Graduate placements** – grant of up to 50% of graduate wage for a placement of up to 12 months to support a growth project, up to £12,000.
 - **Growth Workshops** – a half day to one day workshops on a range of topics to support growth. Some workshops will cover new growth topics, and others will provide greater reach of existing workshops into fragile or rural areas.
 - **Regional specific entrepreneurial support** - information and support to encourage and facilitate entrepreneurs to locate their business in Argyll and Bute.
 - **Key sector support** - support to key sectors and their supply chain to encourage collaboration, moving into new markets, networking and supply chain development.

Outputs and added value

- 4.8 BG LGAP will assist 236 unique businesses. This early stage support will assist the creation of 88 FTE jobs and will strengthen the pipeline of growing companies with potential to move into and through the Business Gateway Growth Advisory Service.
- 4.9 The range of services available complements the provision of the Business Gateway core contract and will drive-up the number of SMEs with sustainable growth potential being supported from the point of start up through the growth pipeline towards HIE/SE account managed status.

4.10 The proposal significantly scales up existing activity and introduces new activities, providing more support to a greater number of SMEs to assist growth. The operation proposed in this application will result in the additional outcomes detailed in **Table 1** below.

Table 1: Outputs and Added Value	
Support	Output
Specialist Advice	42 businesses assisted with one to one advice - <i>without ERDF only 21 could be assisted</i>
Growth Grant	44 businesses supported with grant funding - <i>wholly additional, this support would not be provided without ERDF</i>
Graduate Placement Grant	12 businesses supported with six to twelve month graduate placements - <i>wholly additional, this support would not be provided without ERDF</i>
Growth Workshops	780 attendees at 130 workshops, with 260 businesses assisted - <i>without ERDF 65 workshops would be delivered and 130 business assisted</i>
Regional specific support	39 businesses assisted with advice, information or events - <i>wholly additional, this support would not be provided without ERDF</i>
Key Sector Support	81 businesses assisted with advice, information or events - <i>wholly additional, this support would not be provided without ERDF</i>

Cost

4.11 The programme costs have been established through known activity costs (learning from previous ERDF programmes), tender activity (Framework Agreement for suppliers) and best practice learning for new activities (HIE and Highland Council shared their Graduate Placement programme learning). The costings outlined in **Table 2** below have been reviewed by Strategic Finance.

Table 2: Financial Information	
Total operation cost	£544,200
Total match funding	£272,100
Total ERDF grant requested	£272,100
Intervention rate	50%

4.12 Although the Scottish Government confirmed that activity can be claimed retrospectively from March 2015, this would be at the Council's own risk. It was therefore deemed prudent to defer commencing most activity until the Operation Application is approved.

4.13 However, workshop activity forming part of BG LGAP operations commenced in October 2015, as Business Gateway needed to provide support to businesses and could no longer defer all activity. Between October 2015 and March 2016, workshops will account for circa £20,000 of programme spend, which will be claimed in retrospect after approval.

- 4.14 The impact of this phased launch approach is the spend profile is weighted into 2016-18, with limited spend in 2015. See **Table 3** below. This minimises the risk to the Council of any activity delivered before approval being deemed ineligible.

Table 3: Expenditure Profile	
Year	Expenditure
2015	£10,200
2016	£156,930
2017	£188,110
2018	£188,960
Total	£544,200

Match funding

- 4.15 Match funding provided by Argyll and Bute Council must be 'clean' i.e. contains no sources of EU funding.
- 4.16 The majority of the match will be provided from the Council budget allocated for the delivery of Business Gateway growth support, with the remainder from the Council's Economic Development departmental budget. This has been agreed with Strategic Finance and no additional Council funding is required. See **Table 4**.

Table 4: Source of Council Match Funding						
Budget	2014	2015	2016	2017	2018	Total
Business Gateway	£25,000	£40,950	£43,950	£43,950	£43,950	£197,800
Economic Development	£20,000	£13,500	£13,500	£13,500	£13,800	£64,300
TOTAL	£45,000	£54,450	£57,450	£57,450	£57,750	£272,100

- 4.17 The Scottish Government has confirmed that using Business Gateway budget allocated for growth support is acceptable as match, but the ERDF support must be achieving additional targets. This can be seen in **Table 1**.

Management and reporting

- 4.18 The Council has many years of experience in working with EU funding programmes and has used this to harmonise Council systems with the requirements of the EU funding.
- 4.19 BG LGAP will be managed by the Council's Development and Infrastructure Service, specifically the Economic Development Service, which is responsible for the management of the existing core Business Gateway Service and the European Team. The operations will be delivered by the Council's in-house Business Gateway team, which has been delivering the Business Gateway service since 2009.
- 4.20 The European team will support the Business Gateway delivery team with specialist advice and guidance on meeting the ERDF requirements and delivering a compliant programme.

Legal and regulatory

- 4.21 Any procurement of suppliers to deliver elements of the operations will be undertaken in accordance with the Council's Procurement Strategy and The Public Contracts (Scotland) Regulations 2012.
- 4.22 Activities within the operation constituting State Aid include growth grants, graduate placements, specialist advisor support and regional or sectoral specific support, since these activities are selective. De minimis provisions will be used to cover specialist advisor support, regional specific events and advice, key sector events and advice, where the full costs will be met by the programme. Growth grants and graduate placements, which offer 50% of cost, will also use de minimis provision, except where a General Block Exemption Regulation (GBER) can be used.
- 4.23 Previously an Equality Impact Assessment (EIA) was completed to ensure all Business Gateway operations have no adverse impact on the individuals assisted. Post approval of BG LGAP, a new EIA will be completed to confirm that the new operation also has no adverse impact on protected characteristic groups; race, gender, disability, age, religion or belief, sexual orientation, marriage and civil partnership, gender reassignment, pregnancy and maternity.

Marketing

- 4.24 Marketing of BG LGAP will only commence once the Operation Application has been approved.
- 4.25 There will be three key phases to communicating the programme:
- a 'soft launch' to growth businesses currently engaged with Business Gateway;
 - a full launch, targeting growth businesses not yet engaged with Business Gateway; and
 - ongoing tactical promotion of operation elements to appropriate businesses to ensure programme targets are met.
- 4.26 All marketing activity will follow the ERDF publicity requirements.
- 4.27 A range of media will be used including local press, ezines, websites, social media, direct mail and direct adviser contact. Intermediaries will also be targeted – accountants, solicitors, banks, BIDs groups, Chambers of Commerce, etc.

5.0 CONCLUSION

- 5.1 The BG LGAP programme presents an opportunity for the Council to lever in £272,100 of ERDF funding for a new programme providing enhanced support to local businesses with growth potential.
- 5.2 This is a positive initiative to help strengthen the local economy, for which no additional Council funding is required.

5.3 Scottish Government approval of the Operation Application submitted on 2nd November 2015 for BG LGAP is required before the programme can be fully launched. A decision is expected by the end of March 2016.

5.4 A phased launch of the programme will commence after approval has been given.

6.0 IMPLICATIONS

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| 6.1 | Policy | Business Gateway provision aligns to the Council's SOA, the EDST Service Plan and the Economic Development Action Plan, 2013-18. |
| 6.2 | Financial | No additional Council funding is required for this initiative which, if approved, will leverage £272,100 of European funding for the Council. |
| 6.3 | Legal | <p>Procurement of suppliers to support BG LDAP activity will be undertaken in accordance with the Council's Procurement Strategy and The Public Contracts (Scotland) Regulations 2012.</p> <p>Activities within the operation constituting State Aid have been identified and will use de minimis provision except where a General Block Exemption Regulation (GBER) can be used.</p> |
| 6.4 | HR | Business Gateway support is delivered by an in-house Council team, with external contractors procured as appropriate. |
| 6.5 | Equalities | Business Gateway has no adverse impact on key equality groups and the support can positively help disadvantaged individuals move into self-employment. An updated EIA will be completed to include the BG LGAP activities. |
| 6.6 | Risk | There is limited risk for the Council as the team has the skills and resources needed to deliver the project. If the Council does not spend the match funding committed to the operation, no ERDF funding will be due. The monitoring processes in place will manage this risk, to ensure activities are delivered to plan. |

6.7 Customer Service

Increasing the scale and scope of support to businesses is expected to have a positive impact on customer service. Business Gateway customer satisfaction levels are routinely independently monitored and reported on the Council's scorecard.

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