

**Business Gateway Local Growth Accelerator Programme Phase Two**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to update members of the Environment, Development and Infrastructure (EDI) Committee with the progress made towards launching Phase Two of the Business Gateway Local Growth Accelerator Programme.
- 1.2 The Business Gateway Local Growth Accelerator Programme (LGAP) gives growing local businesses the chance to access grant funding and specialist advice to help them expand. The programme is funded by Argyll and Bute Council and the European Regional Development Fund. Phase One of the programme, totaling £372k, launched in 2016 and closed in December 2018.
- 1.3 LGAP directly contributes to the Council's Business Outcome BO110 'We support businesses, employment and development opportunities'. The programme fills a gap by providing valuable support to SMEs not yet at a stage where they can access enterprise agency support. The intervention complements and extends the scope of core Business Gateway services.
- 1.4 Phase Two LGAP, totaling £483k, will use the existing delivery infrastructure to continue the assistance available to accelerate the growth of small and medium sized enterprises (SMEs) across Argyll and Bute.
- 1.5 Match funding of £144,900 is required. The ERDF Grant required for Phase Two, at an intervention rate of 70%, is £338,100.
- 1.6 It is proposed that match funding for Phase Two will be wholly provided from the West of Scotland Loan Fund (WSLF) surplus.

- 1.7 The council's application for Phase Two was submitted to the Managing Authority<sup>1</sup> in December 2018 (year end deadline) and approved at the approval panel on 22<sup>nd</sup> January 2019 and Ministerial approval was granted on 15<sup>th</sup> February 2019.
- 1.8 Officers are finalising the programme documentation and expect Phase Two to launch as soon as the Council match funding is confirmed.
- 1.9 Members are asked to:
- Note that Phase Two will create a £483k business support programme at no additional cost to the council and that it can be delivered by the current headcount within Business Gateway.
  - Agree the preparations for Phase Two, including the proposal to use all of the West of Scotland Loan Fund (WSLF) surplus of £150k as the Council's match funding for Phase Two.
  - Recommend to council that the £75k WSLF surplus allocated for additional SME support is used in advance of an agreed Rural Growth Deal in order to be able to draw down European Structural Funds to maximise business growth opportunities within Argyll and Bute.

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<sup>1</sup> The distribution, monitoring and payment of European Structural and Investment Funds (ESIF) in Scotland, which includes ERDF monies, is undertaken by the Scottish Government as the Managing Authority under the jurisdiction of Derek Mackay, MSP, Cabinet Secretary for Finance, Economy and Fair Work.

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**2.0 INTRODUCTION**

- 2.1 The Business Gateway Local Growth Accelerator Programme (LGAP) gives growing local businesses the chance to access grant funding and specialist advice to help them expand. The programme is funded by Argyll and Bute Council and the European Regional Development Fund. Phase One of the programme, totaling £372,100, launched in 2016 and closed in December 2018.
- 2.2 LGAP directly contributes to the Council's Business Outcome BO110 'We support businesses, employment and development opportunities'. The programme fills a gap by providing valuable support to SMEs not yet at a stage where they can access enterprise agency support. The intervention complements and extends the scope of core Business Gateway services.
- 2.3 Phase Two LGAP, totaling £483k, will use the existing delivery infrastructure to continue the assistance available to accelerate the growth of small and medium sized enterprises (SMEs) across Argyll and Bute.

**3.0 RECOMMENDATIONS**

- 3.1 Members are asked to:
- Note that Phase Two will create a £483k business support programme at no additional cost to the council and that it can be delivered by the current headcount within Business Gateway.
  - Agree the preparations for Phase Two, including the proposal to use all of the West of Scotland Loan Fund (WSLF) surplus of £150k as the Council's match funding for Phase Two.
  - Recommend to council that the £75k WSLF surplus allocated for additional SME support is used in advance of an agreed Rural Growth Deal in order to be able to draw down European Structural Funds to maximise business growth opportunities within Argyll and Bute.

## 4.0 DETAIL

- 4.1 LGAP is open to micro, small or medium sized businesses based in Argyll and Bute aiming to increase their turnover by £50,000 or more within the next three years. The funding available includes growth grants of up to £5,000, a new employee or graduate placement grant of up to £12,000, and training, trade fair and accreditation grants of up to £1,500 for businesses in key growth sectors.
- 4.2 A Business Gateway Adviser works with businesses registered for the programme to develop a growth plan and access relevant support. LGAP is an additional service and complementary to the support already offered by Business Gateway.
- 4.3 The £186,119.50 match funding required from the council for Phase One was provided from Business Gateway and Economic Growth departmental budgets across five years from 2014.
- 4.4 Phase One of the Business Gateway Local Growth Accelerator Programme is drawing to a close. SMEs approved for support have until 31<sup>st</sup> January 2019 to claim their approved grants and the council has until 30<sup>th</sup> June 2019 to submit the final claim to the Managing Authority.
- 4.5 As 15<sup>th</sup> January 2019, the support given is as follows:
- Approved total spend is at £373k, just over 100% of target. £24.5k of committed spend is still to be claimed by SMEs.
  - 74 unique enterprises have been awarded support, 101% of target.
  - 28 unique enterprises have been awarded non – financial support, 117% of target.
  - 60 unique enterprises have been awarded grants, 100% of target.
  - Outcomes will not be reported until the end of the programme – target 20 jobs created in supported enterprises and 10 supported enterprises exporting.
- 4.6 Two claims have been submitted to the Managing Authority. The first claim, for £65,629 was approved and the ERDF grant of £32,815 has been received. The second claim, for £80,805 is currently being verified.
- 4.7 With more than 100 SMEs registering for LGAP in Phase One there is strong evidence of demand for support. There are no indications that demand is slowing.
- 4.8 Following clarification that the European Structural Funds programme can continue to be accessed post Brexit, the Managing Authority invited applications for Phase Two, for activity from 2019- 2023. The application deadline was 31<sup>st</sup> December 2018. Due to underspends in the programme overall, a higher intervention rate is available where it can be justified.

- 4.9 An application was therefore submitted to the Managing Authority in December 2018 for Phase Two. It includes the following activity:
- 42 Specialist advice sessions to support business growth.
  - 54 Growth grants to support business growth.
  - 12 Employer/Graduate Placement grants to support business growth.
  - 36 Key sector grants (Training, Trade/Consumer Fairs or Accreditation) to support business growth in priority sectors.
- 4.10 These interventions will engage an additional 53 unique SMEs in Phase Two. This target number of SMEs supported assumes that the 73 SMEs from Phase One who access further support in Phase Two cannot be counted as a unique SME supported in Phase 2 as they have already been counted in Phase One.  
It is expected that 17 jobs (FTEs) will be created in supported companies within 3 years of accessing support.
- 4.11 Phase One has shown that there is clear demand from SMEs for the support indicated, which cannot be delivered in Phase Two without ERDF support at a higher intervention rate due to a reduction in available Council match funding.
- 4.12 The overall estimated expenditure for Phase Two is £483,000. Match funding of £144,900 is required. The ERDF Grant required for Phase Two, at an intervention rate of 70%, is £338,100.
- 4.13 Match funding for Phase Two was originally proposed as £75k from Business Gateway and Economic Growth budgets and £75k from surplus funds held in the West of Scotland Loan Fund (WSLF).
- 4.14 The WSLF surplus exists because the fund is no longer active after the introduction of Business Loans Scotland. The Articles of Association of the WSLF permit surplus funds to be transferred to 'like-minded' organisations such as the economic development service within a local authority, for the sole purpose of 'SME development'. Any transfer requires the unanimous approval of WSLF Board members.
- 4.15 The Policy and Resources Committee agreed in August 2018 that the council would seek to withdraw its WSLF surplus for the purpose of a) providing £75k match funding for Phase Two LGAP; and b) £75k additional SME support specifically linked to the Rural Growth Deal initiatives, if opportunities are identified.
- 4.16 At the WSLF Board meeting on 30<sup>th</sup> November 2018 the Board agreed that Argyll and Bute Council could withdraw its £150k surplus for the specified purposes above. The money was transferred in January 2019.

- 4.17 It became apparent in November 2018 that planned cuts (£43k per year) to the Business Gateway/Economic Growth budgets would remove all capacity to provide the 50% match funding required for Phase Two.
- 4.18 It was therefore proposed that match funding for Phase Two be wholly provided from the WSLF surplus.
- 4.19 Due to the application deadline of 31 December 2018, officers were unable to secure revised match commitment from the Council and put forward the bid on the basis of securing the necessary Council approvals at a later date, prior to any offer of grant being signed. [Governance have been consulted regarding the necessary approval process]
- 4.20 The application for Phase Two support was approved at the Managing Authority Approval Panel on 22<sup>nd</sup> January 2019. Ministerial approval was granted on 15<sup>th</sup> February 2019.
- 4.21 Officers are finalising the programme documentation and expect Phase Two to launch as soon as the Council match funding is confirmed.
- 4.22 Given the decision of the P&R Committee in August 2018 as set out at para 4.15, using all of the WSLF surplus for Phase Two match funding does align closely to the objectives of the Rural Growth Deal, specifically Proposal 5 which includes a small business support programme of grant support to help business growth. The Committee is therefore asked to endorse this approach and seek approval from Council to spend the £75k budget allocation on additional SME support in advance of an agreed Rural Growth Deal in order to be able to draw down European Structural Funds to maximise business growth opportunities within Argyll and Bute.

## **5.0 CONCLUSION**

- 5.1 Phase Two LGAP, totaling £483k, will use the existing delivery infrastructure to continue the assistance available to accelerate the growth of small and medium sized enterprises (SMEs) across Argyll and Bute, at no additional cost to the council.

## **6.0 IMPLICATIONS**

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|---------------|--|
| 6.1 Policy    | LGAP directly contributes to the Council's Business Outcome BO110 'We support businesses, employment and development opportunities'. |
| 6.2 Financial | No additional council budget required to leverage £338k ERDF funding.  |
| 6.3 Legal     | None.  |

6.4 HR	None
6.5 Equalities/Fair Scotland Duty	No negative impact on equalities. LGAP Phase Two can help make a positive impact on inclusive growth priorities within economic performance (business survival, GVA) as well as providing support to remote and island communities.
6.6 Risk	Given that business demand is strong (all Phase One funding was committed), if Phase Two is not progressed this will result in reputational risk to the Council as well as the lost opportunity to access £338k of ERDF funds to support SME growth in Argyll and Bute.
6.7 Customer Service	None.

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5<sup>th</sup> February 2019

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