

COMMITTEE REPORT

To: REGENERATION SERVICES COMMITTEE		Subject: BUSINESS SUPPORT SERVICES IN RESPONSE TO THE RECESSION AND CHANGING DEMANDS FROM SMES
From: HEAD OF REGENERATION SERVICES		
Date: 17 February 2010	Ref: 1490	

1 Purpose of the Report

- 1.1 The purpose of the report is to inform the committee of changes in North Lanarkshire Council business support services and budgets in response to the recession and changing demands from SMEs.

2. Background

- 2.1 NLC provides a range of business support services for start-up and SMEs These services include those directly delivered by the Council and those delivered through the Business Gateway contract, part of a Scotland wide business support service.
- 2.2 Some of these business support services delivered through the Council are part of partnerships formed on a Lanarkshire and West of Scotland level and have been successful in attracting European Regional Development Fund assistance.
- 2.3 The main business support services referred to in this report are
- Metro West - West of Scotland training grant for SMEs
 - Lanarkshire Sustainable Business Programme (LSBP) - Lanarkshire grant support for start-up and SMEs specifically in e-commerce and resource efficiency systems
 - Gateway to Growth (Lanarkshire Social Economy project)
 - Business Gateway (part of a national Business Gateway service for start-up and SMEs)

3. Economic Downturn and impact on service

- 3.1 The impact of the economic downturn has been clearly shown in a number of ways. Existing businesses have cut back on expenditure on development areas such as the introduction of new IT systems and instead have required support for activity more directly related to the sustainability of the businesses. Grant support for business planning, raising finance and marketing assistance has been in demand.
- 3.2 The number of individuals considering starting their own business as an alternative to unemployment has increased and the demand for start up grant support from individuals from disadvantaged areas has risen considerably. However at the other end of the range, the number of potential higher growth starts has all but disappeared due to the uncertainties in the marketplace and the difficulties with raising finance for new ventures. The number of new starts registering for VAT has also fallen.

4. Performance to date

- 4.1 Overall, the Business Gateway service is performing well and has reacted quickly to the changes in demand from new and existing businesses to ensure that the appropriate service is provided. 415 new businesses have started across North Lanarkshire to the end of December and during this period just over 1000 individuals have received advice about starting a business or attended pre start workshops and seminars.
- 4.2 Existing businesses have also been well supported with the Business Gateway providing workshops and seminars covering key topics from survival planning to website development and e marketing. The Gateway advisers are also working closely with a number of companies in North Lanarkshire which show growth potential. These businesses are assisted in their development and then passed on to Scottish Enterprise who provide further support through their Account Management programme. The Gateway advisers are currently working with 43 companies and to date 13 have already been transferred to Scottish Enterprise.
- 4.3 The Council's support programmes continue to be in demand with grants, loans and training support being provided to a wide range of companies. The Gateway to Growth programme, jointly funded with South Lanarkshire Council and the Business Gateway, continues to work with new and existing Social Enterprises with over 50 Social Economy organisations across North Lanarkshire receiving support.
- 4.4 The Metro West training programme provides support for employees and to date grants have been approved for just over 100 companies with over 430 employees being trained. This is a lower than forecast demand with a lower level of expenditure and a corresponding reduction in the amount of ERDF being claimed. The Council's other main grant support programme, the Lanarkshire Sustainable Business Programme (LSBP), has had mixed success to date. This is the area where the constraints applied by European funding are in conflict with the current demands from existing companies and as a result the programme expenditure to date has not reached the levels required to attract European funding.

5. Changes to programmes in response to the recession.

- 5.1 As a result of the changes in demand from new start and existing businesses a review of the Business Support budget has been carried out and underspend against minor projects has been diverted to provide additional grant funding particularly in the area of start up grants to individuals from disadvantaged areas where demand is high.
- 5.2 In addition funding has been reallocated to provide grant support to existing businesses in the areas outlined above that cannot be funded through the European funded LSBP.
- 5.3 North Lanarkshire Council have expressed concerns to LSBP partners and held meetings with ESEP (ERDF Programme managers) to propose changes to the programme. However, as lead partner, it is South Lanarkshire Council's responsibility to agree and implement these changes with ESEP. To date no formal notification of change has been submitted.

6. Proposal for New Grant Programme

- 6.1 £82,500 has been identified to deliver additional non European funded programme for the period October to March 2010, with funding available in 2010-2011 to continue this programme.
- 6.2 It is proposed that from October 2009 to March 2010 this budget would be used to increase the funds available in existing programmes with some broadening of the criteria to encourage a wider range of applications in line with SME demands. The allocation of funds is as follows:-

Start-up Grants	£22,500
Consultancy Grants	£30,000
Leverage Grants	£30,000
Total	£82,500

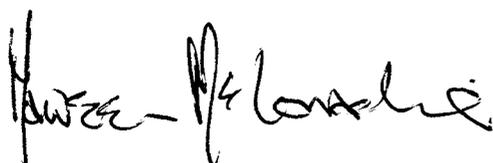
- 6.3 Start-up grants would continue as per Lanarkshire Sustainable Business Programme however grants would be capped at £750.
- 6.4 Consultancy Grants would continue as per Lanarkshire Sustainable Business Programme however, grants would be capped at £2,000 and support would be widened to include any external consultancy costs that would not be restricted by Lanarkshire Sustainable Business Programme themes.
- 6.5 Leverage grants would replace the Lanarkshire Sustainable Business Programme capital expenditure grants. Leverage grants would be available where investment will lever in additional funds. Leverage grants should make up a maximum of 10% of total funding package, i.e. minimum funding package considered for £5,000 grant will be £50,000.

7. Funding and Conclusions

- 7.1 All of the proposed changes can be met within existing budgets and are a reflection of the service responding to demands from business. The service will not be able to draw down European funding for any of this additional spend as the broadening of the criteria will make the spend ineligible. However, there is no demand from SME's for what is approved eligible spend, which is why the Service is taking these steps.
- 7.2 Demand for investment funds is so closely linked to what is happening within the economy (specifically banks) that the service can only react and respond to needs. There is increasing levels of new business start-ups and demand for financial support, but reduced demand for investment in growth and development projects. The changes outlined are consistent with this.

8. Recommendations

- 8.1 Committee is asked to note the content of the report and approve the changes outlined



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