

North Lanarkshire Council Report

Enterprise and Growth Committee

approval noting

Ref PH/YW

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Coronavirus Business Recovery Fund

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Executive Summary

The purpose of this report is to seek approval to use available council funding to establish a new Coronavirus Business Support Fund to support local small to medium sized enterprises (SMEs) to restart, adapt and recover from the impact of coronavirus and retain jobs. This report also seeks approval from Committee to withdraw surplus funds from Business Loan Scotland.

Recommendations

It is recommended that Committee:

- 1) Note the contents of this report.
- 2) Approve the withdrawal of surplus funds from Business Loan Scotland.
- 3) Approve the proposals to establish a Coronavirus Business Recovery Fund - Back to Business Grant with the outlined scheme guidelines, conditions and eligibility criteria as set out in Section 2.
- 4) Approve the development and delivery of a Covid Recovery Grant scheme following confirmation of the availability of European Regional Development Funds (ERDF).

The Plan for North Lanarkshire

Priority Improve economic opportunities and outcomes

Ambition statement (5) Grow and improve the sustainability and diversity of North Lanarkshire's economy

1. Background

- 1.1 For many years North Lanarkshire Council has delivered a small grants scheme for local businesses, most recently under the name of the Business Transformation Fund (BTF). During 2018-19, BTF offered grants of £245 to £6,000 (by exception up to £12,000 if certain additional criteria were met), at a fixed intervention rate of 50%. This financial support was designed to encourage business growth and sustainability, measured in particular by turnover increase and job creation within the applicant business.

The BTF scheme supported business growth projects in one or more of the following areas:

- Capital Expenditure - purchase of equipment or machinery;
- Infrastructure Improvements - conversion or expansion of business premises;
- Consultancy - the securing of external expertise to assist business growth;
- Exhibition Support - participation at trade shows as a first time exhibitor or visitor;
- Training Support – improving staff skills to drive business growth.

- 1.2 The BTF budget for 2019-20 was £250,000 with £150,000 provided from the Enterprise revenue budget and an additional £100,000 subject to confirmation from ERDF funds. The ERDF match funding is conditional on targets being achieved. The target for 2019-20 was to support 40 unique businesses (4 of which go on to export) who create 20 Full Time Equivalent (FTE) jobs.

- 1.3 The budget to support the Business Transformation Fund was removed as part of an approved saving when the Council agreed its budget for 2020/21 in February 2020.

- 1.4 Following the impact of coronavirus on the UK and Scottish economies, an unprecedented package of business support has supported jobs, in the main, through the UK Government's Coronavirus Job Retention Scheme (CJRS) [Furlough Scheme] and the Self Employed Income Support Scheme (SEISS); the Pivotal Enterprise Resilience Fund (PERF) and the Scottish Government's Coronavirus Business Support Fund (CBSF) that provided grants of either £10,000 or £25,000 to support small businesses and those based in the retail, leisure and hospitality sectors. A significant volume of other support is also available to businesses and a summary of this is updated daily and available on the Council's [website](#). The largest job retention and business grant schemes are currently being wound down or have already closed despite businesses facing a wide range of impacts.

2. Report

North Lanarkshire Council's Coronavirus Business Support

- 2.1 Whilst many businesses may have received grant support from schemes launched by the Scottish Government or Scottish Enterprise, it is recognised that not all local businesses have received support to-date. Due to the continuing severity of impacts of coronavirus on North Lanarkshire's business base and wider economy, council officers have undertaken a review of potential council funds that could be used to ensure North Lanarkshire Council can support its local business base to sustain operations and jobs locally. One source of potential one off funding is to withdraw legacy funding retained by Business Loan Scotland (BLS) following a transfer of funds from the West of Scotland Loan Fund. BLS no longer require North Lanarkshire Council's portion of these legacy funds and these can be withdrawn. Under conditions

linked to the fund and previous funding conditions associated with the fund, withdrawal will be conditional of them being used to support like-minded economic development activity and for them to be used for SME development activities. Other potential one off funding includes the £1m previously withdrawn from the West of Scotland Loan Fund when it was closed. The £1m from West of Scotland Loan Fund is subject to stringent conditions and must be used to support like-minded economic development activity and be used for SME development activities. When £1m was withdrawn the council advised that the Funds would be earmarked for new and existing SMEs and would form part of the mix of financial support that would be available to businesses with growth potential requiring assistance to realise their growth ambitions aligned to the council's Economic Regeneration Delivery Plan.

2.2. Through providing extensive support to businesses locally, our Enterprise Team and Business Gateway Lanarkshire service have captured an extensive volume of feedback from businesses on the impact on their operations through an enquiry tracker. Between 16th March 2020 and 27th May 2020, North Lanarkshire Council's Enterprise team received 1,172 enquiries from 937 unique businesses. Of these enquiries, 50% related to the Coronavirus Business Support Fund grants of £10,000 and £25,000 which North Lanarkshire Council was administering on behalf of the Scottish Government. However, 40% of all enquiries centred on other financial support such as cash flow issues, loan support, rates relief, and rent payment holidays.

2.3. In addition, a business survey was issued by the Enterprise Team on Monday 29th June 2020 to invite feedback from businesses to help inform the development of a potential recovery fund. The survey closed on 17th July 2020 and 814 businesses responded to the survey which is around 10% of North Lanarkshire's 8,290 registered enterprises. Key findings of relevance to this report included:

- Businesses indicated that facilitating access to business grants to support essential investment in equipment, plant, technology or infrastructure is the most important role for the Council's economic recovery plan. The second most important role is to provide access to business loans as a source of working capital to ease cashflow pressures and facilitate recovery.
- 69% of businesses would consider grants as a source of investment for their business, whilst 19% would seek to use loans with interest charges.
- Almost a quarter of respondents (23%) said they had no cash reserves remaining. A further 47% of respondents only have reserves to cover 3 months or less.
- One normal trading has resumed, 33% of businesses intend to diversify by developing new products or services or targeting different sectors, whilst 31% intend to drive more of their sales through online services.

Coronavirus Business Recovery Fund (CBRF)

2.4 It is proposed that the Coronavirus Business Recovery Fund budget for 2020-21 would be around £1.5m, excluding any potential ERDF funding that can be obtained. This is comprised of £1 million withdrawn from the West of Scotland Loan Fund in 2019 in advance of its dissolution and up to £564,000 to be withdrawn from Business Loan Scotland, subject to the committee's approval. To ensure limited Council funds can support as many businesses and as wide a variety of projects as possible, it is proposed to offer two grant schemes within the CBRF.

- **A Back to Business Grant Fund** of up to £200,000 which would offer small one-off non-repayable cash grants of up to a maximum of £2,500 per business to approximately 80 SMEs. The grants will be targeted at start-up or existing smaller

North Lanarkshire-based businesses with between 2 and 20 staff and who trade in a business-to-business capacity (not less than 75% of turnover). As with other coronavirus grant schemes, only businesses who were trading prior to 17th March 2020 will be eligible. The grant can be used to fund specific and immediate business priorities or projects. Examples of priorities which could be considered include: income diversification; development of e-commerce platforms; Covid-related adaptation of premises (e.g. to accommodate social distancing); or adaption of business model to deliver a new or amended service/product offering. An online application form pre-set with eligibility criteria will be completed by the business. The application will then be verified for accuracy, eligibility and viability. Eligibility criteria will include:

- Businesses must not have received any Covid-19 grant support to-date (e.g. Coronavirus Business Support Fund (i.e. £10,000 Small Business Grant & £25,000 Retail, Hospitality and Leisure Grant); Pivotal Enterprise Resilience Fund; or Newly Self Employed Hardship Fund).
- The applicant must demonstrate why external financial assistance from North Lanarkshire Council is necessary.
- Businesses must be viable. Evidence will be required to validate this as part of the application process.
- Businesses cannot have procured items or commenced any expenditure it is seeking specific funding for prior to any grant support being awarded.
- Business premises must either be wholly owned or have more than 12 months remaining on a commercial lease at date of application.
- Home-based businesses must be Limited Companies and trading (not incorporated) for more than 12 months and will only be considered for support in exceptional cases.
- Ventures at the pre-start/pre-trading/feasibility stage will be ineligible
- Robust and transparent application processes will be in place and published for both funds detailing how the fund will be appraised

2.5 With the remaining funds it is proposed to establish a **Covid Recovery Grant Fund** of up to £1.3m plus potential additional ERDF funding (subject to approval from the Managing Authority). This would provide grants of up to £20,000 to be targeted at SMEs with over 20 employees to support their strategic, longer term sustainability and growth. This grant would fund specific activities to help businesses adapt and mitigate the negative impacts of Covid on their operations. Officers will investigate the potential match funds available through European Regional Development Funds (ERDF) for the Covid Recovery Fund and develop specific criteria for this grant scheme once the outcome of matching ERDF funds is known.

2.6 It is the intention to launch the Back to Business scheme as quickly as possible following approval from Committee with further time being taken to develop the Covid Recovery Fund to avoid potential for duplication with Scottish Government or other public sector business support funds which are currently in development, and to enable the maximise potential to maximise available ERDF funding.

2.7 It is proposed that systematic monitoring of grant recipients will continue to be built into this scheme's compliance and monitoring procedures to ensure that outputs/outcomes stated in their original application are achieved. Monitoring will be a condition of grant payment and scheduled with all applicants 12 months after the supported project is completed, to measure forecast outputs against actual outputs.

3. Equality and Diversity

3.1 Fairer Scotland Duty

We will monitor the impact of equalities and socio-economic disadvantage as part of the Coronavirus Business Recovery Fund.

3.2 Equality Impact Assessment

Assessment has been completed and no adverse impacts were identified.

4. Implications

4.1 Financial Impact

It is proposed that the Coronavirus Business Recovery Fund budget for 2020-21 is around £1.5m comprised of £1 million withdrawn from the West of Scotland Loan Fund in 2019 in advance of its dissolution and up to £564,000 to be withdrawn from Business Loan Scotland, subject to committee approval. The potential to obtain additional funding through European Regional Development Funds (ERDF) to maximise the resources available for the Covid Recovery Fund will be investigated. The Back to Business grant will not be matched with ERDF to ensure businesses can be supported as soon as possible.

4.2 HR/Policy/Legislative Impact

As part of making grant awards to businesses there are State Aid implications for those entities receiving support. Existing State Aid mechanisms including de minimis, temporary and approved schemes will be used to ensure the regulations will be met. There are no other HR or Policy impacts recognised as part of this report.

4.3 Environmental Impact

There are no negative environmental impacts recognised. As a result of the some of the types of growth projects undertaken by SMEs to improve processes or to update equipment and property, it is expected that there will be a positive environmental impact.

4.4 Risk Impact

Risks related to both North Lanarkshire Council and ERDF funds are closely monitored and all expenditure is verified prior to the submission of claims for ERDF funding. There is the risk the Council awards grants to businesses who then fail. This will be mitigated through a thorough verification and assessment of all grant awards. With limited funds available the Council must recognise it cannot support every business who applies which could lead to reputational impacts. Grant awards will be deployed in a systematic and transparent process to support those projects with the highest impacts. There will be published eligibility criteria. Robust and transparent application procedures will also be published along with deadlines as appropriate.

5. Measures of success

- 5.1 North Lanarkshire Council continues to play a leading role in supporting local SMEs and aiding their growth and prosperity. The Coronavirus Business Recovery Fund during 2020/21 will measure the number of jobs retained, jobs created, number of businesses supported and any growth in turnover as a result of the support provided.

6. Supporting documents

- 6.1 None



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