



Community and Enterprise Resources

Lanarkshire LEADER LAG - Growing Business Theme Investment Approach : Rural Business and Farm Diversification Investments

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1. Background

The Lanarkshire LEADER funding allocation of £4M contains within it a 10% minimum indicative allocation of £400k for supporting rural businesses and a further minimum indicative 10% allocation of £400k for supporting farm diversified businesses in the LAG area. This is a total minimum indicative allocation of £800k over the term of the LEADER programme [currently up to end 2019].

It is important that the Lanarkshire LAG makes a clear differentiation between LEADER support and that provided through the other funds, particularly ERDF and Local Authority funds and contracts such as the Business Gateway contract for advisory services.

North and South Lanarkshire Council's work very closely in partnership on delivery of Enterprise and ERDF funding activity across Lanarkshire and have done so for a number of years. Both Councils jointly deliver activity in the tourism and food and drink key growth sectors as well as managing the Business Gateway service.

This paper sets out an investment approach to ensure designated LEADER rural business grant funds are complementary to all other sources of funding and services currently available and are well positioned to leverage increased growth in the rural economy.

2. Existing ERDF funding

2.1 Existing ERDF support for business – Grants to businesses

A joint application was made to the ERDF Business Competitiveness strand and funding was secured in May 2016 for the Competitiveness, Innovation and Jobs: Business Competitiveness Lanarkshire project which includes match funding for North and South Lanarkshire Councils' core budgets in relation to direct financial grant assistance to SME businesses across the **entire** Lanarkshire area. This has resulted in ERDF grant funding of £510,000 split equally between the two areas to be spent between 1 October 2015 and December 2018 across the **entire** areas, not restricted to the rural areas.

Business support grants in both Local Authority areas are capped at £10,000 maximum per annum. Key sectors with a specific priority are Food and Drink, tourism and construction and Life Sciences but where the opportunity for growth can be demonstrated, grants are not limited to these sectors. The objective of these ERDF grants is to accelerate the growth of SMEs through implementing new or improved products, services or selling to new markets (innovation) which in turn will directly create sustainable economic growth via new jobs and increased turnover.

2.2 Existing ERDF support for business- advisory services

The ERDF funding also provides significant match funding (c£1.2M) for specific elements of the Business Gateway services. The current Business Gateway contract in place across Lanarkshire comes to an end on 28 February 2017 and the tender for the new contract(s) to commence on 1 March 2017 is currently underway. This seeks to ensure enhanced connections and any perception and presence issues in the rural area are specifically addressed.

Again the focus here is on **providing advisory services** to focus on accelerating growth of SMEs to drive sustainable economic growth and job creation through stimulating innovative projects. There is no direct funding to businesses through Business Gateway.

Business Gateway services are available to all businesses and there is no distinction between rural, agri, social enterprises and non rural businesses made in service delivery. The payment and ability to draw down ERDF funding is determined by the level of service offered and what stage the business is at i.e. start up or existing.

The proposed process at section 8 seeks to ensure that the Business Gateway service is embedded firmly in the LEADER grant funding process and deals with all businesses to appraisal stage.

3. Tourism

The Visit Lanarkshire partnership has launched the revised tourism strategy and this is available here <http://www.visitlanarkshire.com/media/3970/ltap-2020.pdf>. The objective is to grow tourism expenditure in Lanarkshire by 2.5% per year from 2016 to 2020. The partnership did apply for Scottish Enterprise Destination Fund funding of £100,000 in July 2016 and unfortunately this was unsuccessful. The funding of the tourism sector through both Local Authority budgets is therefore limited and focuses mainly on marketing and online initiatives at a Lanarkshire level through www.visitlanarkshire.com. **Grant support is only available to tourism businesses through ERDF [section 2.1 above] at present.**

4. Food and Drink

The Scottish Government has recently announced a new food and drink advisory service called Connect Local (www.connectlocal.scot) which is co-ordinated by SAC Consulting and is a partnership approach bringing together resources from SAOS, Scotland Food and Drink and Seafood Scotland. It is very early days for this service and it is effectively a funded specialist advisory service for the food and drink sector that has no direct grant funding attached. The service does however offer free one to one and one to many events which may be of benefit to stimulate sectoral projects in the rural area which may then come forward for grant support. **Grant support is available to food and drink businesses through ERDF [section 2.1 above] or the national Food Processing, Marketing and Cooperation scheme. The national scheme should generally be considered first for any food based business project.**

5. Social Enterprise

Business support to social enterprise has traditionally been delivered under ERDF funding and delivered under the main Business Gateway contract covering the whole of Lanarkshire. Under new ERDF Business Competitiveness strand, there is no separate provision or different criteria for social enterprise and as such advisory and business support is delivered to social enterprise under the mainstream Business Gateway contract.

Generally, social enterprise led projects are not considered to be fundamentally different from other business projects and consequently are eligible for mainstream business support. However, they can also directly benefit from community benefit funds as outlined below. Social enterprises projects can be considered as business projects but equally there can be a social rationale for support. The way in which the LAG assesses them will depend on each individual circumstance. It should be noted that in social enterprise projects, consideration will be taken of the cost of alternative service provision i.e. if the service burden fell onto the public sector.

6. Community Benefit Funding

Community Benefit Funds are generally only available to not-for-profit organisations for making a contribution towards the capital costs of community projects. This includes social enterprises and can include support for the capital cost of developing or improving community facilities, skills and employability projects and environmental improvement, conservation and heritage projects and energy efficiency schemes that aim to reduce fuel poverty. There is a difference in how Community Benefit Funding is administered in both local authority areas and also in the eligibility criteria for windfarm, landfill and coal community benefit funding.

Work is currently being undertaken to identify how the LAG can work alongside the funds to ensure that coherence and collaboration across the range of funding streams is maximised giving enhanced economic and social impacts.

7. Gathering intelligence

Informal efforts have been made to gather intelligence on the level of project activity in the pipeline at present in relation to growth projects from both rural and agri diversified SMEs. Specific discussions have taken place with the Scottish Agricultural College colleagues in Lanark to identify the pipeline and specifically gaps in the support at the present time.

A number of Expressions of Interest have also been submitted to the Programme and alongside the above these show that there are a small number of larger scale projects that merit LEADER consideration given the scale of potential outcomes (jobs, turnover and indirect impact for rural contractors). At present, there is no specific grant available to act as a catalyst to accelerate these significant growth projects in the rural area.

8. LEADER Rural Business and Farm Diversification Investment Approach and Process

8.1 Approach

The premise is that the process should ensure that good projects that will deliver rural jobs and economic growth receive support and advice in a joined up way.... so the leg work is done by the advisory agencies to identify what assistance route is most appropriate rather than referring projects back and forth between funds and fund managers.

There also needs to be differentiation between LEADER and ERDF and a prerequisite for LEADER support would be that the ERDF grant funding through the Local Authorities is not appropriate or significant enough in terms of scale to make the project happen. The ERDF funding through both Local Authorities would be considered as a first port of call for business support grants.

LEADER funding will be available to support rural business and farm diversification investments over the ERDF £10,000 level [total project cost in excess of £20,000] and up to a maximum of £200,000 (maximum 50% intervention and minimum 50:50 private:public ratio and subject to State Aid criteria) to allow strategic projects with a significant economic impact in terms of jobs and turnover and a social impact on rural communities, to be considered for LEADER investment. New and existing companies would be eligible for support. This is a guideline and there may be circumstances when project investments of

below £10,000 are made through LEADER or that applications for more than £10,000 are considered to be more appropriate for ERDF support with grant capped at £10,000.

The objective would be to drive improved economic outcomes for the rural area through rural jobs and turnover growth and stimulate innovative projects which would achieve new products, new processes or new services to new markets.

Support will be available to a wide range of businesses including manufacturing, services to manufacturing, construction, wholesale, transport, distribution, independent retailers, tourism, food and drink and agriculture linked to farm diversification. Within this range the priority targets would be on projects with opportunities for growth in jobs and turnover in the following sectors, but it is not limited to these sectors

- Local food and drink businesses
- Tourism businesses – attractions and accommodation
- Construction and Life Sciences

This means that LEADER and ERDF funding would be working hand in hand to create growth obviously with a rural dimension where appropriate to stimulate growth. In addition support could be scoped to ensure it covers other LEADER strategic objectives such as improving the viability of the area's agricultural sector and assisting communities take on owned assets.

8.2 Investment Thresholds

Individual investments will be considered within the following guideline thresholds:

Job outcomes will be dependent on the nature of both the business and investment, for example a hotel expansion may bring a higher investment to job creation ratio than an investment in plant and machinery for a service based business that aims to improve efficiency and significantly increase turnover. However, there will be a general expectation that investments over £50k should see 3 or more jobs created and investments over £100k should see 5 or more jobs created, that have the potential to create long term economic impact. A key investment consideration will be that the return on investment is proportionate to level of grant requested. Safeguarding jobs will also be a consideration in certain circumstances.

Turnover should be a minimum of 10% increase in turnover over the current business baseline as identified in the latest business accounts. Alternatively, **return on investment** should be a minimum of 20% of the business input.

Private sector leverage will be required at a minimum 50:50 level. State Aids may increase this in certain circumstances.

8.3 Delivery process

All LEADER partners [SLC/NLC, Business Gateway, Scottish Enterprise, SRUC, LEADER, LAG members] can to play a role in stimulating projects. An interrogation of the business base information available across partners has not identified specific targets areas where

potential growth can be explored although this analysis will be ongoing and could identify future opportunities.

General investment enquiries can be received by any of the LEADER partners. An initial appraisal of the investment potential of the project should be undertaken by the receiving agency. Experience suggests that most projects will not be investment ready at this stage. In these cases potential applicants should be referred to Business Gateway, Scottish Enterprise - if they are account managed, or a private business advisor capable of supporting the project development, to support the robust business planning necessary for an investment to be considered. This will be funded through the Business Gateway contract. Projects being considered for LEADER funding should be requested to submit an EoI at an early stage, even if it is subsequently determined to utilize another funding route, to allow for monitoring of the application pipeline. EoI's received directly by LEADER will be referred to BG if appropriate and the potential applicant advised of the rationale. LEADER will monitor progress on all Expressions of Interest and these will be reported to the LAG at each meeting. This will identify which agency is leading on the project.

The BG advisor will consider the appropriateness of the available funding streams to the investment requirement and liaise as appropriate with the fund managers. All LEADER applications will be submitted via LARCs. It is the applicant's responsibility to complete and sign off the application.

The appraisal of all LEADER applications will be through the full LAG. Advisors will provide comments on the application via a project template to assist the LAG's consideration. This should be performed based on potential outcomes and the need for financial assistance. A technical check is undertaken prior to this by the LEADER manager covering technical and compliance issues including State Aids.

A guideline is appended to assist in the application development for LEADER.

Application Development Guideline Note on LEADER

- The businesses must be based in Lanarkshire LEADER eligible area [see map in Lanarkshire LEADER LDS http://www.southlanarkshire.gov.uk/info/200168/getting_involved_in_your_community/1631/leader]
- The business should be within the Micro and Small employment [<50] and turnover [£8.26m/€10m] thresholds
- The business must have a Business Registration Number [BRN] and the contact details and bank account details on the LEADER application form must match the details of the BRN registration. If the business doesn't have a BRN this needs to be applied for before the application to LEADER is submitted.
- The project must fit the priorities of the Lanarkshire LEADER Local Development Strategy 2014-2020 and this Investment Approach. Copy available via link above.
- LEADER will not fund business projects on its own - the maximum grant will be 50% [subject to State Aids] of the total eligible project cost, up to the maximum funding level for each element of expenditure. You will need to show that commercial funding is not appropriate for the project or that the level of commercial funding in the project

- is appropriate. LEADER cannot be mixed with other EU funding including ERDF, LEADER or Food Processing, Marketing and Cooperation.
- All applications to LEADER have to be submitted using the Scottish Government on line application system LARCS. Once it has been identified that LEADER may be an appropriate fund to support a project, an expression of interest should be submitted via the Scottish National Rural Network <https://www.ruralnetwork.scot/funding/leader>. An account for LARCS will be created by the LEADER team once an application is ready to be developed and submitted. The team can be contacted on leader@southlanarkshire.gov.uk or by calling 01555 665064. The Senior Applicant must be a person authorised to commit funds and sign off the project. This should be the same person as is registered for the BRN.
 - The applicant needs to complete all the tabs on the LARCS on line system [Project – File attachments]. The following file attachments should be uploaded.
 - Accounts for last 3 years [plus management accounts if accounts if more than six months old]
 - Last three months bank statements
 - VAT registration document
 - Pay role extract [evidence of employment level]
 - Evidence of other funding [grant offer/finance offer/board minutes]
 - Procurement report and min three quotes for grant eligible costs
Proforma available
 - Business/project plan - plus/including evidence of need and demand
Proforma available
 - Project cash flow on spreadsheet template *Proforma available*
 - Company registration Doc/M&A of Association/List of Board members
 - Deeds/landowner consent
 - Statutory consents e.g. planning
 - All applications to LEADER will be considered by the LEADER Local Action Group. They meet bi-monthly and finalised applications are required 6 weeks prior to the meeting date.
 - The grant claim process is retrospective and via LARCS. Claims are paid on the basis of achieving project milestones as well as actual project spend.

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Lanarkshire LEADER Programme

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