



BUSINESS GATEWAY SERVICES: CERGS REPLACEMENT BUSINESS SUPPORT SCHEME

Report by Depute Chief Executive

PURPOSE

- 1.1 The purpose of the Report is to seek approval from the Comhairle to transfer £200,000 from its Revolving Loan Fund in order to create and fund a proposed 'Outer Hebrides Business Development Scheme' initially - as a replacement for the 'Covid-19 Economic Recovery Grant Scheme' (CERGS).

EXECUTIVE SUMMARY

- 2.1 The 'Covid-19 Economic Recovery Grant Scheme' (CERGS) – which was designed to help the economy recover from Covid-19 by supporting businesses and social enterprises with grant funding to aid recovery, build resilience and encourage development - was launched in August 2021. CERGS was successful in attracting new enquiries to Business Gateway, helping to improve the number of start-up and growth businesses supported and helped create over 100 FTE jobs across the islands, though the budget is now almost fully committed.
- 2.2 Therefore, in order to build upon the success of CERGS, a replacement scheme is being proposed. This scheme would be similar to CERGS, providing grants of up to £3,000 at a maximum intervention rate of 50%. The scheme would complement existing Comhairle business development schemes in terms of filling the gap for business proposals that do not meet the criteria of existing schemes, thus ensuring that small but significant key developments with economic impact proceed as proposed by applicants.
- 2.3 It is proposed that funding for such a new scheme be sourced from the Comhairle's existing 'Revolving Loan Fund' (RLF), as there is approximately £850k in the RLF budget currently. Utilising a proportion of these funds would allow resources to be used more effectively, achieving greater economic impact at a time when businesses are still recovering from Covid-19 and have reduced reserves for development activity. Demand for loans - including fisheries investments - tends to fluctuate, therefore it is important the RLF does not fall below a significant level of resource. It is considered that a transfer of £200k from RLF would not impact the fund adversely, it would maintain the RLF at a sustainable level and be a more efficient use of limited resources to achieve significant economic impact going forward.

RECOMMENDATIONS

- 3.1 **It is recommended that the Comhairle agrees to transfer £200,000 from the Revolving Loan Fund (RLF) to create and fund the Outer Hebrides Business Development Scheme (OHBDS) initially.**

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Appendix: Proposed 'Outer Hebrides Business Development Scheme' Summary (Draft)

Background Papers: None.

IMPLICATIONS

4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	There are financial implications, as it is proposed that initial funding comes from the Comhairle's existing 'Revolving Loan Fund' (RLF).
Legal	None
Staffing	There are no staff implications. Business Gateway staff would continue to deliver core BG services and various internal/ external programmes.
Assets and Property	None
Strategic Implications	Implications/None
Risk	The principal risk is ensuring that the proposed funding scheme is delivered per internal eligibility criteria.
Equalities	None
Corporate Strategy	Economy and Jobs - to collaborate with partners, Scottish and UK Government to strengthen our local economy and our communities. The current activity is a key element of the Comhairle's Economic Recovery Strategy, as agreed by Comhairle nan Eilean Siar in August 2020
Environmental Impact	None
Consultation	None

BACKGROUND

- 5.1 The 'Covid-19 Economic Recovery Grant Scheme' (CERGS) was funded by Scottish Government Covid-19 recovery funding (LA-CER/ Discretionary) whereby Comhairle nan Eilean Siar was designated to assist the local economy to recover from Covid-19 by supporting businesses and social enterprises with grant funding - to aid recovery, build resilience and encourage development.
- 5.2 Grant funding was available to support the cost of expertise, equipment and technology which businesses needed to adapt, recover, and rebuild from the effects of the pandemic. The primary aim of the scheme was to stimulate new business investment to support recovery and longer-term growth. The original budget set aside for CERGS is however almost fully committed.
- 5.3 CERGS was very flexible, providing investment support to a wide range of businesses throughout the Western Isles. When CERGS started, grants of up to £20k were available, though this was later reduced to £10k and - as the scheme was winding down - the level of grant was reduced further to £2k.
- 5.4 The scheme started around August 2021 and has been extremely successful – with the key outputs of the scheme being as follows:
- Total grants approved to date: £696,077;
 - Budget Remaining: £7,000;
 - Number of applications approved: 98;
 - TPC £3.5m;
 - Jobs Created: 101 FT and 50 PT;
 - Jobs Safeguarded: 88 FT and 28 PT;
 - Total annual turnover forecast: £13.5m (Year-1), £16.5m (Year-2), £20m (Year-3).
- 5.5 The scheme has been very successful in attracting new enquiries to Business Gateway, helping to improve the number of start-up and growth businesses supported. Given that a relatively modest amount of funding can be effective, it is considered that a replacement CERGS-type scheme would continue previous successes going forward.

PROPOSAL

- 6.1 It is proposed that a replacement grant scheme along similar lines to CERGS be developed. The grant available to full-time businesses would be £3,000 (£1,500 for PT) at a 50% intervention rate. Such a scheme would target both start-up and growth. The working title for the scheme is the '**Outer Hebrides Business Development Scheme**' (OHBDS) and the draft scheme proposed is appended to this report.
- 6.2 OHBDS would fill a gap for businesses unable to access existing Outer Hebrides Young Enterprise Support Scheme (OHYESS) grant support, which is restricted as it can only support key sectors. There is no guarantee that OHYESS will continue beyond March 2024, as HIE can only decide whether to continue financial support once its local budget for 2024-25 is known. Should OHYESS continue and a business be eligible for OHYESS (up to £5,000) it would not also be eligible for OHBDS (up to £3,000) and it would be one or the other in that instance.
- 6.3 An investment of £200,000 would result in significant economic outputs, including up to 100 FTE jobs created, up to 80 FTE jobs safeguarded, and approximately £1m of external funding levered in. The investment would also encourage new business start-ups and help to grow existing local businesses.
- 6.4 It is proposed that funding for a new scheme be sourced from the Comhairle's existing Revolving Loan Fund (RLF), as there is currently approximately £850k in the RLF budget. Utilising some of the funds will allow resources to be used more effectively, achieving greater economic impact at a time when businesses are still recovering from Covid-19 and have fewer reserves for development activity. Demand for loans, including fisheries investments tends to fluctuate wildly and it is important the fund does not fall below a certain level. It is considered a transfer of £200,000 from RLF would not impact the fund adversely, would maintain the RLF at a sustainable level, would be a more efficient use of limited resources and achieve significant economic impact.

PROJECT COSTS AND FUNDING

- 7.1 A transfer of £200,000 from the RLF budget would be required for a replacement grant scheme. This level of funding would last approximately three years, assuming 35 applications per annum at an average of £2,000 per application.

CONCLUSION

- 8.1 CERGS has been successful in attracting new business investment, resulting in new business start-ups and existing businesses investing in growth. Job impacts have been significant with 126 FTE created and 102 FTE safeguarded. In addition, the 90 businesses supported through CERGS are expected to generate total annual turnover of between £13.5M and £20M. Developing a replacement to CERGS would continue this valuable work and ensure a pipeline of new contacts for Business Gateway to work with and help develop.
- 8.2 The proposed scheme would provide for a better more efficient use of resources, achieving maximum economic impact. It is expected that up to 100 FTE jobs would be created and up to 80 FTE jobs safeguarded over the coming three years. The proposed scheme will not proceed without the Comhairle's investment.

PROPOSED DRAFT SCHEME SUMMARY - OUTER HEBRIDES BUSINESS DEVELOPMENT SCHEME (OHBDS)**Grant Summary**

Scheme	Grant funding for businesses and social enterprises to enable them to start or grow.
Grant Amount	£3,000 capital funding (50% for part-time businesses). Up to £1,000 can be used for approved revenue costs (marketing, software, website, e-commerce, training)
Level of Support	Up to 50% of eligible costs

The OHBDS is funded by Comhairle nan Eilean Siar and is designed to help new businesses developments including start-ups and growth. **Funds are limited and applications will be prioritised according to business/economic impact.** There is no guarantee you will receive the full award.

Priority will be given to projects that link with the vision of the local **Economic Recovery Strategy** – ‘We aspire to reimagine and reform the economy of the Outer Hebrides by supporting a strong and socially inclusive recovery that creates strong, resilient communities where community capacity and wealth, based in the green economy and digital inclusion is prioritised.’ The key themes of the strategy include Community Wealth Recovery, Green Recovery and Digital Recovery.

Grant funding of up to £3,000 is potentially available to pay for the expertise, equipment and technology businesses need to adapt, recover, and rebuild. The primary aim of the scheme is to stimulate new business investment to support recovery and longer-term growth. Funding is available for the following activities:

- **Inward investment – supporting businesses to relocate to the Outer Hebrides;**
- **Diversification – supporting businesses with plans to adapt and diversify;**
- **Sustainability/Resilience – supporting activity that will build resilience and make businesses more sustainable;**
- **Developing Markets – supporting businesses in accessing new markets through the use of technology;**
- **Digital – support businesses with the development and implementation of new digital systems, to improve business performance and enable growth;**
- **Growth – encouraging businesses to invest in growth activity;**
- **Re-build – supporting businesses to recover;**
- **Start-up – support the development of higher value start-ups;**
- **Environmental - supporting the employment of net zero measures, investment in green measures, promoting more sustainable use of resources;**
- **Retail Centre Regeneration – support retail centre/ports-of-entry businesses to attract footfall and encourage local spend;**
- **Cruise Ship Market – supporting activity that enhances the local offering to visitors;**
- **Innovation – support the introduction of innovation into the workplace or the development of innovative products/ services;**
- **Support Local – support opportunities for produce/products to be created closer to the point of consumption, e.g. local food production.**

Eligibility & Conditions

The Outer Hebrides Business Development Scheme is subject to the following conditions:

- Open to existing businesses based in the Outer Hebrides and to new businesses start-ups unable to access funding from OHYESS. Business owners/ applicants must also be based in the Outer Hebrides;
- Sole traders, partnerships, limited companies, co-operative groups, social enterprises or other legitimate business trading entities can apply for support;
- Activity must satisfy the key aims of the scheme, which is to develop economic and business activity;
- Visitor accommodation is normally considered ineligible;
- Applicants must be able to fund the project until the grant can be claimed. Grant payments will be released only upon submission of 'proof of payment.' No money should be spent until an application has been approved and an official letter of offer provided;
- Applicants with income from other employment will be considered part-time;
- Each application will be considered on its own merits. However, projects in areas which are adequately served by similar existing businesses are unlikely to meet the eligibility criteria.