

Agenda Item	6
Report No	ECI/32/2021

HIGHLAND COUNCIL

Committee: Environment and Infrastructure

Date: 1 September 2021

Report Title: Economic Prosperity Fund / Economic Recovery Update

Report By: Executive Chief Officer Infrastructure, Environment & Economy

1 Purpose/Executive Summary

- 1.1 This report updates Members on progress with the roll out of the suite of projects being funded through the Council's Economic Prosperity Fund. As many of the projects being funded seek to work in concert with and bring added value to current activity, the report seeks agreement from Committee to transfer funds for loan investment to Highland Opportunity Investments Limited and also addresses the residual use of the Discretionary Grant Scheme.

2 Recommendations

- 2.1 Members are asked to:-
- i. Agree to provide £240k from the Economic Prosperity Fund to enable the Council's Investment Company – Highland Opportunity Investments Limited, to manage on its behalf a small-scale loan scheme and to recycle capital repayments for future business loan investments; and
 - ii. agree that the Council seek and secure flexibility from the Scottish Government in how residual Discretionary Grant Scheme funding can be used to support business survival and recovery.

3 Implications

- 3.1 **Resource** - There will be significant resource implications to the delivery of economic recovery. The aim with the Economic Prosperity Fund is to bring added value to existing activity and hence offer additional resource as and when required.
- 3.2 **Legal** - No implications.

- 3.3 **Community (Equality, Poverty and Rural)** - All work streams associated with the economic recovery task should have positive outcomes.
- 3.4 **Climate Change / Carbon Clever** - The Scottish Government has committed to ending Scotland's contribution to climate change by 2045 at the latest, and the public sector is legally required to support this ambition. Work will continue across the suite of business support measures to ensure that Highland takes a lead in moving towards a net zero economic model.
- 3.5 **Risk** - All risk elements will be managed within each workstream.
- 3.6 **Gaelic** - This will be an important part of the culture/tourism element.

4 Economic Prosperity Fund

- 4.1 Members will be aware that within its Ambitious Highland, Health and Prosperity Strategy 2021/22, the Council approved an Economic Prosperity Fund (EPF). Within this Fund there is a suite of projects and programmes. Some of these projects are directly adding value to current activity and therefore are underway or well developed, while others will be developed over the coming months as capacity allows. See **Appendix 1** for details.
- 4.2 As Members will be aware, one of the EPF programmes is a business development programme including advisory and financial support for start-up businesses; growing businesses, and businesses seeking to adapt to new business conditions. The core approach with this business development programme is to align with and add value to existing business support.
- 4.3 One project initiative is to establish a growth finance package. This will, subject to the level of investment sought from business, either offer a grant (£5,000 to £10,000) funded via the EPF or Council/ERDF; or a combined grant (up to £10,000) and loan package (minimum £5,000 up to maximum £15,000). It is proposed that the Council's investment company Highland Opportunity Investments Limited (HOIL) manage the loan aspect of this investment package with funding provided by the EPF. Not only are HOIL loan assessment procedures appropriate, but as the loans would be over a period of greater than 12 months for repayment up to 5 years, accreditation by Financial Conduct Authority which HOIL has, is applicable and required. If the level of loan investment sought is over £15,000, then it is proposed that the normal procedures for HOIL investment are followed and any loan funds utilised are taken from existing HOIL investment funds.
- 4.4 It is proposed that £240k of the EPF business development programme is made available to HOIL for loan investments in businesses which would not normally meet HOIL loan investment parameters. Staff time involved in assessing and establishing the loans will be charged to the EPF. Interest received from the loans will be used to cover ongoing loan administration costs. Capital repayments will be retained by HOIL thus creating a revolving fund for re-investment on a similar basis. This will have an effect of increasing potential funds available for lending and providing for loan finance to be made available for specific purposes and potentially to higher risk clients who would not otherwise meet HOIL risk parameters.
- 4.5 The HOIL Board is to consider this proposal at its Board meeting on 18 August. A verbal update will be provided to Committee.

5 COVID-19 Business Grants

5.1 Members will be well aware that the primary focus of the Council's business support efforts over the past 18 months, has been to manage on behalf of the Scottish Government a wide range of COVID-19 business support grants. This work continues, albeit on smaller targeted grant schemes with payments most recently being made to Taxi Operators and Soft Play facilities. The table below details the grant payments made:-

Grant Scheme	No of Businesses Paid	Amount Paid	No of Individual Payments
Small Business Grant	4813	£53,895,800	4813
Self-catering	2128	£19,966,250	2128
Newly Self-employed	336	£672,000	336
Bed & Breakfast	177	£529,000	177
Business Hardship Fund	406	£633,280	406
Strategic Framework Business Fund	5487	£102,151,850	25327
Contingency	35	£645,000	35
Soft Play Top-ups	8	£29,500	8
Discretionary	898	£3,495,816	1768
Discretionary Island Equivalent	23	£394,900	98
Taxi Drivers/Operators	759	£1,783,500	1223
Small Accommodation Providers	630	£9,427,000	1459
	15,700	£193,623,896	37,778

5.2 Discretionary Grant Scheme

The Council received in total £7,176,924 from the Scottish Government to enable it to deliver a Discretionary Grant Scheme. This was made up from two Discretionary Grant allocations, plus transferred funds from the Strategic Framework Business Fund to provide support to Small Isles and Raasay businesses. The purpose behind this grant scheme and guidance provided by the Scottish Government was to support businesses - whose trade is otherwise affected to some degree by COVID business/trading restrictions, and who not getting other support from Scot Govt since October 2020.

5.3 The Council adopted a wide eligibility criteria on who could apply, and when additional funds became available, extended twice the period to apply and reduced on two occasions the trading reduction necessary to become eligible. The opportunity was also taken with the additional funds to increase the grant awarded in keeping with Scottish Government guidance, and commensurate with other schemes, i.e., max £4k. Separately, in response to the difficulties those businesses applying had in evidencing their reduction in trade, the Council adopted a presumption in the assessment to one of self-declaration rather than detailed evidence assessment. This action alone opened the door to many micro/marginal businesses being able to secure grant.

5.4 In practice, this meant that the Council operated one of most flexible Discretionary Grant schemes in Scotland – with very wide eligibility and appropriate 'business type' due diligence. The Discretionary Grant scheme remains live and has been used in respond to particular circumstances as they arise. For example, in early June a problem was identified on the Small Isles and Raasay, whereby ferry capacity and COVID test

requirements meant, a number of businesses where being adversely affected by day trippers being unable to get to the islands. A grant was awarded to 15 businesses who were being adversely affected.

- 5.5 The challenge with the Discretionary Grant Scheme – given the guidance associated with it but also the live and evolving nature of COVID and business/trading restrictions, is how best to utilise it when other grant schemes are live or may become live. In many respects, at the current time and re-opening up of the economy, it could be argued that the original purpose for the Discretionary Grant scheme has now largely passed. In saying this – there is clearly a great number of businesses across Highland, who may have survived to date but if their trading is restricted/circumstances change, may need a helping hand to survive and/or recover.
- 5.6 The Scottish Government guidance for the Discretionary Grant scheme when it was first issued was at a time of critical business survival. There is a good case for that guidance to be reviewed to recognise that local situations may necessitate support for business recovery and not just business survival. It is therefore proposed that not only does the Council respond to local circumstances as they arise but that it also writes to the Scottish Government seeking flexibility in how the residual £3,286,208 Discretionary Grant Scheme funding can be used to support business survival and recovery.

6. Economic Recovery Update

- 6.1 Work on the Economic Recovery Strategy continues apace, with regular update meetings being held with key partners in the public and private sectors. The Economic Recovery Partnership has a number of workstreams underway in relation to labour market challenges (working with Skills Development Scotland) and in relation to ensuring housing provision is available for employees (this is a key issue raised at the last Partnership meeting).

Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 9 August 2021

Author: Andy McCann, Economy & Regeneration Manager

Economic Prosperity Fund

Highland Employment Recruitment Incentive (HERO)

- Value: £1m EPF plus £400k Young Persons Guarantee (YPG)
- Status: Underway (242 grants approved) (167 starts - of which 91 EPF and 76 YPG)
- Lead: E&R Team/Employability
- Comment: Progressing well. Proposal is to increase number of young person (under age 25) supported places with 2021/22 YPG funding.

Start-up/Growing Businesses:

- Value: £1.5m
- Status: Commenced with 'soft launch' of start-up support; growing businesses financial support package to be finalised/launched; digital boost programme underway; staffing in place; wider promotional launch in autumn as business demand grows
- Lead: E&R Team/Business Gateway/HOIL

Modern Apprenticeships:

- Value: £1.5m
- Status: Employment Initiatives Board established; review of MA posts and matching to training frameworks underway.
- Lead: R&F/HR
- Comment: MA prioritisation required as identified posts in excess of funding and need to match with training provision. Anticipated phased roll out of MA opportunities with first advertisement in September 2021. The EPF MA programme is in addition to existing Council MA activity and offers a pathway route for young people to progress from Youth Trainee placements to jobs.

Mentor Programme:

- Value: £1m
- Status: Senior Lead Skills, Employability & Prosperity appointed August 2021
- Lead: Education and Learning
- Comment: Initial meetings to design mentoring programme and identification of need. Anticipated first training to take place in September targeting vulnerable 2022 leavers initially. Mentors to be identified cross sector.

Supported Employment :

- Value: £250k
- Status: Senior Lead Skills, Employability & Prosperity appointed August 2021
- Lead: Education and Learning
- Comment: Initial meetings to identify cohorts linked initially to Alness and Invergordon schools and community. Anticipated first meetings and engagement with local businesses to take place in September targeting vulnerable school leavers initially, blueprint to be established for future SAC schools.

Training and Skills:

- Value: £250k
- Status: Senior Lead Skills, Employability & Prosperity appointed August 2021
- Lead: Education and Learning
- Comment: Initial meetings with UHI and local colleges, head of virtual academy and IT E and L to scope future programme.

Social enterprise and entrepreneurship:

- Value: £500k
- Status: Senior Lead Skills, Employability & Prosperity appointed August 2021
- Lead: Education and Learning
- Comment: Initial meetings to design ASG social enterprise program and identification of potential business cases. Anticipated to be launched in schools Dec 2021.

Supported Business Research Project:

- Value: £tbc
- Status: Research specification to be prepared/progressed
- Lead: E&R Team
- Comment: As a national research initiative is underway, it is proposed to pause EPF project progression to enable alignment and learning if/as possible.

Skills and Learning Course Funding:

- Value: £tbc
- Status: Linked to Local Employability Partnership/PACE activity and to be offered if and when required to enable training to be provided when other mainstream funds not available
- Lead: E&R Team/Employability
- Comment: Funding availability shared with partners – no identified need to date.

Social Enterprise Support Services:

- Value: £tbc
- Status: Business support services to be mapped with parallel social enterprise sector consultation (yet to be initiated)
- Lead: E&R Team
- Comment: Not progressed to date as priority directed to other work. Target to undertake work for 2021/22 winter period

Supply Chain Businesses:

- Value: £tbc
- Status: Part linked to Start-up/Growing Business programme and Procurement & Contracts Management Transformation Project (yet to be initiated)
- Lead: E&R Team/BG
- Comment: EPF supported activity will focus on enabling Highland businesses to be ready and able to competitively tender for work, thereby providing the desired employment opportunities. Target to undertake work for 2021/22 winter period

Collaboration Advice Sector:

- Value: £tbc
- Status: To be linked as required to PACE programme/Local Employability Partnership and communication over new jobs/retraining opportunities
- Lead: E&R Team
- Comment: To ensure that business specific PACE initiatives or new employment opportunities are communicated through all stakeholder networks, including Advice Sector.

Regional Economic Development Capacity:

- Value: £100k
- Status: The City Region Deal Team has now been supplemented with an additional project Manager; Work continues through the Programme Board and Member Monitoring Group to identify opportunities for future investment. This will be supplemented by efforts being made across the Service as part of the wider service restructure/transformation programme.
- Lead: Head of Development and Regeneration
- Comment: Work ongoing with Service Re-design proposals.