

South Ayrshire Council

**Report by Director of Strategic Change and Communities
to Cabinet
of 20 June 2023**

**Subject: European Regional Development Fund (ERDF)
Reprofiling**

1. Purpose

- 1.1 The purpose of this report is to seek approval to the variation of the European Regional Development Fund (ERDF) Ayrshire Business Gateway Competitiveness Programme to reflect the change in the demand profile for business advice and support over grant funding predicated by the C-19 pandemic.

2. Recommendation

2.1 It is recommended that the Cabinet:

- 2.1.1 approves, in principle, the extension to the Ayrshire Business Gateway Business Competitiveness Programme to 30 September 2023 to maximise the benefit for South Ayrshire's businesses;**
- 2.1.2 approves, in principle, the reprofile of the Ayrshire Business Gateway Business Competitiveness Programme budget to make best use of the available grant funding; and**
- 2.1.3 agrees to delegate authority to the Director of Strategic Change and Communities to accept any offer of variation to the programme end date and budget variation from Scottish Government, as managing authority for the ERDF programme.**

3. Background

- 3.1 Reference is made to the minutes of the Leadership Panel of 17th March 2015 item 5: 'Business Gateway – Future Delivery Arrangements from October 2015' which approved the participation of South Ayrshire Council in a bid for ERDF led by North Ayrshire Council. The purpose of the bid, which was successful, was to increase the level of resource available for Business Gateway service delivery in Ayrshire. The initial delivery period for this project was to 2018. This was extended in November 2018 to December 2022 then subsequently to June 2022. A further extension is now available to 30 September 2023.

3.2/

- 3.2 ERDF funds 40% of total Project costs with 60% match funding being funded by the three Ayrshire councils. Each council has a separate budget allocation and is responsible for service delivery within their respective regions. The South Ayrshire budget allocation is as follows, match funding is sourced from the direct award from Scottish Government to the Council's core budget to operate Business Gateway:

Period	Total SAC Budget	ERDF	Match
2016-22*	£1,730,534	£692,210	£1,038,314

*This opportunity would extend the delivery period from December 2022 to September 2023.

- 3.3 The total budget of £1,730,534 allocated £1,364,825 to grant support (including expert advice) and marketing plus £365,699 towards staff costs calculated on 2.5FTEs for the duration of programme delivery.
- 3.4 The budget projections did not foresee the shock to Small to Medium sized Enterprise business trading arising from the C-19 pandemic, nor the injection of funds to business through UK and Scottish Governments Covid grant schemes. Support to companies through the Business Growth programme therefore focussed instead on business counselling and advice, rather than the provision of growth grant funding. As businesses focussed more on survival than growth, grant draw-down from the project was lower than forecast.
- 3.5 Recognising the impact that the Covid 19 pandemic was having on delivery of the programme, Scottish Government sought a shift in emphasis from growth to sustainability, re-start and recovery. As a result of the widening scope of the programme, the costs of all Business Support staff directly engaged in this activity are now deemed eligible expenditure for grant claim purposes.
- 3.6 In May of this year, Scottish Government provided the opportunity to extend the project end date to 30 September 2023 and re-profile the budget. This has allowed SAC to reconsider its forward ERDF profiling, providing an opportunity to maximise drawdown and avoid underspend.

4. Proposals

- 4.1 To protect the position of the Council, the following budget reprofile was submitted to Scottish Government. This reprofile budgets for an extension of the programme to September 2023 and reduces the budget allocated to grants and expert advice, increases the staffing budget and re-allocates the marketing budget.
- 4.2 The marketing budget line was not required as this activity was delivered on a pan-Ayrshire basis by East Ayrshire Council and was absorbed into core Business Gateway operational costs. At this point in time there is no obligation nor commitment on the Council to these contract changes. Though, if agreed it will resolve the ERDF funding position and enable the funding to reach an end, with SAC having drawn down against forecast.
- 4.3 The revised budget profile is as follows:

	Approved Budget 2018	Re-profile to September 23
Expert Advice	£349,200	£146,609
Growth Grant	£911,125	£703,453
Marketing	£104,500	£0
Staffing (inc 15% flat rate)	£365,699	£880,462
Total	£1,730,524	£1,730,524
ERDF @40%	£692,210	£692,210
Match funding @ 60%	£1,038,314	£1,038,314

4.4 On the proviso that spend matches the re-profile projections, total income generated to the Council will be £692,210. Had the approved budget not been re-profiled, then the budget would have been underspent by £516,763 with a commensurate reduction of ERDF grant receipt to £177,447.

5. Legal and Procurement Implications

5.1 The recommendations in this report will require an extension to the Ayrshire Business Gateway Business Competitiveness Programme Contract. Following standard process, any formal offer of contract variation will be referred to Legal Services for review and conclusion.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 The proposal at 4.3 allow us to achieve spend targets and maximises European Regional Development Fund grant.

6.2 Reclassifying the permanent staffing contracts to a higher proportion of the programme, will generate grant funding which can be retained by the council. Staff costs in effect will stay the same, but income recovery will increase. The corresponding reduction will be in third party payments.

7. Human Resources Implications

7.1 The reprofiling of staff costs outlined in this paper does not impact on the terms and conditions of employees within the service area.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 The risks in not adopting the recommendations are that SAC does not draw down the maximum amount of ERDF monies available and that as a result we miss an opportunity to offset salary costs and maximise funding for the Ambition programme

8.2 **Risk Implications of Rejecting the Recommendations**

- 8.2.1 Rejecting the recommendations may increase the financial burden on the Council, by reducing the amount of grant that can be recovered from the programme.

9. **Equalities**

- 9.1 An Equalities Impact Assessment (EQIA), (including the Fairer Scotland Duty in respect of any Strategic decision), has been carried out on the proposals contained in this report, which identifies potential positive and negative equality impacts and any required mitigating actions. The EQIA is attached as [Appendix 1](#).

10. **Sustainable Development Implications**

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. **Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. **Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Priority 2 of the Council Plan: Live, Work, Learn (Outcome Work and Economy: Everyone benefits from a local economy that provides opportunities for people and helps our businesses to flourish).

13. **Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Bob Pollock, Portfolio Holder for Economic Development, and the contents of this report reflect any feedback provided.
- 13.3 Consultation has taken place with North Ayrshire Council in their role as Lead Authority for the Ayrshire Business Gateway Business Growth Programme and Scottish Government and the contents of this report reflect any feedback provided.

14. **Next Steps for Decision Tracking Purposes**

- 14.1 If the recommendations above are approved by Members, the Director of Strategic Change and Communities will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

<i>Implementation</i>	<i>Due date</i>	<i>Managed</i>
Reprofile Ayrshire Business Gateway Business Competitiveness Programme budget to make best use of the available grant funding	30 September 2023	Assistant Director - Communities

Background Papers **Report to Leadership Panel of 17 March 2015 – [Business Gateway – Future Delivery Arrangements from October 2015](#)**

Person to Contact: **George Hunter, Assistant Director – Communities**
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Date: 12 June 2023

South Ayrshire Council Equality Impact Assessment Scoping

1. Proposal details

Proposal Title European Regional Development Fund (ERDF) Reprofiting	Lead Officer Calum McPhail
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2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this proposal? Please indicate whether these would be positive or negative impacts

Community, Groups of People or Themes	Negative Impacts	Positive impacts
The whole community of South Ayrshire	No	No
People from different racial groups, ethnic or national origin.	No	No
Women and/or men (boys and girls)	No	No
People with disabilities	No	No
People from particular age groups for example Older people, children and young people	No	No
Lesbian, gay, bisexual and heterosexual people	No	No
People who are proposing to undergo, are undergoing or have undergone a process to change sex	No	No
Pregnant women and new mothers	No	No
People who are married or in a civil partnership	No	No
People who share a particular religion or belief	No	No
Thematic Groups: Health, Human Rights, Reality and Deprivation.	No	No

3. Do you have evidence or reason to believe that the proposal will support the Council to?

General Duty and other Equality Themes	Level of Negative and/or Positive Impact (high, medium or low)
Eliminate discrimination and harassment faced by particular communities or groups	Low
Promote equality of opportunity between particular communities or groups	Low
Foster good relations between particular communities or groups	Low
Promote positive attitudes towards different communities or groups	Low
Increase participation of particular communities or groups in public life	Low

Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

4. Summary Assessment

Is a full Equality Impact Assessment required? (A full EIA must be carried out on all high and medium impact proposals)	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
Rationale for decision: The proposal does not propose any changes to policy or the development of new services and will have low equality impact.	
Signed: George Hunter Assistant Director	
Date: 09/06/23	Copy to equalities@south-ayrshire.gov.uk