



---

**REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE  
COMMITTEE ON 18 AUGUST 2008**

**SUBJECT: EUROPEAN FUNDING APPLICATIONS**

**BY: DIRECTOR OF ENVIRONMENTAL SERVICES**

**1. REASON FOR REPORT**

- 1.1 To provide an update on European Funding applications submitted and to seek the Committee's approval to contribute to 1 of 3 further applications from the Economic Development budget.
- 1.2 This report is submitted to Committee in terms of Section E (10, 47 & 48) of the Council's Administrative Scheme relating to applications for assistance, tourism development and applications from European Funding programmes.

**2. RECOMMENDATION**

- 2.1 It is recommend that the Committee:
- i) Notes the progress made in securing European Funding to date
  - ii) agrees a contribution of £17,000 from the Economic Development budget, split over 2 financial years towards 1 of the 3 project proposals, set out in this report, whose total value is £10,505,060
  - iii) agrees to Council fronting all 3 applications for European funding
  - iv) agrees in principle to be a partner in the East of Scotland Loan Fund European Funding application and sets aside £80,000 per annum from the Economic Development budget for the next 3 financial years
- 2.2 That this report's recommendations (since it may impact on future budget planning) are referred to Policy and Resources Committee for approval.

**3. BACKGROUND**

- 3.1 Previous reports to this Committee highlighted that East Moray is eligible for European Structural Funds under the Lowland Upland Scotland Programme (LUPS - Competitiveness Objective) and West Moray under the Highlands and Islands Programme (HIPP - Convergence Objective). Due to the overall

reductions in funds the focus is more on strategic approaches within different eligible areas for the various priorities.

- 3.2 Under the Highlands and Islands Programme, 2 applications were submitted in 2008.
- Knockando Woolmill application, as approved by this Committee 10<sup>th</sup> October 2007, received the official grant offer at the beginning of June 2009 for £1,083,087 towards the total cost of £3,559,494. The Moray Council contribution is £80,000 from the Economic Development budget with in kind contribution of fronting the European Funding application and acting as a guarantor for a loan from the Architectural Heritage Fund.
  - As reported to this Committee on 21<sup>st</sup> April 2008, Community Planning Partnerships were invited to submit proposals under ERDF Priority 3 (enhancing peripheral and fragile communities); and ESF Priority 1 (increasing the workforce). The original proposal was to submit 10 projects, but due to eligibility issues, match funding requirements and amount requested, the final submission was for 6 projects (ERDF - Moray Bio-Energy Centre, Dufftown and Rothes Learning Centres, The Moray College Greshop, Findhorn Village Centre and ESF - Skills First, More Chances, More Choices) with 2 projects (Glenlivet Mountain Bike Trail & Tomintoul Experience) being invited to submit in their own rights under ERDF Priority 2. The grant offer is for £662,683 towards the total cost of £1,620,387 with a contribution from the Economic Development budget of £76,000, the balance being funded by other partners.
- 3.3 Under the Lowland Upland Scotland Programme, as approved by this Committee on 26<sup>th</sup> August 2008, an application under ERDF Priority 4 has been submitted, mirroring the strategic approach undertaken for the HIPP Community Planning Partnership proposals. The total project cost of £3,019,080 for the 5 components of the 'Rural Action Plan in Moray' (Elgin Business Site, Buckie Business Park, Learning Centres, Conservation Construction Building and Smarter Choices, Smarter Places – Sustainable Travel Towns Project) has received a grant of £1,033,698 with no extra funding requirements from the Economic Development budget.

#### 4. The Proposals

(Those proposals marked with an \* are seeking Match Funding from the Economic Development Budget)

- 4.1 It is proposed that The Moray Council submits 2 applications under the Lowland Upland Scotland Programme, the 'Sports & Arts Learning Centre' and the Moray Assisted Recruitment Scheme and also participates as a partner in the East of Scotland European Loan Fund. For the Highlands and Islands Programme, 1 application will be submitted as previously approved by Committee under the Community Planning Partnership proposal. The details of all the projects are listed below.
- 4.2 **Rural East Moray: Sports & Arts Learning Centre** is an innovative partnership project between Moray Council and Moray College UHI and will

provide a model of good practice in the provision of further education, training and economic support in a disadvantaged rural area. The project will comprise the modernisation of the existing high school building in Elgin to create a Sports & Arts Learning Centre. The Learning Centre will provide the following strands:

- Further Education & Training - A comprehensive range of degree, further education (HND/HNC) and training courses will be provided through the Learning Centre and close links will be fostered with the sports and arts industry both locally and nationally.
- Business Support - The Sports & Arts Learning Centre will provide facilities and ancillary accommodation to support the development of small businesses such as sports coaching, lifestyle management, music & drama tuition, stage management and music recording.

The project will also provide economic diversification and support by hosting regional sports, leisure and commercial events and arts activities and having the capability to attract visitors. There are no other similar facilities within a 60 mile radius and consequently the sports and arts learning centre will assist in making Moray an attractive destination.

Anticipated outputs over 10 years will be 450 enterprises supported, 62 gross jobs created, 620 jobs safeguarded with 62 net jobs being created. The expected annual turnover will be 600 college students (sport), 500 college students (arts), 300 community students and 88,000 community attendances.

#### 4.3 **Moray Assisted Recruitment Scheme (MARS)\* –**

- 4.3.1 The project will provide a Moray wide Apprenticeship Scheme aimed at young people aged 16 – 24, who have been identified as facing disadvantage in their ability to move on into better paid employment and/or the achievement of sustainable employment. The scheme will provide a minimum of 2 years employment for 30 young people with the opportunity to gain an accredited SVQ level 2 as a minimum and in some cases level 3 qualifications.
- 4.3.2 Recent evidence from research undertaken by the Fairer Scotland Fund has indicated an increasing difficulty for employers to provide jobs with training to young people due to the economic downturn. Indeed, when the economy recovers, there is a real risk that employers will fill upcoming vacancies predominantly from those who have been short term unemployed, with the impact that those who are farther from the work will become increasingly marginalised.
- 4.3.3 The employment will be provided by a range of employers from different sectors including Community Planning partners, private employers (including those who have signed up to the Local Employment partnerships) and the Voluntary Sector. It is also expected that there will be a percentage of job opportunities within the Social Enterprise sector. The occupational sectors targeted will be prioritised based on local labour market needs and already

projected potential skills gap. This includes jobs, which have been difficult to fill consistently over the last 3 years such as in the Care and Hospitality sector. Information from the Highland Employer Coalition has also indicated other areas of demand, such as warehousing and distribution. It is planned to seek expressions of interest from companies within the next couple of months and re-assurance from participating employers, that no displacement of existing employees will take place. Preference will be given to those, who will commit themselves to a further 12 months of employment of beneficiaries following completion of the project. However, if at end of the 24 months, the employer is unable due to economic circumstances, to offer longer term employment, support will be provided to the young person to find other employment. The achievement of the apprenticeship qualification will ensure their increased competitiveness in the labour market.

- 4.3.4 It is proposed that the project will employ a part-time development worker, to provide the necessary support for the apprentice and employers and work in partnership with the various partnership agencies.
- 4.3.5 Whilst all beneficiaries will be in employment at the start of the project, it is anticipated that this particular disadvantage group will need extra allowances at the start of the scheme and appropriate financial support for initial clothing allowance, travel / childcare support has been built into this project.
- 4.3.6 The project will be monitored by a project management group (consisting of community planning partners and employer's representation) by quarterly evaluation of activity, impact and progress towards achieving the outcomes.
- 4.4 East of Scotland European Loan Fund\*** – Fife Council has initiated a proposal for an East of Scotland Loan Fund for businesses. All members of the East of Scotland European Consortium (ESEC - 13 Local Authorities) were invited to consider a plan, based on the West of Scotland Loan Fund (12 Local Authorities), responding to the current economic climate, where banks have become more cautious about lending. Indeed the cost of borrowing has significantly increased, making it even more constrained for many start-up and growing businesses. The supply of loan finance is unlikely to improve over the next financial years and therefore the establishment of a Fund to support businesses can help the economy to grow.
- 4.4.1 The West of Scotland Loan Fund was established over 12 years ago with a company being formed and each participating Local Authority contributing varying amounts. The total has been matched by a Royal Bank of Scotland loan and attracting substantial amount of ERDF monies. In 2003, the Fund secured £8.9m European Regional Development Fund (ERDF) creating a fund of over £18m to invest in 1000 businesses, create 4000 new jobs and lever £220m from the private sector. The present project at total value of £16,987,907 million received a recent ERDF award of £6 million with forecasted outputs and results of 600 enterprises benefitting, increased turnover by £150 million, 240 new business start ups and 4776 number of gross jobs being created. The Funds economic development objectives are:
- Job creation / safeguarding

- Business start up
- Business growth
- Gap funding – lack of security / track record
- Complementary to the private sector

It provides loans of up to £50,000 to growing businesses that have been trading for at least two years. New businesses and businesses that have been trading for less than two years can apply for up to £30,000. Loans will usually be repaid over a 3 – 5 year term but may be extended up to 7 years. Six months capital holiday is usually offered and the interest rate is fixed for the term of the loan at 2% above the bank base rate.

- 4.4.2 The exploratory partnership meeting amongst the East of Scotland Local Authorities highlighted that between the different areas there were vast differences for businesses to access loans, between none (Stirling and Moray) to up to £700,000 (Aberdeen) with different criteria's. It was concluded that a joint approach would provide the necessary critical mass to attract potential ERDF funding and private sector investment and create a consistent approach with a degree of local flexibility to accommodate local priorities.
- 4.4.3 Whilst it is anticipated that the proposed East of Scotland Loan Fund will be considerably smaller in size than the West of Scotland model, amongst the partners it has been agreed that the project is time critical and to proceed with an initial stage 1 application to LUPS (which is indicative and presents no liabilities to any of the partners), with a full application (stage 2) having to be submitted by 9<sup>th</sup> October 2009. It is expected that most East of Scotland Local Authorities will participate, but local agreements have to be reached and for most, a decision has also to be made if local loan arrangements will be incorporated into this project.
- 4.4.4 The request to this committee is to agree in principle to participate in the scheme with the financial implications outlined in Para 5c, with a further report on the details to be submitted to the next Economic Development and Infrastructure Committee.
- 4.5 **Glenlivet Mountain Bike Trails** – As previously reported in detail to this Committee on 21<sup>st</sup> April 2008, the main aim of this project is to develop the potential of the Glenlivet Estate as a centre for mountain biking, through the construction and development of a network of challenging off-road and downhill routes in the Glenlivet Estate forests, linking the already established cross country trail network of cycle tracks. This project has the potential to add significantly to the area's popularity as a tourism and day-visit destination. The principal objectives of the project are to:
- Improve the economy of rural Moray and in particular to develop opportunities for all-year round outdoor activities which help support local businesses and improve the prospects for the Lecht Ski Centre – given uncertain and variable winter snow conditions.
  - To stimulate the development of a privately operated mountain bike business to provide employment in the area

- To stimulate new forms of product and service development within local tourism enterprises
- To support a diverse sustainable land-based economy, enhancing commercial, environmental and social infrastructure.

A feasibility study and trail development plan has now been completed and the project will involve:

- Construction of 3 circular cycle routes
- Preparatory works for a visitor hub including a visitor centre, car parking and catering facilities
- The construction of a visitor centre
- Interpretation
- Upgrade of existing forest track to provide vehicular access to the forest 'hub'

The key outputs and results of the proposal are 2 new products and services based on natural and cultural assets developed (1 forest hub and 1 new business based in the hub) with 7 gross jobs being created.

The original proposal has been part of the Community Planning Partnership package and it has been invited to apply directly under ERDF priority 2 with The Moray Council fronting it.

## 5. **SUMMARY OF IMPLICATIONS**

### **(a) *Single Outcome Agreement/Service Improvement Plan***

The proposals contribute to the Single Outcome Agreement of the Community Planning Partnership with the Scottish Government in respect of the 'Outcomes' allocated to the 'Wealthier and Fairer' Group and the stated priorities of the Council's Plan for 2008-11 in relation to the economy, jobs and tourism. The initiative will help to achieve the Corporate Plan objective to maximise opportunities from European, Lottery and other funding sources. It will also support the Economic and Environmental Programmes in the Corporate Plan to "Support and develop local businesses, create an environment for sustainable growth through Council policies and actions, and in partnership with other bodies". The proposals will contribute to the Council's priorities of economic development and tourism.

### **(b) *Policy and Legal***

All partnership agreements will be drawn up with the advice and assistance of Legal Services

### **(c) *Resources (Financial, Risks, Staffing and Property)***

**Finance** – From the new European Structural Fund Programmes 2007 – 2013, £2,779,468 has been granted towards the projects outlined above of a total value of £8,198,161. The Match funding packages come from a wide range of sources with a total allocation of £156,000 from the Economic Development budget over several financial years. The proposed funding packages for the proposals are outlined below.



between the financial years 2009/10 and 10/11, as agreed by Committee 21<sup>st</sup> April 2008.

**Risks** are being minimised through the systems, which have been set up for European Structural Funds applications and claims procedures. They include quarterly monitoring and reviews against outputs, outcomes and financial procedures.

**Staffing** – All the work described and proposed in this report is contained within existing staff resources with the exception of the Moray Assisted Recruitment Scheme, which will employ a part-time Development Officer. It is proposed that the post will be graded at point 8.

**(d) Consultations**

Consultation on this report has been undertaken with the Principal Accountant, in regard to the budgetary information, the Fairer Scotland Fund Manager and the Educational Resources Manager regarding the project proposals, and they are in agreement with the recommendation.

**6. CONCLUSION**

- 6.1 **Should the outlined proposals be successful, the funds being made available would be a significant contribution to the Community Planning Partnership's and The Moray Council's strategies and priorities to deliver integrated social inclusion and regeneration plans for Moray. The total value of projects will be over £10.5 million with the potential to attract over £3.7 million from European Funding Sources. In addition the potential East of Scotland Loan Fund will provide for businesses access to funding for working capital and investment in equipment and or property and provide a vital contribution to economic recovery.**
- 6.2 **All the projects are in partnership with other organisations to maximise resources, stimulate new developments and improve services**

Author of Report: Reni Milburn, Principal Development Officer

Background Papers: Proposals, correspondence and reports on file in Environmental Services, Development and Planning Section

Ref:

Signature: \_\_\_\_\_ Date : \_\_\_\_\_

Designation: Director of Environmental Services Name: Robert A Stewart