Evaluation of Rural Business Property Support Programme 2009-2013: Final Report

by

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Executive Summary

I. Report Background

During September-November 2014 Scottish Enterprise's Appraisal and Evaluation Team undertook an evaluation of the Rural Business Property Support programme (RBPS). This evaluation involved a combination of desk research, consultations with key stakeholders and telephone interviews with companies supported by the programme.

II. Rural Business Property Support

The RBPS programme was a European Regional Development Fund (ERDF) supported scheme to provide gap funding for property development by rural businesses, for their own use. The programme received approval for £1.75 million in August 2009 and was originally intended to run until 31 March 2013. The programme was run under two separate sub-programmes covering the South of Scotland European Partnership (SoSEP) area and the East of Scotland European Partnership (ESEP) area[1]. Both areas were within Lowlands and Uplands Scotland (LUPS area).

The RBPS programme was extended by a further six months, with the ERDF programme coming to a financial close once the final grant payment was made in January 2014 to the last project supported with ERDF funding. SE continued to support a number of additional projects following the close of the ERDF programme, with the last grant payment expected to paid in January 2015 for completion of the final project supported by the programme.

The key intended outcomes and impacts of the project were:

- Improved productivity and turnover
- Business expansion
- Enabling the development of competitive, sustainable enterprises in rural areas
- Stimulation of increased rural business activity
- Enhanced rural diversification
- Creation and safeguarding of jobs in the rural economy

Several studies have highlighted that lack of access to suitable property places a significant limitation on the growth and development of small to medium sized

[1] See Appendix 2 for map of SoSEP and ESEP areas.

enterprises (SMEs) in rural areas. These include an SE commissioned study[2] to investigate the operation of the rural property market and its impact on SMEs, which found that there was widespread property market failure across rural Scotland, caused by higher risks, lower demand and lower financial returns from rural property markets; leading to limited supply of property and a significant number of rural based companies whose growth potential was either severely or partially constrained by lack of access to suitable property.

The RBPS programme was set up with the aim of mitigating the identified property market failure in rural areas by providing gap funding for rural SMEs for capital investment in creation of new premises and / or the extension or adaptation of existing buildings.

Priority was given to growth companies, Scottish Enterprise (SE) relationship managed companies and companies involved in key sectors.

The programme was managed by SE's Business Infrastructure team. SE Account Managers and Business Gateway (BG) Advisers provided the link into client companies, helping to identify and develop individual applications.

Referrals to the programme were triggered by Company Reviews conducted by Account Managers and BG Advisers. Each intervention was treated on its own merits as a discrete project from the point of view of appraisal, approval and management. All projects were considered individually through SE's internal approval processes. SE's standard financial systems and procedures were applied in relation to all invoicing and payments.

To achieve the overarching strategic objectives, the following project objectives and measurable targets were developed:

- Assist 17 companies and provide gap funding for property development
- Secure £7.9 million of private sector leverage
- Create or refurbish 14,350 sq m of business space

Overall it was envisaged that the successful achievement of these objectives would result in creation of 110 jobs and £52.2 million additional cumulative GVA. In addition, it was expected that construction spend would support 88 temporary full time equivalent (FTE) job years.

[2] *'Rural Business Premises and Economic Development'* (EKOS, 2008)

III. Project Engagement and Delivery

The original RBPS targets were revised in 2012 when it became apparent that take-up of the support was much lower than originally anticipated. Low take-up in the ESEP area resulted in ERDF for the ESEP area being withdrawn. The revised targets for the SoSEP area took account of the recession and the negative impact it had had on business expansion and planned capital expenditure projects.

The overall target number of companies to be assisted was reduced from 17 to seven and the amount of business space to be created / refurbished was reduced from 14,350 sq m to 4,600 sq m. The target number of jobs to be created was also lowered, from 110 net jobs to 49 gross jobs.

By the end of the programme, over 65 enquiries had been received for RBPS and grants awarded to 11 companies, nine in the SoSEP area and two in the ESEP area (both in Aberdeenshire). By November 2014, 15,561 sq m of business space had been created / refurbished, significantly exceeding the target of 4,600 sq m. When looked at collectively, the companies that received grants expected to create 67 gross full-time equivalent (FTE) jobs by year three following project completion.

Once converted to net (taking account of leakage, displacement and multiplier effects) the employment impact is 63 FTEs, significantly higher than the target of 49 FTEs.

The gross jobs created were appraised as contributing £2.5 million GVA at present value (PV) per annum (year seven peak) and cumulative gross GVA (PV) of £32.3 million by year 20. Once converted to net, GVA (PV) is expected to peak at £2.3 million per annum in year seven and cumulative net GVA (PV) achieved by year 20 is expected to be £30.5 million.

IV. Stakeholder feedback

A series of nine telephone consultations were undertaken during September to October 2014 with a range of project stakeholders, including SE Business Infrastructure staff involved in programme management and delivery, SE Account Managers, one Business Gateway Adviser and the SE Rural Director.

Consultees reported that there were and still are significant property market failures in the rural area with the cost of property development exceeding end property values. The RBPS programme was viewed as providing critical gap funding to help rural businesses develop premises to enable growth.

SE’s original intention had been to develop a productised property support service but this plan was disbanded due to uncertainties over State Aid eligibility and a fear that there would be overwhelming demand. RBPS therefore required applications to go through SE's full approval process.

The programme targets were based on SE's experience of delivering rural property support, all prior to the recession. It quickly became apparent a year into the programme that there was next to no take-up in the ESEP area and it was agreed with the Managing Authority that the ESEP ERDF project should be discontinued, a decision that was implemented at the end of 2011. Projects in the ESEP area that were already in the pipeline were continued and supported in full by SE. The programme targets for the SoSEP area were lowered in 2012 to reflect lower than expected levels of take-up due to the recession.

The recession was reported to have delayed progression of property projects due to low business confidence and difficulties accessing finance. This led to limited take-up of RBPS when the programme was launched. An improvement was reported in the level of interest and take-up from 2011 onwards.

SE's Business Infrastructure Team promoted RBPS to SE Account Managers and Business Gateway Advisers, who in turn promoted it to their clients. While RBPS was promoted across the SE area, a Business Infrastructure project manager interviewed from North East Scotland had been unaware that it existed until the ERDF element was withdrawn. The programme was not promoted in the press and it was reported that SE had been cautious about how it was marketed in case the programme was swamped with demand. When it became apparent that take-up was low, efforts were made to increase promotion to Account Managers and Business Gateway Advisers.

Consultees reported that while it was originally intended that Account Managers and Business Gateway Advisers would manage development of project applications, in reality it was more effective for the Business Infrastructure Team to liaise direct with the companies. There was positive feeling about the value of this relationship to both the companies and the Business Infrastructure staff involved.

There were a range of views on why there was such a high degree of disparity in take-up of support between the ESEP and SoSEP areas. Key suggestions included:

- In the height of the recession, Account Managers and Business Infrastructure project managers outside the South of Scotland were focused on activity in city regions as a lot was happening there – less focus was given beyond where they were already busy, e.g. businesses in the ESEP area. This resulted in less promotion of RBPS by Account Managers and Business Infrastructure project managers outside of the SoSEP area.

- The SoSEP area is more remote than the ESEP area from city regions and the businesses that SE staff based in SE offices in Dumfries & Galloway and the Scottish Borders tend to work with are located in the rural area.
- The Business Infrastructure Team members who were key to promoting and delivering RBPS were based in the South of Scotland. It was suggested that Business Infrastructure staff outside of the South of Scotland had less interest in the rural area and, in some cases, were unaware of the existence of RBPS.
- Rural businesses within the ESEP area tend not to be Account Managed and are predominantly small and involved in tourism, renewables or farm diversification. Rural businesses in the SoSEP area represent a wider spread of sectors given the distance of the majority of the SoSEP area from large urban areas.
- The 20% intervention area for the majority of the programme area meant that small property projects would only attract a small grant, so it wasn't really worth them going through the processes required to secure the grant.
- Where it was possible that a business was eligible for the Scottish Rural Development Programme (SRDP), the business had to prove that it could not access support through SRDP before it could be considered by RBPS, to avoid double funding. Consultees reported that the application process for SRDP was particularly long and laborious and that many businesses did not have the time to complete it in order to prove that they weren't eligible. SRDP funds also began to run out towards the end of the period, with more rigorous scoring of applications applied.

Opportunities were identified to streamline the approval process. RBPS required all projects to be subject to the full SE appraisal and approval process. While consultees felt that the same level of information would continue to be required from companies for SE to be able to invest in property projects, it was felt that the processes could be simplified to reduce the time taken to get to approval.

It was recommended that there was an opportunity to provide clearer information to companies on information that they would be required to provide at different points in the approval process and possibly a template for small businesses to complete.

The role of Business Infrastructure in delivery of RBPS was seen as a strength in comparison with other property support available, such as through SRDP. The support provided through Business Infrastructure was reported as a key element of RBPS with project managers having good technical experience and knowledge of their local area.

Not surprisingly, consultees felt that the aims and objectives of RBPS had been achieved in the South of Scotland but not in the ESEP area.

All of the consultees reported that there was continuing demand for a rural business property support service. It was reported that as the economy began to recover towards the later end of the programme, the level of enquiries had increased.

Consultees were positive about proposals for a productised service, reporting that it had potential to provide a more logical and clearly managed process. It was reported that such an approach would allow a quicker timescale to get applications approved, with decisions for smaller scale projects kept within Account Management Teams.

Some consultees recommended that any new product(s) should be open to non-Account Managed companies, given the small nature of many rural companies. It was also recommended that businesses engaged in the Business Gateway Growth Advisory Service (GAS) should also be eligible.

V. Company feedback

Detailed telephone interviews were conducted with businesses that were supported by RBPS. A requirement to gain survey clearance meant that SE's Appraisal and Evaluation Team were unable to survey four of the eleven businesses assisted and one business contacted for the telephone survey was unable to find time to participate. The five businesses not included in the telephone survey were all account managed, so the businesses' Account Managers were consulted about the support the companies had received. The Account Managers were also able to follow-up with the businesses' to provide additional impact information by email.

The majority of the businesses found out about RBPS through SE Account Managers or other SE staff.

Only two of the businesses interviewed had experience liaising with Business Gateway regarding their property requirement and both were frustrated with their experience. One reported that after four separate Business Gateway Advisers had been out to their premises they identified the name of an SE Business Infrastructure project manager from a chain of emails and decided to contact them direct. The second said that Business Gateway were unable to help them with their property support enquiry, so they contacted SE direct.

On the whole, businesses were satisfied with the support received. Most reported that they were able to provide the information required for the approval process, though three of the Account Managers reported that three companies they had worked with had been unsatisfied with the length of time the approval process took.

The companies were particularly positive about their experience of liaising with SE Business Infrastructure staff who, it was reported, were helpful, answered questions and provided useful advice. One business reported that this support had been more important to progressing their project than the grant itself.

Businesses reported that the support received through RBPS enabled them to grow, creating additional FTE jobs and turnover. Table ES1 below shows gross additional impacts achieved through RBPS. Three years after completion of the project, the average percentage increase in turnover reported by businesses as a result of RBPS was 29% (based on the turnover information provided by ten companies). The average percentage increase in gross additional jobs reported by businesses was 34% (based on jobs information provided by ten companies).

It is estimated that 67 gross additional FTE jobs will be created by RBPS. Based on the additional jobs created, annual gross GVA (PV) is expected to be around £2.5 million.

Table ES1: Impacts arising from RBPS support

	Additional in-year impacts businesses reported that they expected to achieve within three years of project completion
% increase in turnover due to RBPS	29%
% increase in FTEs due to RBPS	34%
Number of FTEs created	67
Additional in-year gross GVA (PV)*	£2.5m

Businesses reported that the support provided had enabled their company to expand. 40% would not have developed the project without assistance, 40% would have had to delay development and 20% would have had to reduce the size of the project and delay the timescale.

Advantages of the support included: being able to complete the project in one go, reducing overall cost and causing less disruption; providing additional space to grow the business; and, enabling future expansion projects.

Key strengths were reported as being the strong working relationship developed with Business Infrastructure throughout the project, confidence gained by being supported through the project and a fairly straightforward process.

While the businesses were positive about RBPS, weaknesses were identified as being: the time taken to get through the approval process; lack of knowledge at the outset on what information would be required; and, projects costing more than they would have done without RBPS (reasons given were the timescale within which the project had to be completed and a disincentive to reduce costs).

The businesses recommended that future projects could be improved through: better promotion and marketing; ensuring SE staff have a local presence; and, ensuring access for small rural businesses.

VI. Conclusions and Recommendations

The RBPS programme effectively provided gap funding to rural businesses to deliver property development projects that resulted in business growth. RBPS addressed a key rural property market failure or feature caused by the cost of development in rural areas exceeding end property values.

Despite issues to do with low take-up in the ESEP area, the RBPS programme was successful in achieving its revised targets and delivering gap funding to support 11 businesses to take forward property development projects.

RBPS resulted in the creation of an additional 67 gross FTE jobs, a significant impact for the rural communities within which the businesses are based and helping to meet SE's aspirations of ensuring regional equity from the support it delivers. The value of additional gross GVA (PV) created in the rural economy as a result of the gross employment impact is around £2.5 million per annum.

Since completion of their RBPS projects, a number of the businesses involved have taken forward further property development without public sector support, advising that this was only made possible through the initial support received through RBPS. In some cases this was because the RBPS had enabled them to increase their revenue, helping to fund future development and in other cases, the initial RBPS support had provided the business with advice and guidance to take them through the initial project which then gave them confidence to take forward further development on their own.

For many businesses involved, the value of the RBPS programme was about more than just the grant for gap funding, it was about the package of support provided, in particular advice and guidance received from SE Business Infrastructure project managers. It is important that this element is maintained in any future rural business property support service developed by SE to increase the benefits to the businesses supported.

The findings from this evaluation have led to the following ten recommendations:

> **Recommendation 1**: SE should provide clear policy guidance on the minimum threshold for the size of projects and the type and scale of businesses to be supported.

Recommendation 2: Once eligibility criteria have been established for future rural property support, develop a strategy for promotion to potential applicants. Depending on how the support is to be targeted, consider development of a leaflet on future rural business property support that can be distributed to potential applicants, clearly articulating eligibility criteria and the application process.

Recommendation 3: Future delivery should ensure direct contact between Business Infrastructure project managers and businesses receiving support.

Recommendation 4: Develop a productised rural business property support package to fill the gap in support left by RBPS.

Recommendation 5: Ensure that any future productised property support service is available to non-Account Managed companies.

Recommendation 6: Provide a document for potential applicants which lists the information required at different stages of the approval process and any future monitoring and reporting requirements.

Recommendation 7: Provide clear guidance for Account Managers and others responsible for promotion of any new rural property support initiative on eligibility criteria, particularly in relation to businesses located in RSA Assisted Areas in rural Scotland, e.g. when RSA should apply and when the new property initiative would be more appropriate.

Recommendation 8: SE staff responsible for development of future rural business property support should build a relationship with Scottish Government and LEADER representatives responsible for development and delivery of SRDP.

Recommendation 9: Make it clear whether or not businesses eligible for SRDP will be eligible for the new property support product and if they aren't, establish a clear process for determining whether or not a business is eligible for SRDP.

Recommendation 10: Promote the new property product to LEADER officers and create a route through LEADER for referral of businesses to SE that are not eligible for SRDP but are likely to meet eligibility criteria for SE property support.

1. Introduction

This report presents the findings of an internal evaluation of the Rural Business Property Support (RBPS) programme. The study was undertaken during September-November 2014 by the Scottish Enterprise Appraisal and Evaluation Team and draws on a combination of desk research, consultation with those delivering/engaged with the programme and a survey of supported businesses.

1.1 Rural Business Property Support Programme

The RBPS programme provided gap funding for property development by rural businesses between August 2009 and December 2014. The programme was run under two separate sub-programmes covering the South of Scotland European Partnership (SoSEP) area and the East of Scotland European Partnership (ESEP) area[3]. Both were within Lowlands and Uplands Scotland (LUPS area).

The RBPS 2009-2013 programme received approval in 2009. The overall SE approval for the three year period was £1.75 million (£0.7 million for the SoSEP area and £1.05 million for the ESEP area). Forty per cent of the approved funds were recoverable from the European Regional Development Fund (ERDF).

By 2011 it had become apparent that there was very low level take-up of the programme in the ESEP area, leading to ERDF co-funding for the ESEP area being withdrawn in December 2011. A project change request was submitted within SE which enabled the RBPS programme to continue to consider rural gap funding projects in the ESEP area and fund these entirely through SE funding (March 2012).

The expected project outcomes and impacts were based on pre-recession experience. By 2012, the outcome and impact targets were identified as being overly optimistic. While performance in the SoSEP area was low against original expectations, a number of projects had been progressed so ERDF support was continued for the SoSEP area. The output/results targets for the SoSEP area were revised downward in August 2012 and these are detailed in Table 1 below against the original targets.

[3] See Appendix 2 for definition of SoSEP and ESEP areas.

Table 1: Project Outcome and Impact Targets, Original and Revised

	Gross SE Funds	Net SE Funds	ERDF Funds	Sq m business space created / modified	Operational jobs*	Number of companies assisted
Original targets (2009)						
SoSEP Area	£0.7m	£0.42m	£0.28m	14,350	110	17
ESEP Area	£1.05m	£0.63m	£0.42m			
Total	£1.75m					
Revised targets (2012)						
SoSEP Area	£0.5m	£0.3m	£0.2m	4,600	49	7
ESEP Area	£0	£0	£0	0	0	0

Notes: *The target for operational jobs was changed from 'net' to 'gross' in 2012.

1.2 Methodology

This final evaluation report outlines findings from three distinct elements of study, as described below:

- A desk based review of project documentation, including the Approval Paper, ERDF applications, Programme Manual, Project Change Request, Stage 5 (a) Review and Year 3 Interim Review.

- A series of 9 telephone consultations with stakeholders engaged with the RBPS programme.

- A telephone survey of six companies supported by RBPS and review of additional information compiled for five businesses from consultations with the businesses' Account Managers and follow-up impact information provided through the Account Managers.

1.3 Structure of Report

The remainder of this report is structured as follows:

- Chapter 2 sets the rationale for the RBPS, detailing its strategic fit against SE and EU priorities and explaining the delivery process. Chapter 2 also provides analysis of the programme's activities and outputs to date;

- Chapter 3 details the views of those involved in managing and delivering RBPS, as well as a number of SE Account Managers and one Business Gateway Adviser engaged with some of the companies supported by the programme;

- Chapter 4 provides analysis of the findings from a telephone survey of companies supported and consultation with relevant Account Managers; and

- Chapter 5 draws out conclusions and project learning points.

2. The Rural Business Property Support Programme

2.1 Introduction

This chapter provides an overview of how the RBPS programme operated and also outlines rationale for RBPS, its objectives, strategic fit and performance to date.

2.2 Project Rationale

The RBPS programme was approved in May 2009 and was taken forward and managed by SE's Business Infrastructure Team.

The principal intended outcomes and impacts of the project were:

- Improved productivity and turnover of companies assisted
- Business expansion for assisted companies
- Enabling the development of competitive, sustainable enterprises in rural areas
- Stimulation of increased rural business activity
- Enhanced rural diversification
- Creation and safeguarding of jobs in the rural economy

2.2.1 Market failures

The evidence that the rural property market operates in a way that results in undesirable outcomes, thereby constraining growth in SMEs, came from a study conducted by EKOS on behalf of Scottish Enterprise in 2008[4]. The study found that there was widespread failure of the market to provide affordable property across rural Scotland, caused by higher risks, lower demand and lower financial returns from rural property markets; leading to limited supply of property and a significant number of rural based companies whose growth potential was either severely or partially constrained by a lack of access to suitable property. This failure was reported to extend to individual property development projects, caused by the cost of development exceeding the end market value. Whether these failures to provide the property that the market needs are market failures in the classic economic sense is debatable. In many respects they are indicative of the market behaving rationally: not investing when economic returns cannot be made. However, the consequences are politically and socially unacceptable thereby providing a clear equity rationale for public sector intervention.

[4] *'Rural Business Premises and Economic Development'* (EKOS, 2008) - http://www.evaluationsonline.org.uk/evaluations/Browse.do?ui=browse&action=show&id=392&taxonomy=BUI

The study raised three key issues:

- A lack of business premises to support rural economic growth and diversification had constrained economic activity.
- There was an opportunity to achieve economic growth and diversification in rural areas through property market interventions.
- There was a need for discussions between SE, Scottish Government and partner organisations on the need for 'affordable business premises' in rural areas and the need for proactive planning to ensure appropriate development.

In response to the study findings, SE developed the RBPS programme with the aim of providing grant funding to rural businesses to bridge the gap between the cost of developing premises and the end value. District Valuer's reports were commissioned during the due diligence stage of projects to provide evidence of the gap between the cost and the end value of the premises to be developed. Support was provided to rural companies central to SE's economic development objectives, e.g. growth businesses, account managed companies and businesses involved in key sectors.

The RBPS programme met a number of Lisbon Agenda and Scottish Government/Scottish Enterprise objectives, including:

- Provision of business infrastructure for growth companies
- Supporting rural growth businesses to improve productivity
- Encouraging rural economic development and regional equity

2.2.2 Industry Demand

There was expected to be strong industry demand for RBPS based on SE's past experience of providing gap funding for rural property projects. Strong uptake had been reported for the following initiatives:

- Property Funding Initiatives that were run as part of Objective 2 ERDF Programmes in the Scottish Borders Region where over a seven year period, Borders companies were supported in making around £8.4 million of property investment at a public sector cost of £0.6 million.
- Support by SE Borders to 84 companies between 1996 and 2002 to carry out property projects at an SE cost of £9.6 million (including ERDF, where appropriate).
- SE Ayrshire's ERDF supported Property Support for Business Growth programme that assisted 35 companies over three years in the late 1990s to carry out site development and property expansion/refurbishment.

Previous uptake and demand plus evidence of continuing market failure / features from the EKOS study led to SE establishing the RBPS programme as a key action to achieve economic growth and diversification in rural areas. The aggregation of individual projects also enabled access to ERDF funding under the Lowlands and Uplands Scotland (LUPS) ERDF programme, substantially enhancing the leverage of the net SE spend and its economic impact.

2.2.3 Other Property Support Programmes

The RBPS programme was developed to complement existing property support mechanisms available to businesses in rural Scotland, including:

- SE's property feasibility product;
- Regional Selective Assistance;
- The Scottish Property Support Scheme; and,
- Scottish Rural Development Programme.

SE had an existing ***Business Property Feasibility Support product***. The product provided a financial contribution to assist businesses with professional fees and costs relating to the option and financial appraisal of property expansion / relocation proposals or property improvement that supported growth. This did not include property maintenance, repair or replacement. The RBPS programme complemented this product by providing potential gap funding to support development of recommended property solutions. None of the businesses supported by RBPS had utilised the property feasibility product, but the potential was there that if a company used the feasibility product to identify a property development solution, gap funding could have been provided through RBPS to help take the project forward.

Regional Selective Assistance (RSA) is a discretionary grant aimed at encouraging investment and job creation in Assisted Areas of Scotland. Most of rural Scotland is not covered by Assisted Areas. RSA grants are also calculated on size of business and number of jobs created or safe-guarded. With the majority of rural businesses being small in size, it is difficult for rural businesses in Assisted Areas to meet the eligibility criteria for RSA, as their property projects do not tend to deliver the scale of new jobs required. RBPS was available to businesses across the ESEP and SoSEP areas, including Assisted Areas. RBPS recognised that even a small number of new jobs created in a rural area can have a significant impact on the rural economy. As reported later in this report, two of the projects supported by RBPS had been previously unsuccessful in applying for RSA.

The ***Scottish Property Support Scheme (SPSS)*** was a State Aid Notified Scheme under the General Block Exemption Regulation of 6 August 2008. It allowed SE to use various instruments to provide an amount of aid that was the minimum necessary for selected property development projects to go ahead, with the maximum aid intensities as determined by the relevant State aid regulation. The purpose of SPSS was to support the development of premises and buildings for commercial purposes by the private sector. This included construction of new buildings and / or the renovation and conversion of existing ones. While the Scheme operated under the same principles utilised by RBPS, it did not have a dedicated approved resource and was not in itself a targeted programme. RBPS on the other hand was a targeted three year programme with an approved ring-fenced budget for rural property development in the ESEP and SoSEP areas. The RBPS programme also enabled SE to leverage in additional European funding.

The ***Scottish Rural Development Programme (SRDP)*** was a £1.2 billion six year programme of economic, environmental and social measures, designed to help develop rural Scotland between 2007 and 2013. SRDP included a range of support schemes covering farming, forestry and primary processing sectors, rural enterprise and business development, diversification and rural tourism. Grant support of up to 50% of eligible costs was available for micro-businesses in rural Scotland engaged in specific sectors, e.g. food and drink, renewables and farm diversification. The RBPS programme was designed to complement rather than duplicate support available through SRDP. The eligibility for RBPS was much wider, enabling support to be provided to a greater range of rural businesses, for example, small and medium sized enterprises involved in manufacturing. As RBPS was not intended to duplicate SRDP support, businesses clearly eligible for SRDP were not eligible for RBPS. As set out later in this report, this did lead to some confusion due to the lack of clarity on which businesses were eligible for SRDP and also due to the long application process for SRDP. Some businesses that looked to access support through RBPS were asked in the first instance to prove that they couldn't access support through SRDP.

2.3 Strategic Fit

The primary outcomes of the RBPS programme were seen to have a strong strategic fit with a number of Lisbon Agenda and Scottish Government/Scottish Enterprise objectives at the time. In terms of the strategic policy agenda, the RBPS was aimed at contributing to:

- The Lisbon Agenda under: *Unlocking Business Potential, Particularly of SMEs*;
- The Scottish Government Economic Development Strategy, under the *Cohesion; Regional Equity* priority;
- Scottish Government Rural Development Policy under the first of the key aims: *"A strong and diverse rural economy..."* and,
- The Scottish Enterprise Business Plan under the *Equity* Strategic Priority.

2.4 RBPS Delivery Method

Overall delivery and budget management for RBPS was the responsibility of the Rural Business Unit Group (BUG), working through a Programme Co-ordinator within SE's Business Infrastructure Team. The principal functions and responsibilities for management of the programme, as outlined in the project approval paper, were to:

- Identify suitable companies for assistance – normally via Account Managers or Business Gateway Advisers in the first instance;
- Bring forward individual interventions for approval. Originally it was intended that this would be led by the Account Manager or Business Gateway Adviser working in collaboration with the Rural Group and / or Priority Industry team as appropriate, and supported by members of the Business Infrastructure team familiar with the guidelines governing property interventions. In practice, members of the Business Infrastructure Team led project applications – further detail on why this happened is provided in Chapters 3 and 4 but the reasons generally centre on Business Infrastructure project managers having a better technical understanding of the projects involved.
- Manage demand for assistance under the project through close monitoring of progress and feedback to front-line SE or Business Gateway business support staff to allow control of client expectations and the risks attached to over- or under-subscription. This was the responsibility of the designated project co-ordinator from SE's Business Infrastructure Team who maintained an overview of the project over the whole of the LUPS area.
- Make quarterly claims for ERDF funding against actual spend on approved interventions, and ensure compliance with ERDF specific requirements, so minimising the risk of claw back. This was also the responsibility of the designated project coordinator, with support from Scotland Europa.

Each project under RBPS was subject to individual appraisal and approval, through the Rural Business Unit Group (BUG), supported by the Chair of the Infrastructure Industry Leadership Group. The Business Infrastructure Project Co-ordinator, in partnership with the Rural BUG, had responsibility for:

- Project management and monitoring;
- Promotion of RBPS within Scottish Enterprise, e.g. to Account Managers, and to Business Gateway Advisers as part of the initial stage of the project;
- Independent off that project costs were properly incurred and eligible for ERDF; and,
- Preparation of a user guide.

Initially intended to run until January 2013, the ERDF programme end date was then extended by six months. Due to a delay in delivery of one of the ERDF supported projects, the ERDF programme ran to the end of January 2014. Following closure of the

ERDF programme, SE continued to support a number of projects already in the RBPS pipeline. These projects were supported with SE funding only and also beyond the ERDF Programme end date of January 2014, with the final project due for completion in January 2015.

2.5 Project Objectives

To achieve the overarching strategic objectives mentioned earlier, three key project objectives and measurable targets were initially developed:

- Provide grant funding to 17 companies for capital investment in new or refurbished premises based on the gap between the cost of the development and the end value. The target number of company assists was reduced to seven in 2012.
- Develop 14,350 sq m of new or refurbished business space. This target was reduced to 4,600 sq m in 2012.
- Create 110 net operational jobs. This target was revised and reduced to 49 gross operational jobs in 2012.

Due to extremely low take-up of RBPS outside the South of Scotland, the ERDF project in the ESEP area was withdrawn at the end of 2011. While take-up was also lower than expected in the SoSEP area, there were stronger levels of demand, so the SoSEP ERDF project continued. The SoSEP headline targets were reduced in 2012 to reflect the lower than expected levels of take-up.

Table 2 below provides the original and revised targets against actuals delivered by the projects that received support. The Table shows that the revised targets for the SoSEP area were exceeded, with nine company assists in the SoSEP area against a target of seven and 15,336 sq m of business space created, significantly higher than the revised target of 4,600 sq m and even exceeding the original target of 14,350 sq m. It is likely that the higher than expected amount of business space developed was due in part to the nature of the business space developed, e.g. a higher proportion of industrial and warehousing space than originally expected and no office space[5]. The projects supported in the SoSEP area are expected to create an additional 59 gross FTE jobs three years following completion of the projects, higher than the revised target of 49.

In addition, the two projects supported in the ESEP area delivered 225 sq m of business space and are expected to create an additional eight gross FTE jobs.

[5] Employment densities are higher for office premises than they are for industrial and warehousing premises.

Table 2: Measurable Targets

	Grant contribution (£k)			Area of business space created or modified Sq m	Net operational jobs	Company assists
	Gross SE	Net SE	ERDF			
Original targets						
SoSEP Area	700	420	280	14,350	110	17
ESEP Area	1,050	630	420			
Total	1,750	1,050	700			
Revised targets						
SoSEP Area	500	300	200	4,600	49	7
Actual Delivery						
SoSEP Area	706	484	222	15,336	59	9
ESEP Area	36	36	0	225	8	2
Total	742	520	222	15,561	67	11

2.6 Project Activities and Outputs

2.6.1 Company Engagement

The Business Infrastructure Team developed a detailed spreadsheet documenting RBPS company engagement. The following analysis is based on the latest company engagement information that was available in September 2014.

The programme engaged with 37 unique companies in the SoSEP area and 25 in the ESEP area and. From these, nine from the SoSEP area went on to receive assistance (24%) and only two in the ESEP area (8%).

Given the size of the ESEP area in comparison to the SoSEP area, it is surprising that 60% of business engagement occurred in the SoSEP area and that only 18% of businesses assisted were located within the ESEP area.

However, these findings do reflect the issue of initial low take-up in the ESEP area that resulted in ERDF being withdrawn from the ESEP area in 2011. The focus of the programme from 2012 was on the SoSEP area. Fuller analysis of the reasons why take-up in the ESEP area was so low is provided in Chapter 4 - Stakeholder Consultations and Chapter 5 - Company Feedback.

The reasons recorded by the spreadsheet for companies not being supported by RBPS included:

- Company not within an eligible area;

- Speculative development not eligible;
- No gap in funding demonstrated;
- High displacement;
- Potential to fund through Scottish Rural Development Programme (SRDP);
- Application timescale didn't fit with company plans;
- Sufficient information not provided by company; and
- Application stalled – no reason provided.

2.7 Funding

The RBPS programme initially had £1.75 million funding approved in May 2009. This consisted of SE funding of £1.05 million and ERDF contributions of up to £0.7 million. The approved funding was reduced in March 2012 by £750,000 (£420,000 ERDF and £330,000 SE funds) reflecting termination of the ESEP ERDF project and lower than expected take-up.

By the end of the RBPS programme, SE grant contributions paid to the 11 businesses supported totalled £741,500, including ERDF contributions of £221,483 to seven of the projects.

2.8 Delivery Against Target

2.8.1 Targets

The original and revised SMART targets for the project to achieve by year 20 are detailed in Table 3 below. Revised targets were only provided for some outputs/results in 2012, which is why some indicators do not have revised targets.

Table 3: Output and Result Targets, 2009-2029

Output/Result	Original Target (by year 20)	Revised Target
Number of companies assisted	17	7
SE Grant Contribution	£1.75m	
ERDF contribution		
Private sector investment leveraged	£7.9m	
Private:public leverage ratio	4.5	
SE:non-SE leverage ratio (ERDF and private sector)	8.2	
Total business space created or refurbished	14,350 sq m	4,600 sq m
Net temporary construction jobs	88 /10 = 8.8	
Net operational jobs	110	49
Cost per net job	£13,700	
NPV of cumulative GVA – operational and construction	£52.2m	
NPV of in-year operational (GVA)	£1.98m (peak at year 4)	

2.8.2 Evaluation of Outputs and Results

The first step in evaluation of delivery against target outputs and results was to calculate gross additional employment attributable to RBPS using data provided by the businesses that were assisted. Gross employment was then converted to net by applying assumptions for optimism bias, leakage, and displacement and by applying an employment multiplier to calculate the wider impact of business growth on the wider supply chain and employment in the area. The evaluation has used the same assumptions for optimism bias, leakage and displacement as used for appraisal of the original programme targets, which were based on average ratios related to past rural property projects supported by SE at Cavalry Business Park and Ettrick Riverside Business Centre in the Scottish Borders.

As this is a programme evaluation, it was informed by data collected through the business survey and Account Managers and not a detailed evaluation of each project supported. The assumptions used for leakage and displacement have been taken from the original programme appraisal.

The assumptions used to calculate net employment impacts for this evaluation were:

- **Optimism bias** was assumed to be **0%** as it was expected that the gap funding provided would enable the proposed sq m business space to be delivered in full;
- **Leakage** was assumed to be **11%** in line with the assumption used for development of programme targets based on past SE supported rural business

property development projects at Cavalry and Ettrick. This evaluation considered the assumption to be fair given the proximity of some of the businesses supported to England, e.g. it was assumed that some of the jobs created would be filled by workers who live in England and spend the majority of their wages there;

- **Displacement** was assumed to be **48%** in line with the assumption used for development of programme targets based on past SE supported rural business property development projects at Cavalry and Ettrick. This evaluation considered the assumption to be fair, with business growth supported likely to result in some displacement of activity by other Scottish businesses. Most of the businesses supported were in direct competition with other Scottish businesses, e.g. for wholesaling franchises and manufacturing contracts;
- An **Employment Type II multiplier**[6] of **2.0** was applied to calculate the impact of the business growth supported on the wider supply chain and employment in the area. The figure of 2.0 is the average multiplier weighting for the additional FTE jobs created as a result of RBPS, by sector type. This multiplier differs from the multiplier of 1.8 applied during appraisal of programme targets when less information was available on the type of jobs that would be created.

GVA calculations were based on the number of additional jobs created by supported businesses by industrial sector, multiplied by the five year average GVA per head for the relevant sectors[7]. Net GVA was based on net additional jobs created.

Table 4 below shows the gross and net jobs and associated cumulative GVA that it is evaluated will be achieved by RBPS over a 20 year period, e.g. between 2009 and 2029. The table shows that company growth enabled by RBPS will generate 63 additional net jobs in rural Scotland and an associated cumulative £30.5 million GVA (present value) as a direct result of the additional jobs created. The additional jobs will be achieved within three years of completion of RBPS projects and the cumulative GVA given is for the period 2009 to 2029.

[6] Employment types covered by the calculation included: 'Textiles', 'Wood & wood products', 'Machinery & equipment', 'Other transport equipment', 'Wholesale – excl. Vehicles', 'Retail – excl. Vehicles', 'Accommodation Services', and, 'Sports & recreation'. Scottish Input-Output Tables 2011 (Scottish Government, 2014) - http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Input-Output/Downloads/IO1998-2011latest

[7] Employment divisions covered by the calculations included: 'Manufacture of textiles', 'Manufacture of wood and of products of wood and cork except furniture', ' Manufacture of machinery and equipment (n.e.c.)', 'Manufacture of other transport equipment', 'Wholesale trade, except of motor vehicles and motorcycles', 'Retail trade, except of motor vehicles and motorcycles', 'Accommodation', and, 'Sports activities and amusement and recreation activities'. Scottish Annual Business Statistics 2012 (Scottish Government, 2014) - http://www.scotland.gov.uk/Topics/Statistics/Browse/Business/SABS/ScotDiv

Table 4: Operational Jobs and Cumulative GVA achieved by RBPS

Gross operational jobs (FTEs)	67
Net operational jobs (FTEs)	63
Cumulative gross operational GVA (achieved between 2009 – 2029)	£32.3m
Cumulative net operational GVA (achieved between 2009 and 2029)	£30.5m

It should be noted that the net employment and GVA calculations do not take account of decline in impact of the RBPS over time, that is, it is assumed that the impacts persist undiminished.

Gross construction impacts were based on total spend by projects on construction spread over a four year period (2011-2014). Construction employment was calculated by dividing the construction spend by average turnover per construction employee (five year average, Scottish Annual Business Statistics 2012) to calculate the number of FTE person years. GVA associated with the construction employment was then calculated by applying the five year average GVA per head for construction to the number of FTE years[8]. An employment and GVA Type II multiplier[9] of 2.1 was then used to calculate the full impact of construction spend on the wider economy, including indirect and induced FTE years and GVA.

Construction employment is calculated as FTE person years rather than FTE jobs (used for operational employment) as the boost in construction employment and GVA as result of projects was temporary, e.g. for the duration of the construction phase only.

Table 5 below shows the cumulative gross construction FTE person years and associated GVA achieved by RBPS over a four year period, e.g. between 2011 and 2014. While a multiplier has been applied to calculate the full gross impact of construction on the wider economy, the figures are gross and do not take account of leakage and deadweight. The table shows that RBPS spend on construction generated an additional 41 FTE person years of employment in rural Scotland between 2011 and 2014 (including direct, indirect and induced employment), with an associated additional £2 million GVA (present value) created as a direct result of the additional FTE person years created.

[8] Five year averages have been used for turnover and GVA per employee from the Scottish Annual Business Statistics 2012 due to fluctuations in data between years (Scottish Government, 2014) - http://www.scotland.gov.uk/Topics/Statistics/Browse/Business/SABS/ScotDiv

[9] Scottish Input-Output Tables 2011 (Scottish Government, 2014) - http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Input-Output/Downloads/IO1998-2011latest

Table 5: Construction FTEs and GVA achieved by RBPS, 2009-2029

Cumulative gross FTE person years (without multiplier)	19
Cumulative gross FTE person years (with multiplier)	41
Cumulative gross GVA (present value – without multiplier)	£0.97m
Cumulative gross GVA (present value – with multiplier)	£2.03m

Table 6 below shows the evaluated impact of the RBPS programme against the initial and revised programme targets.

Table 6: Appraised Outputs and Results Achieved by RBPS by 2029

Output/Result	Original Target (by year 20)	Revised Target	Appraised impact of projects delivered
Number of companies assisted	17	7	11
SE Grant Contribution	£1.75m		£520,017
ERDF contribution			£221,483
Private sector investment leveraged	£7.9m		£3.6m
Private:public leverage ratio	4.5		4.9
SE:non-SE leverage ratio (ERDF plus private sector)	8.2		7.4
Total business space created or refurbished	14,350 sq m	4,600 sq m	15,561 sq m
Net temporary construction jobs (2009 to 2014)	88 / 10 = 8.8		47 / 4 = 11.75
Net operational jobs	110	49	63
Cost per net job (operational + construction jobs)	£13,700		£9,920(total public sector cost)
NPV of cumulative GVA – operational and construction	£52.2m		£32.5m
NPV of in-year operational (GVA)	£1.98m (peak at year 4)		£2.3m (peak at year 7)

Overall, it was envisaged at the outset that the successful achievement of programme objectives would result in a net cumulative additional GVA present value (present value - PV) of £52.2 million arising from the programme by year 20. Given that the target number of net operational jobs was reduced in 2012 from 110 to 49 (55% change downward), if the associated target for NPV cumulative GVA target had been adjusted proportionately, the target for cumulative additional GVA (PV) would have been £25.1 million.

The net additional cumulative operational GVA (PV) that will be created between 2009 and 2029 by projects as a result of RBPS is appraised at £30.5 million. In addition, the cumulative gross GVA (PV) created by construction of the projects, including indirect and induced GVA, is appraised at £2.03 million. The overall net cumulative GVA (PV) impact is £33.4 million.

The ratio of private sector funding leveraged as a result of public sector spend was similar to what was expected at 4.9 compared with a target of 4.5. The cost per net job was lower than expected at £9,920 per job compared with a target of £13,700 per job. SE's usual methodology to assess cost per job for business infrastructure projects is to base calculations on operational jobs only, e.g. excluding temporary construction jobs. The cost per net operational job achieved by the RBPS programme was £11,770. This is higher than the upper end of the SE average for business infrastructure projects (£5,731.2 to £8,596.8) – however, the SE average is predominantly based on business infrastructure projects supported in urban areas, with the cost per job in rural areas expected to be higher.

On balance, the performance of the RBPS programme against target outputs and results was good, particularly given that the programme was launched just as the recession took hold, when business confidence was low and there was limited access to finance to progress projects. The programme exceeded its revised targets and also managed to exceed the original target for sq m business space developed. The cost per job achieved was lower than originally expected, representing good value for money.

3. Stakeholder Consultations

3.1 Introduction

This chapter reports the findings from a series of telephone consultations undertaken with key stakeholders during September to October 2014. Nine consultation interviews were conducted with the following stakeholders:

- Three SE Account Managers and one Business Gateway Adviser;
- Members of SE's Business Infrastructure Team including the SRO, Programme Co-ordinator and two project managers; and
- SE's Rural Director.

A full list of consultees is provided in **Appendix 1**.

The findings have been grouped under the following five themes:

- Aims and Objectives;
- Development of RBPS Approval Paper and ERDF Applications;
- Engagement;
- Delivery Approach ;
- Outcomes and Impacts;
- Programme Learning; and
- Future Rural Business Property Support.

3.2 Aims and Objectives

The RBPS programme was developed in the thick of the economic crash in 2007/08. Market difficulties in the rural property market were exacerbated by banks becoming even more risk adverse in terms of lending for rural property development.

Any channel that SE could provide to help rural businesses develop premises was thought to be critical, particularly provision of gap funding. A key overarching aim for the consultees was the need to support companies in rural areas who had a property requirement but were facing a severe disincentive to invest due to property market failure.

The main cause of rural property market issues identified by consultees was the cost of developing new or refurbishing existing premises exceeding the value of the premises delivered. It was reported that if this issue could be addressed, it would help rural businesses to expand and grow and would create new jobs in the rural area.

Key objectives that consultees aspired for RBPS to achieve for rural areas were:

- Company growth
- Increased turnover
- Safeguarding jobs
- Creating new jobs

It was also reported that the RBPS programme had helped SE to connect with stakeholders on what it does in rural areas. From a financial perspective, there is more sense in supporting property development near cities than in more remote rural areas, but the projects were viewed as vital for rural economic development. Property market failures were viewed as being worse the further an area was from a city.

It is interesting to note that a Business Infrastructure project manager based in the North East was not aware of the aims and objectives for the programme and had not known these existed until over a year into the programme. The initial project development was very much led by Business Infrastructure Team members based in the South of Scotland.

3.3 Development of RBPS Approval Paper and ERDF Applications

3.3.1 State Aid

SE originally started to develop a product to deliver property support in rural areas. This approach was abandoned as there was a lack of clarity on which State Aid rules would cover eligibility. State Aid rules have recently been updated (Summer 2014), with changes in relation to intervention rates and geographic areas. There was also a fear at the time that a product might be swamped as the full extent of demand and likely take-up was not known. Development of the programme also coincided with a period of restructure for SE and it was decided that it would be best to fund RBPS on a case-by-case basis.

General block exemption programmes allow state aid for SMEs as this doesn't affect trade between Member States. At the time (2009), Tier I areas were only found in Highlands & Islands. There were very few Tier II Regional Selective Assistance (RSA) areas in rural Scotland, where 30% intervention was allowed for small businesses and 15% for medium sized businesses. Almost all rural parts of the LUPS area were in Tier III RSA areas, where the maximum intervention rate was 20% for small businesses and 10% for medium sized businesses.

State Aid rules meant that RBPS was only available for SMEs and the maximum intervention rate for the majority of the area was 20% for small businesses. In the ESEP area, part of Stirlingshire and East Ayrshire was RSA Tier 2 (see Appendix 2) with a 30% intervention rate limit, but no projects came forward in those areas.

3.3.2 Programme Development

The Programme Co-ordinator wrote the original SE approval paper and ERDF applications. There were two ERDF applications – one for the SoSEP area and one for the ESEP area. Both applications involved the same management and delivery processes, the only difference were the areas of geographic coverage and associated targets[10].

Project targets were based on past experience – it was reported that there had always been good take-up of such initiatives, particularly in the South of Scotland.

3.4 Engagement

3.4.1 RBPS Direct Promotion

The RBPS programme was launched in 2010 and was promoted to Account Managers and Business Gateway Advisers by the SE Business Infrastructure Team members responsible for programme delivery.

The Programme Co-ordinator went round all SE offices to promote RBPS, ensuring that Account Managers and Business Gateway personnel were briefed on the support available. The support available was also highlighted on 'New Today' on SE's intranet. SE was cautious to begin with when promoting the programme in case there was overwhelming demand, so this was predominantly done through Account Managers.

SE's Rural Director also promoted RBPS to rural companies that he was aware of as having a property need.

When it became apparent that take-up was low, the Business Infrastructure Team tried to raise its profile. This included the Programme Co-ordinator emailing Account Manager Supervisors in the ESEP area to inform them that they still weren't getting successful referrals through from the ESEP area. One Business Infrastructure project manager worked to engage with Business Gateway and prospecting teams and this helped to boost enquiries from smaller businesses. Consultees concluded that Account Managers in the ESEP area were not as engaged with rural companies as Account Mangers in the SoSEP area.

The Account Managers and Business Gateway Advisers were responsible for promotion of RBPS to their clients. It was reported that Account Managers generally kept Business Infrastructure colleagues involved, e.g. inviting them to attend meetings with the companies, while Business Gateway were less involved and tended to prefer Business Infrastructure to liaise with their clients direct.

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[10] See Appendix 2 for geographic coverage of SoSEP and ESEP areas.

Comment was made that the promotion of RBPS could have been braver, with potential for external promotion. This comment was countered by comments from the Business Infrastructure Team on the need to manage the programme budget – while there was an approved top level budget for the ERDF funded programme, actual funding commitments were managed on a case by case basis through SE's rolling approval / cash flow management process. This meant that aggressive maximisation of potential take up was not a goal.

One Business Infrastructure project manager based in North East Scotland indicated that they only became aware of the RBPS programme when the ERDF funding package was withdrawn from the ESEP area. The only differences they identified between RBPS and the State Aid Scottish Property Support Scheme was that RBPS was targeted at businesses in rural Scotland and could leverage in European funding. The project manager reported that he did not promote RBPS separately in North East Scotland. This suggests that a potential bottle neck in referral of projects to RBPS from the ESEP area could have been the lack of awareness that a dedicated programme and budget was available to support rural property projects.

3.4.2 Disparity in Take-Up between SoSEP and ESEP Areas

It was reported that engagement worked well in the SoSEP area but not in the ESEP area. During the mid-programme review period it had become apparent that there were no successful project applications in the ESEP area, so ERDF funding was withdrawn from the ESEP area. Projects that were in the pipeline already in the ESEP area were progressed, with SE providing full funding.

Consultees expressed the following views as to why there was a disparity in take-up between the SoSEP and ESEP areas:

- In the height of the recession, Account Managers and Business Infrastructure project managers outside the South of Scotland were focused on activity in city regions as a lot was happening there – less focus was given beyond where they were already busy, e.g. to businesses in the ESEP area. This resulted in less promotion of RBPS by Account Managers and Business Infrastructure project managers outside of the SoSEP area.
- There isn't a city in close proximity to the SoSEP area and the businesses that SE staff based in SE offices in Dumfries & Galloway and the Scottish Borders tend to work with are located in the rural area.
- The Business Infrastructure Team members who were key to promoting and delivering RBPS were based in the South of Scotland. It was suggested that Business Infrastructure staff outside of the South of Scotland had less interest in the rural area and, in some cases, were unaware of the existence of RBPS.

- While the number of enquiries was lower in the ESEP area, there were still a significant number but the success rate in gaining approval for these was far lower than in the SoSEP area.
- Many of the applications from the ESEP area were more appropriate for Scottish Rural Development Funding (SRDP).
- There are no account managed companies in rural Aberdeenshire – referrals in Aberdeenshire came directly through liaison businesses had with Scottish Enterprise, but not through Account Management or through Business Gateway.
- The majority of businesses in Aberdeenshire are small tourism businesses – their property projects are generally small, e.g. c. £20k, which would only attract a grant of £4k, so really not worth it.
- There are different dynamics between rural sectors in the SoSEP and ESEP areas. There is more industrial activity in the SoSEP area than in the ESEP area, where industrial activity tends to be located in adjoining city regions.

3.4.3 Scottish Rural Development Programme (SRDP)

In addition to the recession, the availability of other types of support was seen as influencing take-up of RBPS. In 2009, many rural businesses were engaged with the Scottish Rural Development Programme (SRDP), through which property grants with an intervention rate of 50% were available. At this time, scoring mechanisms for SRDP were seen as relatively lenient, but as time went on and the funds available began to run out, scoring became tighter and fewer projects were supported.

The timescale for securing SRDP was reported by the Rural Director as being particularly long and while grants of 50% were available compared with 20% through RBPS, he commented that for some, it was easier to secure 20% through SE than 50% through SRDP. A potential connection was suggested between this and an increase in enquiries for RBPS towards the end of the programme. This was echoed by the Business Gateway consultee who thought that the SRDP process was too long and complicated for some rural businesses, who then found out they were not eligible for RBPS because they needed to be able to prove they'd been rejected by SRDP in order to access RBPS.

A number of applications for RBPS were discontinued until evidence could be provided that the business could not access support through SRDP. This led to some projects being progressed without public sector funding as the processes for applying for funding through SRDP were too long and cumbersome. It was reported that some of these businesses had to scale their projects back, due to the lack of public sector investment.

The SRDP issue was more of a factor in the ESEP area with the majority of enquiries in this area coming from tourism and renewables businesses or farm diversification projects potentially eligible for SRDP, than in the SoSEP area where there was a greater spread of sectors and more industrial related enquiries.

3.4.4 Impact of the Recession

It was reported that there was limited take-up and progression of successful project applications when the RBPS programme was launched due to the recession taking hold after 2007, with a lot of uncertainty Scotland wide in 2009/2010.

Uptake began to improve in the SoSEP area by the end of 2010/start of 2011, with more referrals coming through. The initial low uptake was reported by some to have been the result of companies struggling to raise any sort of investment during the recession. Business confidence was viewed as being low at the outset of the programme, taking one to two years to pick up.

Account Managers generally reported that they thought more of their companies would have been interested in RBPS had it not been for the recession, which meant they were unable to secure funding to invest at that time. Comment was made that there are always businesses that could do with a new building and experience has been that if a company moves into a building twice the size, they tend to grow and soon require a building three times the size. The recession meant that the time wasn't right for many businesses to secure investment to progress property projects.

One Account Manager reported that a company that they referred to RBPS was pursuing a property project as part of their strategy to get through the recession. The recession had required the company to take difficult decisions to avoid going bust, leading to acquisition of two other companies to help them diversify which in turn required them to relocate to give them the capacity to diversify and improve production. This Account Manager reported that while for some companies the time clearly wasn't right to invest in property projects (he only made one referral to RBPS), this particular company had to relocate to survive, a strategy which he reported had clearly paid off.

3.4.5 Account Manager / Business Gateway Referrals

It was originally intended that companies targeted for support would be Account Managed or on the Business Gateway Growth Pipeline. At the time the programme was developed, SE had control of Business Gateway, but management was transferred to local authorities prior to the start of the programme.

The majority of enquiries for RBPS came directly through referrals from Account Managers and Business Gateway Advisers. Account Managers reported that they had been briefed on RBPS by colleagues from the Business Infrastructure Team. The processes used by Account Managers to promote RBPS varied. All of the Account Managers interviewed for the evaluation had looked to identify companies that they thought had a property requirement and then made them aware of support available through RBPS. Some, but not all, also sent a blanket email to companies that they thought would be eligible to raise awareness of RBPS.

None of the projects referred by Account Managers in the ESEP area progressed to approval stage. The two projects supported from the ESEP area were not direct referrals from Account Managers or Business Gateway Advisers. It was reported that these projects came through other departments within SE. For example, one was supported for political reasons as there was a reputational risk for SE. The company thought it had been harshly dealt with by RSA and as the proposed investment was particularly significant for the local economy, SE decided to help share the risk through RBPS.

Only one Business Gateway Adviser was interviewed for this evaluation. The Adviser found out about RBPS through an SE product awareness day and then promoted the programme to clients. She was also put in contact with potential recipients by a local Scottish Agricultural College (SAC) Consultant who was aware of the programme. The Business Gateway Adviser reported that she and her colleagues made a number of referrals to RBPS but none went on to have projects approved.

3.5 Delivery Approach

3.5.1 Approval Process

The Business Infrastructure consultees responsible for management of the RBPS programme generally reported that the companies involved in RBPS had found the approval process cumbersome. It was noted that property is complicated for most businesses and that SE required a lot of due diligence, a process that was really unavoidable. The original intention had been to productise the support, but with nervousness about being swamped by demand, a full blown project approval process had been required that didn't build in delegated authority below the Director of Business Infrastructure. Applications were subject to due diligence, with the cost of this picked up by SE.

Companies were required to produce their own costings. In parallel to this, SE was required by ERDF to commission an independent project monitor (quantity surveyor) to sign off the costs that were eligible under the scheme. At regular intervals during project delivery, invoices were prepared and bank statements submitted. The project monitor certified the costs, and ERDF grant contribution to costs. Most projects received 2-3 payments, with back-up paperwork filed for ERDF audit purposes.

It was reported that there were sometimes tensions on timelines where these processes were disconnected, sometimes caused by the companies involved dragging their feet due to financial constraints.

All projects were subject to the full appraisal and approval process, as if they were required to go the SE Single Approvals Group (usually for projects of £500k or more), even though none of the grants awarded were above £500k and only two were higher than £50k. As the grants were all under £500k, they were submitted to SE's Business Infrastructure Director for approval. It was generally felt that the full approval process was appropriate for large grants, but that the approval process could have been more streamlined for smaller grants.

It was reported for one small grant that was made that the cost of evaluation, due diligence and staff time required for approval of the grant was higher than the grant itself (£4k). However, the project was viewed to have been significant for the local area providing a key service to the tourism industry and the business had subsequently gone from strength-to-strength.

It was generally viewed that the same amount of information would be required for future projects for due diligence regardless of project size, but that there was an opportunity to reduce the time taken to get to approval.

Positive comments about the individual approval process were that it allowed the flexibility to take company orientated decisions. However, it was also noted that it was difficult to determine at an early stage if a project would be supported due to dubiety about eligibility rules.

It is interesting to note that the Account Managers and the Business Infrastructure project manager from outside South of Scotland reported that on the whole, the approval process was relatively smooth. The following chapter on the business survey findings also demonstrates that most the companies involved were relatively satisfied with the process.

Some Account Managers did report that they felt the approval process should be scalable depending on the size of the project. One Account Manager with two projects supported through RBPS reported that one project was really big and he felt that the stringent approval process was necessary, while the other project was much smaller and he felt that the process was overly bureaucratic. This Account Manager reported that the company involved in the smaller project had reported that it wouldn't participate in the future if the process wasn't simplified.

Across the board, consultees recognised that the ability to productise RBPS would reduce the burden of the approval process by introducing approval by delegated authority. It was felt that this would reduce the approval timescale and make it easier to provide clear guidance at the outset of the process on what information companies would be required to provide. The process would be less burdensome for smaller grants by reducing duplication between different stages of the current approval process.

Most of the delays in approval were reported to have been caused by companies taking a while to produce the information they were asked to provide. It was felt that this would remain an issue for future projects as the same level of information will be required for future property support. However, there is the possibility to consider having a proforma/template for small businesses to complete in the future.

3.5.2 Role of Business Infrastructure Team

The original plan to develop a product for rural property gap funding fell by the wayside, however, a product was developed for feasibility studies, which did go ahead. The role of Business Infrastructure in delivering the feasibility product was fairly limited, e.g. the Team was called upon if the associated due diligence became fairly complicated or technical in nature.

When RBPS was originally established, it was assumed by the Business Infrastructure Team that Account Managers and Business Gateway Advisers would bring forward cases and then provide continuing liaison between Business Infrastructure and the company as they do with the feasibility product, e.g. providing a project management role. The idea was that this would avoid confusing companies by introducing Business Infrastructure as a third party.

However, in practice, Account Managers were often keen for Business Infrastructure colleagues to liaise direct with clients. Some Account Managers facilitated joint meetings, while others preferred Business Infrastructure to take a direct lead. Account Managers did provide text on company growth for approval papers as planned.

As responsibility for Business Gateway was moved from SE to local authorities prior to the start of the programme, Business Infrastructure consultees reported that while Business Gateway Advisers still had a liaison function, there was more direct contact between Business Infrastructure and Business Gateway client companies.

Non-Business Infrastructure consultees were on the whole very positive about the role the Business Infrastructure Team provided in operation of the programme. In particular, the Business Infrastructure project managers' specialist knowledge of the property market was seen as being key to delivery of flexible and realistic support to companies.

Comparison was made with SRDP – while SRDP provided grant support, it didn't provide the same specialist support and property market knowledge that companies gained through RBPS. The Business Infrastructure project managers were viewed as having good technical understanding of the property market and as having delivered individual support and advice to companies through RBPS.

Some consultees reported that the role of Business Infrastructure would be key to ensuring successful delivery of future property support programmes. It was reported that it was necessary to have people on the ground and individuals responsible for leading delivery of RBPS.

Account Managers made the following comments on the role of the Business Infrastructure project managers:

- Business Infrastructure managed and developed the projects really well
- They were able to provide in-depth detail that Account Managers don't always have the time or knowledge to provide
- Business Infrastructure could be trusted to deliver
- They had strong knowledge of the local property market
- The Business Infrastructure project manager kept them up-to-date
- It made sense for Business Infrastructure to liaise with the company direct as they had more technical experience

3.5.3 Role of Account Managers / Business Gateway Advisers

Account Managers reported that their role in development and delivery of projects was relatively minimal. Companies were referred to the Business Infrastructure Team who then helped the company to work up their application and take it through the approval process. The Account Managers assisted by providing input to the approval paper and were responsible for ongoing monitoring and reporting.

Business Infrastructure consultees reported that Account Managers and Business Gateway Advisers generally took a bit of a back seat. It was felt that this could have been due to the low levels of take-up which meant that Account Managers were not dealing with RBPS on a regular basis so felt out of their comfort zone leading on projects, leaving it to Business Infrastructure staff to do most of the frontline engagement with the client. This was not reported as a major issue as Business Infrastructure were able to cover this at the end of the day. It was felt that this was even more of the case with Business Gateway Advisers, with Business Infrastructure consultees finding they had to do the all of the monitoring and follow through with Business Gateway clients.

One Business Gateway Adviser from outside the South of Scotland was consulted during the evaluation to try and establish a better understanding about the low success rate of applications from businesses in the ESEP area. The Adviser reported that they hadn't found the RBPS programme user-friendly and that there wasn't promotional material available to promote the programme to rural businesses. The Adviser reported that they found the processes laborious as they were required to interact between SE and the businesses applying for support. They reported that there wasn't a local Business

Infrastructure project manager and they felt that there was reluctance by Business Infrastructure to liaise direct with the applicants, possibly due to the distance with applicants based in rural Stirlingshire and the project manager being based in Dumfries & Galloway. The Adviser had expected that the businesses would be supported fully in the process by Business Infrastructure.

In relation to applicants from the Stirlingshire area, there appears to have been an element of misunderstanding or confusion, as it was reported by Business Infrastructure that the Business Gateway Adviser had requested that they wanted to keep a particular close eye on one of the applicant companies, which was why liaison was conducted via Business Gateway.

There was agreement by all consulted that direct liaison between Business Infrastructure project managers and applicants was the most successful approach, and this is further backed up by company feedback in Chapter 4 that confirms that the businesses themselves preferred to liaise direct with the Business Infrastructure project managers.

3.6 Outcomes and Impacts

3.6.1 Delivery against Targets

On the whole it was felt that the programme had delivered against its targets in the SoSEP area but not in the ESEP area.

ERDF was withdrawn from the ESEP area at the end of 2011 and SoSEP targets were revised as take-up had been slower than anticipated. When the SoSEP targets were revised in 2012, there was still uncertainty about the length of time the market would take to recover and total uncertainty in the whole economy on how quickly things would take to turn around. As confidence recovered, it was reported that there was a far steadier stream of enquiries towards the later part of the RBPS programming period – much of this was reported to be through word of mouth.

RBPS did not meet its original spend target, but did exceed the revised targets for the SoSEP area, creating new jobs and increasing turnover in the rural area. The Rural Director reported that he was disappointed that there was not more activity supported outside of the SoSEP area and the Business Infrastructure project manager located outside the South of Scotland reported that RBPS had not met its aims in rural Aberdeenshire. It was reported that there was no significant take-up outside the South of Scotland and that the two projects supported in Aberdeenshire had come to Business Infrastructure through natural prospecting and not specifically as referrals for RBPS.

3.6.2 Account Manager and Business Gateway Adviser Perspective

The Account Managers generally reported that RBPS was vital to progression of the projects they were involved in. Without the support, the companies would have struggled to fund the projects in full, with some citing that this was due to the recession.

One Account Manager reported that without RBPS, the company he was involved in would have been able to meet increasing demand created by an upturn in the construction market without larger premises, but would have had to do this by increasing evening and weekend shifts, with a reported 20% loss in efficiency when new people are brought in to cover shifts.

It was reported that the cost of building in rural areas is more than the end value of property, which was definitely thought to be more of an issue in rural areas than urban areas.

While there was criticism by a small number of companies on the length taken to get through the approval process, Account Managers thought the process and required due diligence helped to get the companies sharpened up for future requirements for information from the bank. It was also reported that it helped to grow business confidence in applying for grants.

It was reported that the experience of going through the approval process as well as the assistance provided helped to ramp up the game plan of the companies supported.

One Account Manager suggested that it would have been good to have had a one page summary at the start of the process outlining what the project involved and information required from companies for claims, etc.

The Business Gateway Adviser expressed a concern that several referrals were made to RBPS for projects in the Stirling area over three years, but none were funded. This was reported as unusual for the Stirling area where Business Gateway had achieved a good rate of success for applications for other programmes they worked with. Frustration was also expressed that issues of displacement were being determined by people who did not have direct experience of labour market / economic dynamics in the Stirlingshire area.

3.6.3 Soft Impacts

It was reported by Business Infrastructure consultees that there was a greater focus on leveraging environmental and low carbon goals towards the later part of the programme as SE's low carbon objectives evolved. SE Sustainability Experts were brought in to advise companies on how to tailor their projects to achieve greater carbon efficiency. After the start of RBPS, SE brought in a policy that any property developed should be to BREEAM[11] guidelines.

While SE aspirations are for property developed to achieve a BREEAM 'excellent' rating, this was reported to be hard for small businesses, particularly for development of industrial premises. None of the projects achieved an excellent rating, but some did achieve a 'good' rating, that would not have been achieved otherwise, providing carbon savings.

3.7 Programme Learning

3.7.1 Strengths

Consultees reported that the key strengths of the RBPS programme were:

- It helped companies assisted to tackle rural property market failures.
- It enabled companies to grow and expand, making a significant impact in the rural area.
- Business Infrastructure project managers gained a good understanding of company needs, business plans, etc. through engagement in company meetings.
- The rigour and due diligence of the approval process was useful for helping smaller companies learn about the risks they were getting involved in.
- Following discussion with Business Infrastructure project managers and sustainability experts, companies were able to engage their own advisers to address potential issues.
- The support helped companies to overcome risk aversion, reported to be endemic outside the urban area. This was predominantly as a result of support provided by the Business Infrastructure project managers.
- Companies benefited from the technical input to projects provided by Business Infrastructure project managers.
- RBPS was pretty much the only vehicle whereby SE could deal with property market failure outside the central belt and was a useful tool for SE to have in its armoury.
- For eligible projects, it was reported that RBPS helped the approval process for rural projects by providing a dedicated and targeted resource fitting the needs of rural businesses.
- On the whole, the companies supported reported to consultees that they were satisfied with the support they received.

[11] Building Research Establishment Environmental Assessment

3.7.2 Weaknesses

Consultees reported that the key weaknesses of the RBPS programme were:

- The long approval process (in some instances 6 months) and issues setting timescales in line with customer requirements – focus on SE approval processes rather than company growth cycle.
- Companies had to fit development activity to SE timescales and processes, which often didn't fit well with the planned project.
- It could take 3-4 months just to get initial approval l – some applicants wanted to deliver their projects to a quicker timescale or had planned the timing of their project around annual peaks and troughs in business activity and hadn't accounted for such a long approval timescale. Once the application had been approved, the turnaround time was relatively quick at around 7-10 days.
- A need to refine the process for getting to a point where if going to say no, say no.
- A rural property intervention hadn't been run for a few years, so staff were a bit detached from 1-2-1 company engagement.
- Rural projects tend to be small in size so have smaller economic impact on paper than big projects in urban areas. However, a £100k project near Braemar would have really big impact priorities for the rural economy and in turn SE in relation to regional equity.
- Promotion of RBPS was not evident in the North East of Scotland. There were no referrals for RBPS.
- Companies found it difficult to get three quotes – for example if there was only one company in the area that did the type of work required, they found that other companies were not prepared to travel to that area to give a price when they knew their competitor in the area would likely be able to provide a better price.
- A lack of support from SE Business Infrastructure Team outside of the South and North East of Scotland caused frustration – Business Gateway Advisers wanted Business Infrastructure to liaise direct with their clients and one Adviser working in Stirlingshire reported that there appeared to have been a reluctance to do so.
- Where it wasn't clear if a business was eligible for SRDP, the companies did not have time to go through the long SRDP approval process to provide evidence for RBPS that they could not access SRDP funding.

3.7.3 Lesson Learned

Consultees reported the following lessons from delivery of the RBPS programme:

- Could streamline the process, but don't want to sacrifice audit and robustness of funding decisions which makes it hard to improve turnaround time.
- It can be hard to get information out of companies – particularly smaller companies who have fewer resources for responding to information requests.
- Still really only demand coming through from the South of Scotland, where rural Account Managed companies are concentrated. If a future rural property initiative is targeted at Account Managed companies, take up is likely to be predominantly by businesses based in the South of Scotland.
- Provide a list of information required from businesses upfront and be clearer from the outset on requirements from businesses at each point of the process.
- It is critical that the cross engagement by Business Infrastructure across departments through RBPS is incorporated into future property support products/initiatives. This is an area that worked well in RBPS and should be taken forward in any future product/initiative.
- Business Infrastructure should continue to take the lead for future property support products/programmes.
- There needs to be better discussion with Scottish Government on SRDP – will likely require a relationship to be built between Business Infrastructure, Scottish Government and LEADER as SRDP is to be administered through LEADER from 2015. There is some concern that businesses will need to go through a new application process for SRDP and the suitability of the fund for businesses will depend on the application process developed.
- There needs to be better promotion of future rural property support through Business Gateway, Account Managers, the Rural Team and also in the press.
- While investment in rural business property development doesn't bring as high an economic return as larger scale investment in urban areas, it is crucial for regional equity.
- The issue for businesses in North East Scotland is that they require a higher intervention rate due to the sectors they are involved in and the relatively small size of property projects brought forward – this is not provided for.
- Provide companies with a summary of project requirements at the outset.
- Provide leaflets about RBPS in the future – this would aid in promotion by Business Gateway Advisers.
- Provide better explanation of timescales for approval.
- Have a scalable approval process depending on size of project.

3.7.4 Duplication and Overlap

RBPS was not intended to duplicate support available through SRDP and businesses eligible for SRDP were not eligible for RBPS. However, most of the businesses referred to RBPS from the ESEP area were small and involved in tourism, renewables or farm diversification, so potentially eligible for SRDP support. In some instances, businesses were referred to RBPS that were potentially eligible for SRDP, resulting in applications not being progressed until the business could provide proof that it could not access funding through SRDP.

A lack of awareness by at least one Business Infrastructure project manager of the difference between RBPS and the Scottish Property Support Scheme (SPSS) potentially led to limited promotion of RBPS in the ESEP area. While only two companies in North East Scotland were supported by RBPS over four years, it was reported that other rural projects had been funded since the programme finished through SPSS. One Business Infrastructure project manager reported that their understanding was that the only difference between RBPS and SPSS was that RBPS leveraged in ERDF, while SPSS didn't (this was despite the fact that SPSS was a set of rules for State Aid compliance and not a resourced programme).

One Account Manager reported that there was some overlap between RBPS and RSA. It was reported that RSA was more convoluted and that companies don't get the money until after the project was completed. The Account Manager found that RBPS ensured that the company supported received funding quicker than through RSA. However, the majority of the ESEP and SoSEP areas were not covered by RSA Assisted Area status.

3.8 Future Rural Business Property Support

3.8.1 Continuing Demand

There was broad agreement that there was continuing demand for rural property support with continuing rural property market issues caused by a shortage of commercial property and the cost of property development exceeding the end property value. Provision of rural property support was viewed as essential to enable expansion of rural businesses and growth of the rural economy.

It was reported that there are real challenges in the property market all around Scotland, with commercial industrial stock no longer compliant with environmental standards. The average age for industrial property was reported to be over 60 years. A recent report on the Fife property market referred to by one consultee has identified that massive investment is required to sustain economic activity beyond city boundaries.

These findings are in line with evidence of continuing demand included in the Stage 5 (a) Interim Review of RBPS, including findings from a report produced by Ironside Farrar (February 2013) for SE and Scottish Borders Council entitled 'Economic and Market Assessment for new Business Space'. The report confirmed that there is still no private sector development appetite for commercial / industrial property investment in the Scottish Borders. District Valuer's reports commissioned during the due diligence stage of RBPS projects also consistently found a gap between the cost and end value of new buildings, providing evidence of the continuing rural property market failure.

Some individual comments made by consultees on continuing demand included:

- *"There's a need to be fleet of foot and flexible, with the right kind of property development supported for the right kind of requirement."*
- *"Rural and urban businesses tend to have similar property requirements; just that property market failure tends to be stronger in rural areas. "*
- *"It is harder for rural businesses to attract normal streams of finance."*
- *"There is not a high demand for RBPS in North East Scotland, primarily due to the low intervention rate and the small size of property projects brought forward by rural businesses in the area."*
- *"There is a real gap in support in the rural area – particularly now RSA is more prohibitive and we go through economic recovery."*
- *"Provision of rural business property support will ensure projects are of greater scale and involve more rounded developments."*

3.8.2 Recommendations on Future Rural Property Support

Most consultees reported that they were aware that SE was looking at developing a future productised support package for rural property support.

Business Infrastructure consultees reported that SE is looking to develop a productised service in response to recommendations made by the Stage 5 Review of RBPS two years ago. The existing feasibility product is being reviewed and SE is looking at introducing two new follow-on products, providing a more holistic approach.

The suggested products would consist of:
1. Early stage company feasibility study considering initial idea and property solution (this product has existed for 5/6 years and is currently being refreshed);
2. A productised technical design option to develop a preferred approach that is investment ready;
3. Business infrastructure development product – gap funding for development or refurbishment of premises.

It is intended that the productised approach would provide a more logical and clearly managed process – with SE sharing costs and risks with companies. The productised service would operate up to an agreed capped level, with any high level commitments or big businesses being considered on a case-by-case basis. Decision making for smaller scale projects would be kept within the Account team.

The product will be non-city rather than city focused, e.g. it will be focused on regional equity. It will be available across the SE area, but there has to be a demonstrable property market failure and a gap between the end value of the building and the cost of the project.

It is likely that the productised service will be focused on growth companies, low carbon and other priority areas. This approach would be less flexible than RBPS, but would allow eligibility to be clearly defined.

Business Infrastructure consultees reported that they are currently drafting a product guide and it is likely to advise that the product should be led by the Account Management Team, including the Account Manager and someone from the Business Infrastructure and / or the Sustainability team. Low carbon is now embedded in SE policy, so the Business Infrastructure and / or Sustainability teams will need to sell this to businesses.

It was reported that a products approach would allow a quicker timescale for businesses to get through the application / approval process. A budget would be available for the products, so a product application would be completed rather than the full approval process used by RBPS. Projects in excess of £0.5 million will still need to go for approval, but it isn't likely many will come from the rural area – only one RBPS project exceeded £0.5 million and the SE grant to this project was £408,000.

It was reported that SE would need to be clear about information requirements at critical decision points going forward.

There will also be a need to monitor and evaluate implementation.

While there was general consensus that it was good that a productised service was being developed, some consultees advised that it needs to be open to non-Account Managed companies – this is particularly important outside the South of Scotland area where there are less rural Account Managed companies. It was reported that there are no Account Managed companies outside the City of Aberdeen in North East Scotland.

Account Managers were favourable to the introduction of a productised approach which it was felt would help to simplify the approval process. One expressed a worry that companies would be made to go through all three products when they might already be at a stage to go direct to the third product. The Business Infrastructure Team has confirmed that the process has been designed flexibly so that companies can enter at the stage best suited to development of their property project.

The Business Gateway consultee advised that the new service should be available to Growth Advisory Service (GAS) businesses as well as Growth Pipeline and Account Managed companies. GAS businesses have projected growth of £200k within three years and were reported to be particularly important to rural economies.

4. Company Feedback

4.1 Introduction

Detailed telephone interviews were conducted with businesses that were supported by RBPS. A requirement to gain survey clearance meant that SE's Appraisal and Evaluation Team were unable to survey four of the eleven businesses assisted. In addition, one business contacted for the telephone survey was unable to find time to participate. The five businesses not included in the telephone survey were all account managed, so the businesses' Account Managers were consulted about the support the companies had received. The Account Managers were also able to follow-up with the businesses' to provide additional impact information by email.

This chapter provides an overview of the findings from the six telephone interviews and additional consultations with Account Managers responsible for the five other assisted businesses. The chapter is structured as follows:

- Location of the projects supported;
- Initial engagement with RBPS;
- Business feedback on the quality of support provided;
- The impacts that have occurred or are expected as a result of the businesses involvement;
- Strengths and weaknesses; and,
- Additional comments.

It should be noted that the findings cover:

- Nine businesses from the SoSEP area; and
- Two businesses from the ESEP area.

4.2 Location of the Projects Supported

The projects supported through RBPS were located primarily in small rural settlements across rural Aberdeenshire, Dumfries & Galloway and the Scottish Borders.

Table 7 below shows that five of the businesses supported were located in Dumfries & Galloway, four of which were located in settlements with a population of less than 5,000. Four businesses were located in the Scottish Borders in settlements with populations varying between 640 and 14,000. The businesses located in Aberdeenshire were based in the very small rural villages of Ballater and Braemar.

Table 7: Projects Supported by RBPS by Rural Settlement, Including Population

Local Authority Area	Rural Settlement	Population	Number of RBPS projects located there
Aberdeenshire	Ballater	1,550	1
Aberdeenshire	Braemar	580-840*	1
Dumfries & Galloway	Castle Douglas	4,070	1
Dumfries & Galloway	Dalbeattie	4,260	1
Dumfries & Galloway	Dumfries	33,280	1
Dumfries & Galloway	Gretna	3,040	1
Dumfries & Galloway	Lockerbie	4,290	1
Scottish Borders	Greenlaw	640	1
Scottish Borders	Hawick	14,050	1
Scottish Borders	Kelso and Maxwellheaugh	6,760	1
Scottish Borders	Selkirk	5,730	1

Source: 2012 Mid-year Population Estimates (General Register Office for Scotland)

Notes: Mid-year population estimates were not available for Braemar, the population range noted is from the Braemar Strategic Master Plan (Halliday, Fraser, Munro; September 2011)

Given the small size of the settlements where the RBPS projects were located, the business growth supported has the potential to have a significant impact on the rural economy through provision of new employment opportunities, and in some cases, provision of new tourism services contributing to place competitiveness.

4.3 Initial Engagement and Interaction

Table 8 below shows that the businesses supported represented a range of sectors in the SoSEP area. Both businesses supported in the ESEP area were involved in retail/tourism activities. 73% of the projects involved development of premises for industrial, warehousing and storage use. 27% of the projects involved development of tourism related premises. None of the projects involved development of office space.

Table 8 also shows that 55% of the businesses expected their property project would result in company growth by enabling expansion of existing business activities, while 45% expected it would enable diversification into new business activities.

Table 8: Key Area of Business Activity and Type of Premises Developed

	Type of business space developed	**Growth achieved through...**	**Area**	**Number**
Refurbishment of food production equipment	Industrial	Expansion of existing activities	SoSEP	1
Refurbishment and sale of forestry equipment	Industrial	Expansion of existing activities	SoSEP	1
Outdoor activity centre	Tourism – clubhouse extension	Diversification of activities	SoSEP	1
Wholesaling of furniture	Warehouse	Expansion of existing activities	SoSEP	1
Sale of tractors and other machinery	Industrial	Expansion of existing activities	SoSEP	1
School uniform supplier	Warehousing / storage	Expansion of existing activities	SoSEP	1
Manufacture of wet and dry heating and engineering products	Industrial	Diversification of activities	SoSEP	1
Manufacture of timber frames	Industrial	Diversification of activities	SoSEP	1
Tourism	Tourism – accommodation	Diversification of activities	SoSEP	1
Cycle retail and repair	Storage	Expansion of existing activities	ESEP	1
Specialist outdoor retail	Tourism - cafe	Diversification of activities	ESEP	1
Total				11

Table 9 below shows that most of the businesses found out about RBPS through SE Account Managers (46%) or other SE staff (27%).

Two of the six businesses interviewed reported that they initially approached Business Gateway about their property requirement. One of the business consultees reported that they had endured a negative experience with Business Gateway with four different Advisers coming out at various stages asking the same questions – a process which took three months. The consultee managed to identify a named contact within the SE

Business Infrastructure Team in a Business Gateway email, so decided to contact her direct and RBPS support progressed from there.

The other business consultee reported that Business Gateway had been no help at all and had resulted in wasted time when the business was under pressure to put up the building to increase revenue. This consultee found out about RBPS through enquiries it made direct with SE and was pleased to report that they are now Account Managed. The consultee thought that the project had been too big for Business Gateway.

A separate business consultee reported that they had originally contacted SE's RSA team as they had seen a mention in a report for a local masterplan that there was support for tourism businesses available through the Tourism Innovation Fund and RSA. They found out that the Tourism Innovation Fund had been wound up, so contacted the RSA team in Glasgow.

The consultee reported that they had a negative experience with the RSA team, being told that RSA never supports tourism projects, despite it stating on the website that they do. They were also told they wouldn't be eligible as they weren't in the SE area, despite the fact that they were. The business made a complaint to a Cabinet Minister who spoke to the SE CEO. It was then put in contact with SE's Aberdeen office and subsequently with a Business Infrastructure project manager who it reported had a much better understanding of the rural economy and offered it assistance through RBPS. The business was very grateful for the support received through the SE Aberdeen office.

Table 9: How the Business Found Out About RBPS

	Number	%
Through regular dealings with SE	1	9
Through the company that provided drawings for the project	1	9
Through Business Gateway emails	1	9
Put in contact with Business Infrastructure project manager after making a formal complaint about RSA through a Cabinet Minister	1	9
Through an SE member of a tourism related Board	2	18
Through an SE Account Manager	5	46
Total	11	100

Table 10 below shows that RBPS supported the following types of project:

- Extension to existing buildings
- Construction of new buildings
- Conversion/refurbishment of existing premises

All the businesses reported that their property project was required to enable company growth.

Table 10: Why the Business Required RBPS

	Number	%
For an extension to an existing building to enable company growth	3	27
To build a new building to enable company growth	4	36.5
To convert/refurbish an existing premises to enable company growth	4	36.5
Total	11	100

In general, the businesses reported that gap funding secured through RBPS was required as the cost of the development was significantly higher than the end value.

One business consultee reported that he wouldn't have made the investment without support as his project offered a huge economic impact for the local area and he felt that there were plenty of other things he could have done with his money if the public sector refused to support the creation of new jobs.

The Account Managers made the following comments about the need for support in relation to individual businesses:

- One business had been refused RSA and had said it couldn't progress the project without support. It was initially very disgruntled about the RSA decision, but the Account Manager was able to re-engage with them and they were delighted with the way RBPS went, which helped to rekindle his relationship with the company.
- One project came about as a direct spin-out project from Scottish Manufacturing Advisory Service (SMAS) support received by the company.

Table 11 below shows a slow start to the RBPS with just one company supported in 2010. In line with comments made in the consultation that things picked up in 2011, there were five companies supported in 2011. The table indicates that things slowed down in 2012 with just one business engaged that later had a successful project before picking up in 2013, with four companies supported.

Table 11: Year of First Engagement with RBPS

	Number	**%**
2010	1	9
2011	5	45.5
2012	1	9
2013	4	36.5
Total	**11**	**100**

Businesses made the following individual comments on the need for support:

- Property projects cost more than the end value in the Borders so banks are not interested in lending the full amount. It is a struggle to finance property projects and a lot easier if the net cost of the building equates to what it is worth.
- The company was financially stretched and needed the gap funding to progress the project.

4.4 Quality of Support Provided

4.4.1 Experience of Application and Approval Process

The businesses were generally satisfied with their experience of the application and approval process. Individual comments made by the six businesses interviewed in relation to the application and approval process included:

- The business had already put together a business plan so the approval process was fairly straight forward, where they had questions, there was always someone to speak to/ask.
- The process was quite laborious but they had found out about the grant quite late in the day. If they had known about it earlier, they would have been able to build BREEAM in from the start to get a better score, but as it was, they already had drawings, etc. The process took about a year, though the company admitted they were slow in getting information to Business Infrastructure – this was due to a lot of toing and froing with contractors as they needed to adjust costs to ensure that the project was affordable for the company.
- The business provided information for the approval process through their accountants as they wanted it done right. At one stage it looked like the approval process was going to take too long to allow them to get the project done within the timeframe that suited their business, so the Business Infrastructure project manager took this to her boss and they were able to progress it through the system a bit quicker. The business reported that they were really satisfied that Business Infrastructure had gone the extra mile for them.
- It was a very reasonable timeframe and the business had no memory of any issues. The business consultee reported that they didn't like it when funding requirements require a story to be fabricated, but this hadn't been required and they found it a very positive experience.
- Very positive experience – it was not overly complicated as they expected it might be. It took six months to get approval which they thought was reasonable.

- The process took a while but this was largely due to a survey being required for SEPA. They also felt there were issues with the designer, with a variety of hoops to jump through which put a delay on the project starting.

Account Managers reported that the process had gone smoothly where the businesses they worked with were well organised and had a detailed business plan in place. It was reported that the process and timescale to get to approval was onerous for smaller projects and that it would be good if the approval process could have been scalable depending on the size of project.

4.4.2 Experience of Dealings with SE Business Infrastructure Project Manager

All of the businesses were positive about the level of service they received from Business Infrastructure project managers. Comments included:

- *"The Business Infrastructure project manager was good and had answers and provided advice."*
- "*Good*", "*very good*" and "*brilliant*".
- *"Very helpful."*
- The Business Infrastructure project manager was reported as "*brilliant*", but the business felt they were put under a 'ridiculous' time constraint having to complete the building within the financial year. This meant that the building cost more than it would have if they hadn't had to rush to complete it by the end of the financial year. The additional cost was more than the grant, but the business still felt the support was worthwhile due to the support they received through the Business Infrastructure project manager which gave them confidence to take the project forward.

4.4.3 Other Comments on Support Provided

Businesses provided the following additional comments on the support that they received:

- They had a small window to complete the build – if it hadn't been done by April, they would have had to wait until the following September, due to work pressures for the business at different times of the year.
- A draw back was that by the time the project was delivered, the initial grant stayed the same at 20% of the expected costs, which did not reflect 20% of the actual cost. The work was delayed due to the weather and the bill got bigger, but they only got what was agreed upfront. The original expectation was for the project to cost £16.5k but it ended up costing £25k.

- They wouldn't have had the confidence to take the project forward without the support received from the Business Infrastructure project manager.
- RBPS support was integral in lean principles being embedded by the company, the new building was key.

4.5 Impacts arising from RBPS Support

The following section provides insight into the type of impacts experienced and anticipated as a result of RBPS assistance.

4.5.1 Turnover and Employment Impacts

Businesses were asked to provide information on the anticipated number of jobs (FTEs) and turnover for their business 'with' and 'without' RBPS assistance both one year and three years after project completion.

All 11 companies reported additional impacts as a result of the project in year one, with ten reporting impacts in year three. One company felt that its project, which created one additional FTE, would have only been delayed by a year and did not attribute any additional impact in year three to RBPS. Some of the companies reported that additional impacts would be higher in year three than year one because it would take more than one year for the full impact of the project to be achieved.

Table 12 below shows gross additional impacts achieved through RBPS. Three years after completion of the project, the average percentage increase in turnover reported by businesses as a result of RBPS was 29%. The average percentage increase in gross additional jobs reported by businesses was 34%[12].

The total number of additional FTE jobs created as a result of RBPS was reported by companies collectively as 67. Gross GVA at present value has been calculated by taking the five year average per head GVA for the sector that the company is involved in and multiplying this by the gross number of jobs[13] and then applying a discount factor. Based on the timing of completion of the projects (between 2010 and 2014) and additional jobs created, annual gross GVA at present value at its peak (year 7) is appraised at £2.5 million.

[12] Figures in this paragraph are based on turnover and jobs figures for year three provided by ten companies – one felt unable to provide projections for year three.
[13] Source of average per head GVA by sector is the Scottish Annual Business Statistics 2012 - http://www.scotland.gov.uk/Topics/Statistics/Browse/Business/SABS/ScotDiv

Table 12: Impacts arising from RBPS support

	Additional in-year impacts businesses reported that they expected to achieve within three years of project completion
% increase in turnover due to RBPS	29%
% increase in FTEs due to RBPS	34%
Number of FTEs created	67
Additional in-year gross GVA (PV)*	£2.5m

Notes: *Additional in-year gross GVA (PV) is provided for the peak year, e.g. year seven.

Future additional impacts attributable to RBPS should be treated with caution as there will often be a significant element of optimism bias as companies tend to be overly positive about the future.

Table 13 below shows that when asked about what would have happened without RBPS, 40% of the businesses reported that the project would not have happened, while 40% said it would have been delayed and 20% said it would have been both smaller and delayed.

Table 13: Progression of Projects Without RBPS

What would have happened without RBPS?	**Number**	**%**
The same size of project would have happened within the same timescale	0	0
The same size of project would have happened, but the timescale would have been delayed	4	40
The project would have been smaller, but completed within the same timescale	0	0
The project would have been smaller and the timescale would have been delayed	2	20
The project would not have happened	4	40
Total*	10	100

Notes: *This information was not provided by one of the supported businesses.

Some of the reasons and issues around projects being delayed and / or smaller in the absence of RBPS were:

- Gap funding was not available during the recession, so the project would have been delayed
- The company HAD to relocate in order to survive so the project would have gone ahead without support, but the fit out would have taken longer
- They would probably have had to build a smaller building using a staged/phased approach
- Phased development would have resulted in space being less efficient

- Without RBPS, the company would have had to borrow instead of investing in the new machinery that enabled them to create new jobs

Some of the individual reasons given for why projects would not have gone ahead in the absence of RBPS were:

- The grant gave the business the confidence to go ahead with the project – they wouldn't have taken the plunge without it.
- If the public sector hadn't been prepared to support the creation of significant numbers of jobs in the rural area, the business owner would have invested his money in something else.

The Account Managed companies were generally in receipt of other SE support including:

- SMAS
- Strategic, financial and market development support

The non-Account Managed companies were predominantly not in receipt of other SE support.

Account Managers reported that the RBPS enabled companies to take-up other SE support following expansion and in some cases, enabled establishment of lean operating systems that required new or reconfigured premises.

Individual companies made the following comments about the impact of the support on their business:

- The grant enabled them to complete the project in one go – so the overall cost was cheaper and it was completed faster and with less disruption.
- The additional space has enabled them to stock more and grow by providing more storage space, with greater efficiency through greater room to manoeuvre.
- The project enabled them to position themselves for the pick up in the market and with competitors going out of business; it was felt there was an opportunity to increase their share of the market.
- Without a clean, new and appropriately sized building, the business would probably have lost one of its key franchises. The new building has also increased their ability to win new franchises.
- The additional space allowed them to house new machinery, take on more staff, win more contracts and generally expand the business
- The RBPS has enabled follow-on expansion projects that wouldn't have happened otherwise.

Comments made by Account Managers on the wider impacts of RBPS support included:

- The new building has been a key enabler in improving production. Following the RBPS project, the company experienced rapid growth and was able to generate enough return to invest in the second building without RBPS.
- RBPS complemented other support, e.g. through SMAS.

4.5.2 Softer/Intangible Impacts

Some of the wider benefits of the support to the businesses were reported as being:

- The ability to progress future phased property development through confidence gained by completing the RBPS project.
- The project has greatly improved the local visitor experience, increasing footfall and time spent in the local area.

4.6 Strengths and Weaknesses

4.6.1 Strengths

The most commonly cited strengths of RBPS by business consultees were:

- The strong working relationship between the business and the Business Infrastructure project manager.
- The speed at which Business Infrastructure answered questions and responded to points for clarification.

Other strengths highlighted by individual businesses included:

- Moral support provided by the Business Infrastructure project manager
- Fairly straightforward process with advice and clarification provided along the way
- Flexibility to meet business need

4.6.2 Weaknesses

A small number of weaknesses were also identified by the business consultees. The most commonly cited were:

- The length of time taken to get through the approval process.
- Lack of knowledge at the outset on what information the company was required to provide at different stages of the approval process.

- Two businesses reported that the project cost more than it would have done without RBPS, due to having to complete the project within a short timeframe or the lack of incentive to reduce costs.
- Two businesses reported that their experience of sign-posting through Business Gateway had been unsatisfactory.

Further explanation as to the third bullet above included:

- One business was put under pressure to complete their project by the end of the financial year resulting it costing more than originally planned, with this additional cost more than cancelling out the grant support.
- As businesses get a set percentage of expected costs, this minimises the incentive to strive for best value and reduce total costs when the project is delivered.

Other weaknesses highlighted by individual businesses included:

- Confusion at the outset as to what phases of property development would be funded by RBPS. One business had been under the impression at the outset that two phases of property development would be supported, but in the end, only the first phase was approved. The business stated that if this had been known at the outset, they would not have proceeded with either phase. However, they were pleased that they completed the first RBPS project as this gave them the confidence to pursue the second project on their own as a phased development.
- The percentage grant payment would have been better if based on the final bill – the final costs were higher than expected and a bigger grant would have been useful.

One company reported that there were no weaknesses and they were not aware of any improvements that could be made.

One Account Manager noted that there didn’t seem much point in one of the RBPS projects they were involved in going for BREEAM status as the company just required a large open shed that it wouldn’t be heating.

4.7 Final Comments

In general the businesses interviewed were in agreement that overall, they were satisfied with the support that had been provided and that it had been vital in helping them progress their project to enable company growth. The following observations were noted by individual businesses as key learning points or areas for potential improvement:

- Businesses could be provided with more time between approval of grant the required completion of the project to help keep to original costs.
- Provide clearer information at the outset on what parts of the business plan will receive support and which won't.
- The support from the Business Infrastructure Team was as important as the grant itself.
- There should be better marketing and promotion of the support available. One business only found out about RBPS through another company by chance and felt they could have been a lot more prepared for the approval process if they had known about it earlier. The approval process took so long they ended up having to lease their old building for an additional year and feel this could have been avoided if they had been more up to speed at the outset ensuring that the approval process took less time.
- Building values are still less than construction cost in the rural area, so it is important that rural businesses know what support is available. There's a general perception in the area that grants only go to the big boys, so rural businesses often have no idea that there is help available.
- It would be good if local SE panels were given a bit more freedom so that applicants aren't shoehorned into available schemes.
- A local presence for SE with understanding of the rural economy is imperative.
- SE should enable access for small rural businesses to property support.
- It is harder for small businesses to keep to an initial agreed price – they have to deal with small contractors who can be unreliable, so hard to keep to original timescale.

Some business consultees reported that they would prefer to liaise direct with SE than with Business Gateway, through an Account Manager or a Business Infrastructure project manager who has knowledge of their local area.

5. Conclusions and Recommendations

5.1 Introduction

The RBPS programme effectively provided gap funding to 11 rural businesses to deliver property development projects that resulted in business growth. RBPS addressed a key rural property market issue where the cost of development in rural areas tends to exceed the end property value.

Based on revised targets produced in 2012, the RBPS programme successfully achieved its aims and objectives in the SoSEP area. However, it did not meet its aims and objectives in the larger ESEP area and the ESEP ERDF project was terminated at the end of 2011.

5.2 Delivery against Target

The RBPS programme was successful in meeting its revised outcome and impact targets. By the end of the programme, more than 65 enquiries were received for RBPS and grants were awarded to 11 businesses against a target of seven, with nine from the SoSEP area and two from the ESEP area. By November 2014, 15,561 sq m of business space had been developed, far exceeding the revised target of 4,600 sq m and slightly exceeding the initial target of 14,350 sq m.

The combined SE and ERDF investment in RBPS was £741,500, significantly lower than the £1.75 million funds originally approved. Given that the original target for sq m business space developed was exceeded despite the lower spend, it would appear that the business space developed cost less per sq m than originally forecast.

5.3 Rationale and Strategic Fit

The RBPS programme addressed the property market failure it was intended to mitigate by providing gap funding for capital investment in property by rural businesses. An intervention rate of up to 20% was available for most of the targeted area, with up to 30% available in RSA Tier II areas in Stirlingshire and East Ayrshire.

The intervention rate, while necessary to meet State Aid rules, was considered by some to be too low to be attractive for small projects being brought forward by small rural businesses, particularly tourism businesses. The cost to SE of due diligence and staff time to process approval for a small project was in some instances higher than the grant awarded.

For any future property initiative developed by SE to support rural businesses, there needs to be clarity on the relationship between the intervention and other schemes and on what types of businesses SE's initiative will be targeted at. This will avoid raising the expectations of businesses that are unlikely to have projects approved. It will also ensure that discussion takes place within SE on balancing the needs of smaller rural businesses and meeting SE growth and sector priorities.

As funds are limited, SE needs to be clear about the size and types of businesses that will potentially be eligible for support and on the scale of projects. It is important that the targeting of future support is clearly communicated to Business Gateway Advisers to increase the approval success rate of projects referred to the new initiative.

Recommendation 1: SE should provide clear policy guidance on the minimum threshold for the size of projects and the type and scale of businesses to be supported.

5.4 Promotion

There was insufficient promotion of the programme. Initially, SE took a cautious approach in case it was overwhelmed with demand. The Business Infrastructure Team promoted RBPS to Account Managers to encourage them to market it to potential candidates and ensure onward referral into the programme. As it became apparent that take-up was low, Business Infrastructure stepped up efforts to promote RBPS to Business Gateway Advisers to improve awareness of the support available among smaller businesses. There was no promotion of RBPS outside SE or Business Gateway.

While uptake of RBPS could have been increased through wider promotion, the promotion of any future rural property support initiative should be in line with the type of businesses and size of projects that the support is targeted at. It is important that the type and scale of projects that are likely to be approved is clearly communicated.

Recommendation 2: Once eligibility criteria have been established for future rural property support, develop a strategy for promotion to potential applicants. Depending on how the support is to be targeted, consider development of a leaflet on future rural business property support that can be distributed to potential applicants, clearly articulating eligibility criteria and the application process.

With few Account Managed companies in the rural area outside of the South of Scotland, SE needs to take a policy decision on whether or not to promote the programme to non-Account Managed and Growth Pipeline companies to ensure uptake by rural businesses across rural Scotland. For example, if rural businesses outside the South of Scotland are to be encouraged to access any new rural property support initiative, promotion should be wider than just through Account Managers and Business Gateway Advisers, e.g. through the media/press.

5.5 Business Engagement

The small number of businesses that had initially liaised with Business Gateway about their property support requirement expressed dissatisfaction with the way their enquiry was dealt with by Business Gateway. These businesses felt that Advisers did not refer them to RBPS quickly enough. This suggests two issues:

- There was not an established process for how referrals through Business Gateway should be managed; and
- Businesses wanted to liaise direct with SE Business Infrastructure staff who they felt understood their property needs better and could provide specialist support.

It would appear that the initial intention for project delivery had been for Account Managers and Business Gateway Advisers to liaise direct with the businesses. Feedback from the businesses suggests that Business Gateway Advisers did not have sufficient knowledge or understanding to provide the support and the required link in with RBPS.

A strong finding from the consultation and business survey was that delivery of RBPS worked best where the project management was led by a Business Infrastructure project manager and there was a relationship established between the Business Infrastructure project manager and the business. Businesses reported that they had received a high level of service from the Business Infrastructure project managers which had helped them through the application process, with project managers answering queries and providing advice. One business consultee reported that they would not have had the confidence to deliver their property project without the advice provided by the project manager. The Account Managers were also positive about the role of Business Infrastructure project managers and appreciated their role in providing technical advice to companies.

Recommendation 3: Future delivery should ensure direct contact between Business Infrastructure project managers and the businesses receiving support.

5.6 Ongoing Demand

There is an ongoing need for SE to deliver rural business property support. Rural property market failures still exist and as the economy recovers, the number of rural businesses needing to take forward property development projects to enable business growth is reported to be increasing. There is an inadequate supply of business premises in the rural area and the majority of industrial premises in rural Scotland are over 60 years old and no longer meet environmental regulations.

Despite generally being small in size, the projects supported by RBPS were seen as having a significant impact on the rural economy.

Recommendation 4: Develop a productised rural business property support package to fill the gap in support left by the end of RBPS.

Development of a productised service will ensure clearer understanding and management of delivery. It will streamline the decision making process and enable decisions for approval of projects of less than £0.5 million to be taken by delegated authority, e.g. Account Management Teams. Projects over £0.5 million should continue to go through the full SE project life-cycle approval process.

5.6.1 Approval Process

The RBPS approval process proved cumbersome for smaller projects where it was felt that the three stage approval process was unnecessary and the timescale did not reflect business requirements. Businesses had to fit development activity to SE timescales and it could take 3-4 months just to get an initial approval.

There is the opportunity to streamline the approval process for smaller projects. It was generally agreed that the same level of information will still be required from businesses but that the processes could be streamlined to reduce the time taken to get to approval.

There was strong support for the three property products currently being drafted by Business Infrastructure. It was felt that a productised service would allow decision making for smaller projects to be kept within Account Management Teams, allowing a quicker timescale for businesses to get through the application / approval process.

However, concerns were raised that a productised service might exclude non-Account Managed companies. There are relatively few Account Managed companies in the rural area outside of the South of Scotland. A Business Gateway consultee reported a need to ensure that businesses they are working with through the new Growth Advisory Service (GAS) are eligible in addition to Growth Pipeline companies.

Recommendation 5: Ensure that any future productised property support service is available to non-Account Managed companies.

Recommendation 6: Provide a document for potential applicants which lists the information required at different stages of the approval process and any future monitoring and reporting requirements.

Provision of clearer instructions on the type of information required at different points of the approval process would have helped to improve the speed at which businesses provided information during the approval process. There is also a need to monitor and evaluate delivery of activity and this would be made easier in the future by having a written requirement for businesses to provide follow-up information and a clear mechanism for collecting this information.

5.7 Duplication and Overlap

There were some issues of duplication and overlap between RBPS and the SPSS, SRDP and RSA. SPSS comes to an end in March 2015 and is likely to be replaced by the new productised property support scheme.

From 2015, SRDP support to rural businesses will be managed by LEADER and the application process is not clear at this stage. SE will need to work with Scottish Government and LEADER to ensure that there is clear understanding about eligibility criteria for SRDP.

There will potentially be an overlap between any new property development initiative covering rural Scotland and RSA in Assisted Areas within rural Scotland. To avoid confusion, guidance for any new property development initiative should specify when RSA is appropriate for rural businesses in RSA Assisted Areas and when it is not, outlining when the new property initiative should apply.

Recommendation 7: Provide clear guidance for Account Managers and others responsible for promotion of any new rural property support initiative on eligibility criteria, particularly in relation to businesses located in RSA Assisted Areas in rural Scotland, e.g. when RSA should apply and when the new property initiative would be more appropriate.

Recommendation 8: SE staff responsible for development of future rural business property support to build a relationship with Scottish Government and LEADER representatives responsible for development and delivery of SRDP.

A key weakness of the RBPS programme that contributed to low success rate for applicants from the ESEP area was a lack of clarity about eligibility of businesses for SRDP. The long SRDP approval process did not fit with the timescale for development required by some businesses and SRDP funding began to run out by the end of the programme period leading to businesses being referred to RBPS that were potentially eligible for SRDP. Where a business was potentially eligible for SRDP, they could not be funded through RBPS in order to avoid double funding.

SE needs to gain a better understanding of SRDP eligibility criteria in order to accurately assess which programme is most suited to a business's needs. Prior to implementation of any new rural property initiative, SE needs to decide whether or not businesses eligible for SRDP will be eligible for the new property product and if they aren't, establish a clear process for to determine whether SRDP or the SE initiative is most appropriate for the project put forward.

Recommendation 9: Make it clear whether or not businesses eligible for SRDP will be eligible for the new property support product and if they aren't, establish a clear process for determining whether or not a business is eligible for SRDP.

SE will need to build understanding on the time-period for SRDP approvals and availability of SRDP funds over time to ensure there is not a future gap in support for small businesses involved in sectors targeted by SRDP. LEADER should also be advised on the rural business property support available through SE so that they can sign-post businesses to SE that are not eligible for SRDP but are likely to meet eligibility criteria for the new property product.

Recommendation 10: Promote the new property product to LEADER officers and create a route for LEADER to refer businesses to SE that are not eligible for SRDP but are likely to meet eligibility criteria for SE property support.

5.8 Final Comments

Despite issues to do with low take-up in the ESEP area, the RBPS programme was successful in achieving its revised targets and delivering gap funding to support 11 businesses to take forward property development projects that enabled company growth.

RBPS resulted in the creation of 67 gross FTE jobs, a significant impact for the rural communities within which the supported businesses were based and helping to meet SE aspirations of ensuring regional equity from the support it delivers. The value of gross GVA created in the rural economy as a direct result of the net creation of the jobs is around £2.5 million per annum.

Since completion of their RBPS projects, a number of the businesses involved have taken forward further property development without public sector support but advised that this was only made possible through the initial support received through RBPS. In some cases this was because the RBPS had enabled them to increase their revenue, helping to fund future development and in other cases, the initial RBPS support had provided the business with advice and guidance to take them through the initial project which then gave them confidence to take forward further development on their own.

For many businesses involved, the value of the RBPS programme was about more than the grant for gap funding, it was about the package of support provided, in particular through their relationship with the SE Business Infrastructure project manager. It is important that this aspect is maintained in any future rural business property support service developed by SE.

Appendix 1 – Stakeholders Consulted

SE Project Team

David Byers – Growth Sector Infrastructure Team Leader (SRO)

Simon Longland – Project Manager, Business Infrastructure

John Maclennan – Project Manager, Business Infrastructure

Julian Pace – Rural Director

Joanne Siddons – Project Manager, Business Infrastructure

Account Managers & Business Gateway Advisors

Caroline Brown – Senior Business Gateway Advisor

Ewan Davidson – Account Manager

Anne MacIntyre – Account Manager

Phillip Robinson – Account Manager

Dougal Stewart – Account Manager

Appendix 2 – ESEP and SoSEP Geographic Areas

LUPS Eligible Areas