

THE HIGHLAND COUNCIL
PLANNING, DEVELOPMENT AND INFRASTRUCTURE
COMMITTEE

Agenda Item	9
Report No	PDI 43/14

5 NOVEMBER 2014

BUSINESS GATEWAY

Report by Director of Development and Infrastructure

Summary

This report updates Members on performance with the Business Gateway contract for Quarter 2, 2014/15, before outlining the emerging ERDF European Programme and the opportunity afforded to add value to the Business Gateway service and the business support activity funded by the Council. The report also addresses contractual arrangements with Highland Opportunity Ltd. post 1st April 2015.

The delivery of the Business Gateway service is directly supportive of the Council's commitment to the Highland economy, and specifically helps prioritise and support the creation of jobs in Highland.

1. The Business Gateway Service

1.1 The Business Gateway service is the "gateway to business expertise" for the following private and social enterprise customers:

- people thinking of starting up in business;
- new business start-ups;
- local businesses seeking a wide range of support; and
- businesses with specific ambitions to grow.

1.2 It is a service that is free and is provided through a local network of business advisers based across Highland, a national website and a national contact and enquiry centre. While the Council is responsible for the service in Highland, it is delivered under contract by the Council's wholly owned Enterprise Trust, Highland Opportunity Ltd (HOL). The Council via this contract also delivers the service on behalf of Moray Council, under a shared service agreement.

2. Performance: 1st July 2014 to 30th September 2014

2.1 The Development and Infrastructure Service meet HOL formally on a monthly and quarterly basis to review contract performance and to discuss and resolve emerging issues. Appendix 1 provides a detailed breakdown of performance for the 2014/15 operating year.

2.2 Start-up Activity

Sixty four businesses have been supported to start up this quarter. Allied to this 22 start-up courses were provided with 69 delegates attending. Start-up activity to date (135 businesses) is on target.

2.3 Growth Activity

Four businesses have moved into pipeline during the quarter but none into account management. During the quarter an additional four businesses that do not fit the criteria for HIE account management have been supported with growth action plans.

Also during the quarter a Business Growth and Leadership programme was fully subscribed with 15 businesses attending. Allied to this growth action plans will now be developed with these businesses.

2.4 Advice to Existing Businesses, serving local markets

123 businesses have accessed advice this quarter, which is behind target but consistent with demand during quarter 1 and 2 during 2013/14. The total number of enquiries handled during quarter 2 was 460.

2.5 In summary, overall enquiry levels are on target and the level of existing businesses not seeking to be a business of scale at this time, but requesting advice on all aspects of business sustainability and survivability, continues to be significant. From this, Business Gateway has identified those which have growth potential and continues to work with them to help them achieve their ambitions.

3. **Highland Council Business Support**

3.1 As detailed above, while HOL delivers the Business Gateway service, the Council is ultimately responsible for the service provided. A key rationale for the transfer of Business Gateway to local government in 2008 was the opportunity it afforded to improve links between other Council Services and Council business related activity, and the potential to add value to this activity for the benefit of business. To this end, Business Gateway is offered and promoted as the “one door” into an important portfolio of business interventions and business support, managed and delivered through HOL. This added value activity includes:

- Business Finance

Highland Opportunity loans are broadly on target with approvals totaling £236,785. With 11 approvals, the number of loans is slightly below target due to the higher value of individual approvals.

As part of a Scottish local authority/Business Gateway initiative, HOL is now able to offer unsecured personal loans financed by the UK Government (SULCo) to businesses in their first 12 months of starting up a business. During quarter 2, 5 loans were supported to approval stage valued at £45K.

The Business Gateway Plus programme, which is funded by the Council with ERDF support and provides one to one support for businesses to “access finance” and “find, tender and win contracts”, has provided support to 30 businesses this quarter, 64 to date this financial year exceeding the project target of 60.

- Create and Employ

The Create and Employ project, which is funded by the Council with ESF

support, continues to provide free specialist advice for all aspects of taking on an employee, especially for the first time. It works closely with the Council's Employability team to encourage take up of the Highland Council Employment Grant and the Graduate Grant.

- 80 businesses this quarter have accessed specialist recruitment advice.
- 31 businesses, creating 35 jobs for unemployed people, have received employment grants this quarter.

- Graduate Placement Scheme

During the quarter the 50th Graduate Placement Grant offer was made with this Council funded scheme (7 during quarter 2). Offering a grant to business to employ a graduate to undertake a specific business development project, this business support scheme benefits the business and graduate alike. At the current time an external evaluation of the scheme is underway.

4. European Regional Development Fund 2014-2020 (ERDF)

4.1 An opportunity exists as part of the new ERDF Programme to access funding from the Business Competitiveness and Innovation strand. To this end Council staff, together with local government colleagues across Scotland, have been progressing proposals with the Scottish Government to secure European funding to support additional advisory services and grant assistance including specialist advice, growth workshops, graduate placement etc.

4.2 At the current time a lot of detail remains unknown such as what exactly is eligible; at what cost/rate; how the funding is to be accessed and managed; match funding, the timelines involved etc. On this latter point however, it is currently anticipated that before Christmas much of this detail will be known and a match funding commitment may then be needed to enable Programme finances to be confirmed and progressed.

4.3 As much of the additional activity proposed will be to add value to the Business Gateway service, much of the match funding required will be secured from the current funds directed to the Business Gateway contract. Other match funding, for example for the Graduate Placement scheme, will be sourced from the Employability budget (which is the current budget source for this activity). Therefore it is not anticipated that new funding requires to be identified and secured, but rather ERDF funding will be secured to add value to current activity/spend.

4.4 On the basis that any match required must be affordable and sourced from current/anticipated budgets, and that decisions may be required on the commitment of such funds before the next Planning, Development and Infrastructure Committee in February 2015, Members are asked to consider giving the Director of Development and Infrastructure, in consultation with the Committee Chair, delegated authority to commit match funding.

5. Business Gateway Contract

5.1 The current contract with Highland Opportunity Ltd. to deliver the Business Gateway service finishes on 31 March 2015. Allied to this the Council has separate

contractual arrangements with Highland Opportunity Ltd. to deliver specialist recruitment, business finance and procurement advice. These arrangements also conclude on 31 March 2015.

- 5.2 Delivery of the Business Gateway contract by Highland Opportunity Ltd. is now well established, with a core team of advisers supported in their work by a sub-contracted Workshop provider and framework specialist advisers. The Council also delivers the service in Moray under a shared services agreement with Moray Council. This shared service is subject to quarterly joint review with Moray Council. Moray Council has requested that the current shared services/contractual arrangements continue post April 2015.
- 5.3 The ability to add additional services to the core Business Gateway offering to business and to use Business Gateway as the front door to Council supported schemes, for example Create and Employ, is aided by the Council's ability to negotiate direct with Highland Opportunity Ltd – its own wholly owned Enterprise Trust – rather than openly procure and have the possibility of different providers. This has enabled greater integration of service provision for business.
- 5.4 Accordingly, it is proposed that the same contractual approach be adopted and the Council will prepare a contract specification for the period 1st April 2015 – 31 March 2017, seek a methodology statement and proposed costings, and enter into negotiation with Highland Opportunity Ltd. to conclude the contract. Highland Opportunity Ltd. will also be requested, as part of their proposed costings, to identify budget savings over the period of the contract.
- 5.5 At the current time, given the emerging opportunities through the European funds in Scotland and their accompanying financial and administration requirements, it is unknown as to whether there is merit or not in progressing with one or a number of contracts with Highland Opportunity Ltd. for the core Business Gateway service and any additional services provided.

6. Implications

6.1 Resource

The Business Gateway contract is fully funded from the Development and Infrastructure Service revenue budget. Additional activity is funded from the Service's Council economic initiatives and employability funds, Highland Opportunity Ltd. loan finance and European Regional Development and Social Funds.

As detailed above in Section 4, work is ongoing across the new European programmes to identify opportunities to secure match funding for future business development activity.

6.2 Equalities, Climate Change/Carbon Clever, Risk, Rural and Gaelic

There are no direct legal, equality, climate change/Carbon Clever, risk, rural or Gaelic implications directly arising from this report.

Recommendation

The Committee is recommended to:

- (i) note performance for the 2nd Quarter of the Operational Year 2014/15;
- (ii) delegate responsibility to the Director of Development and Infrastructure, in consultation with the Chair of the Planning, Development and Infrastructure Committee, to confirm Council match funding from the Business Gateway and Employability budgets for the new ERDF Programme 2014-2020; and
- (iii) agree that new contractual arrangements are entered into with Highland Opportunity Ltd. for the Business Gateway contract 2015/16 – 2017/18 and for complementary business support services during the 2015/16 – 2017/18 period.

Designation: Director of Development and Infrastructure

Date: 10th October 2014

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**APPENDIX 1:
Key Performance Indicators**

The performance indicators and targets used for the delivery of the service are dictated by the national Business Gateway model and reflect the key priorities of business start-up and growth. Support for growth is the key priority for the service. It does, however, allow an amount of local discretion to provide a service that is responsive to local needs and changing economic circumstances.

The key Performance Targets and performance for the year 2014/15 are outlined below:

Start Up Advisory Service	Qtr 1	Qtr 2	Target 2014/15
Number of volume start up clients who have begun trading	71	64	272

Growth Advisory Service	Qtr 1	Qtr 2	2014/15
Number of growth companies assisted with growth action plans	11	4	50
Number of growth companies accepted into a growth pipeline relationship with HIE (seeking to grow turn over by £200k over next 3 yrs.)	0	4	20
Number of growth companies accepted into HIE account management	0	0	14

Local Business Advice	Qtr 1	Qtr 2	2014/15
Number of existing businesses accessing advisory services	122	123	650

Loan Activity	Qtr 1	Qtr 2	2014/15
Highland Opportunity Loan Funds			
Number of loans	7	4	30
Value	£121,785	£105,000	£500,000
Princes Trust Youth Business Scotland			
Number of clients supported with loans or grants.	1	8	30
Number of jobs created and retained as a result of loan activity	43 of which 18 are new jobs	58 of which 18 are new jobs	HOL Board to define target Oct 14

Definitions:What is a growth company?

A company that has ambitions to grow its turnover by £100k over the next three years.

What is a growth pipeline company?

A company that has ambitions to grow its turnover by £200k over the next three years.

What is Account Management?

A business that is in process of or will meet the turnover criteria for account management with HIE and is in a growth sector, defined as education, business services, food and drink, tourism, creative industries, energy and life sciences.

Note: For growth pipeline and account management, although the key criterion for access to account management is growth in turnover of £200k over a three year period, the criteria differ in fragile areas, for certain sectors and business types, e.g. social enterprise and activity such as internationalisation.

What is meant by “existing businesses”?

An existing business is any local business that is seeking support whatever its growth aspirations. This will include businesses seeking support to survive in a challenging environment.