

**THE HIGHLAND COUNCIL**  
**PLANNING, DEVELOPMENT AND INFRASTRUCTURE**  
**COMMITTEE**

Agenda Item	8
Report No	PDI 29/15

**3 JUNE 2015**

**BUSINESS GATEWAY ANNUAL PERFORMANCE REPORT 2014/15**

**Report by Director of Development and Infrastructure**

**Summary**

This report updates Members on performance with the Business Gateway contract for Quarter 4, 2014/15, and summarises the performance of the contract for 2014/15. It also provides an update on the progress of an application for ERDF support that aims to add value to the Business Gateway service, and to the business support activity funded by the Council.

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 the Highlands, a national website, and a national contact and enquiry centre. While the Council is responsible for the service in the Highlands, 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: January 2015 to March 2015**

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 over the 2014/15 operating year. A summary of activity this quarter as well as annual performance is provided below.

**2.2 Start-up Activity**

Sixty three businesses have been supported to start-up this quarter, with fourteen

start-up courses attended by one hundred and sixty nine delegates. Start-up activity for this year (253 businesses) has been slightly behind target but has picked up since the last quarterly report.

### 2.3 Growth Activity

No businesses have moved into the pipeline during the quarter, but there has been one tourism related business accepted into HIE account management. A further 12 businesses have been supported with growth action plans. The annual figures for numbers being accepted onto the growth pipeline (4) or into account management (1) have been disappointing, but these figures reflect more on HIE policy than Business Gateway activity. The potential good news is the emergence of a significant number of businesses with growth potential, as illustrated by the 51 growth action plans completed this financial year. Furthermore, these are in a wide range of sectors including key sectors such as engineering, and the creative industries. The rise in numbers of businesses receiving specialist advice, 28 in quarter 4 and 133 throughout the year, further highlights this promising trend.

### 2.4 Advice to Existing Businesses, serving local markets

2.4.1 152 businesses have accessed advice this quarter, which remains behind the annual target of 650. Many existing businesses access the service on more than one occasion, but this is not reflected in the official statistics where a total of 518 businesses accessed the Business Gateway Service during 2014/15. For the new contract this target will be amended to account for businesses seeking advice on a more regular basis.

2.4.2 In summary, overall enquiries from existing businesses remain at a consistent level, with the Business Gateway Service reporting that these have been on a wide range of subjects from succession planning to intellectual property issues. They may not be from businesses wishing to grow (in the conventional Business Gateway definition of the term), but they are from businesses that are looking at developing sustainable solutions in order to secure the long term survival of their businesses.

### 2.5 Business Survival Rates

The Business Gateway National Unit employs consultants to monitor a sample of businesses in order to gauge business survival rates over a three year period. In Highland, from a sample rate of 189 volume start-ups, the survival rate was 69% which compared favourably with that (61%) in the rest of Scotland. The survival rate for businesses identified as potentially high value start-ups, that is those companies with ambition to grow turnover by £100k over the next three years only covers the first year of their operation. However, the signs are good with a 100% survival rate in this sample compared with a Scotland wide survival rate of 91%.

## 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 totaling £511,785 have been awarded to seventeen businesses during 2014/15. While the number of awards is below the target forecast (30), the trend reported by HOL is towards higher value loans creating good quality employment opportunities.

HOL has been able to offer unsecured personal loans, financed by the UK Government (SULCo), to businesses in their first 12 months of commencing trading. During this financial year ten loans have been approved with a total value of £91,333. This represents double the target figure of five.

The Business Gateway Plus Programme, which was funded by the Council with ERDF support and provides one to one support for businesses to “access finance” and “find, tender and win contracts”, concluded at the end of January 2015. The Programme provided support to over one hundred businesses comfortably exceeding the project target of sixty. The services that this programme provided: public procurement advice and assistance with accessing finance, have been included in the Service’s Local Growth Accelerator Programme ERDF application, referred to in section 4 of this report.

- Create and Employ

The Create and Employ project, which was funded by the Council with ESF support, provided free specialist advice for all aspects of the process 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. These services have also been included in the Local Growth Accelerator Programme ERDF application referred to in section 4.

- During quarter 4, sixty nine businesses accessed specialist recruitment advice. Three new jobs, with employers taking on staff for the first time, were created, with a total of one hundred and nine jobs created during 2014/15.
- The annual figures for the Create and Employ Programme have been encouraging, with two hundred and fifty six businesses given recruitment advice leading to thirty six new jobs being created with first time employers and one hundred and nine jobs created this financial year.
- During 2014/15 one hundred and twenty eight businesses have received grants to enable them to create jobs for unemployed people, with 185 jobs created.

- Graduate Placement Scheme

The Graduate Placement Scheme has been fully funded by the Council, and in the 3<sup>rd</sup> quarter four businesses have applied, with three new recruits employed. Overall during 2014/15, thirty businesses have applied to the programme recruiting a total of 21 graduates. The final number of new recruits will rise as a number of businesses currently in receipt of a grant are encountering difficulties in recruiting a suitable graduate.

- Prince's Trust Youth Business Scotland (PTYBS)  
PTYBS provides mentoring support and grant and loan funding to young people aged 18-30. Sixteen young people have been supported this financial year, well below the target of thirty, which could be as a result of the various incentive schemes currently available that encourage businesses to employ graduates/young people. This in turn has led to a reduction in the numbers of younger people unemployed and therefore not seeing self-employment as a career opportunity.

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

- 4.1 As previously reported a first stage application was submitted to the new ERDF Programme for the establishment of the Business Gateway Local Growth Accelerator Programme in Highland and Moray. The vision is to support SMEs with sustainable growth potential from the point of start-up, through the growth pipeline towards, where appropriate, Highlands and Islands Enterprise account managed status.
- 4.2 Members may recall that the purpose in ensuring that we submitted to the first application round, in January 2015, was to provide continuity of service to businesses by ensuring that the HOL employees, currently engaged in delivering the Business Gateway Plus and Create and Employ projects, would be included as part of the new programme. The Council's application has been to the Scottish Government's Scrutiny and Risk Panel and all issues raised have been addressed. However, despite this we are still awaiting formal approval and permission to move on to the next stage of the application process. Interim arrangements with HOL have been agreed to continue with activity and to retain the staff involved.

#### **5. Implications**

- 5.1 Resource  
The Business Gateway contract is fully funded from the Development and Infrastructure Service revenue budget. Additional activity is funded from the Service's economic initiatives and employability funds, Highland Opportunity Ltd. loan finance, and European Regional Development and Social Funds. The continued delay with ERDF approval is requiring the Council to commence activity at risk of being potentially unable to reclaim the ERDF contribution. The risk is being managed to ensure all activity undertaken can be resourced.
- 5.2 Equalities, Climate Change/Carbon Clever, Legal, Risk, Rural and Gaelic  
There are no direct equality, climate change/Carbon Clever, legal, risk, rural or Gaelic implications directly arising from this report.

## **Recommendation**

The Committee is recommended to:

- note performance for the financial year 2014/15
- note performance for the 4th Quarter of the Operational Year 2014/15; and
- note progress towards the securing of 2014-2020 ERDF Programme finance for the establishment of a Business Gateway Local Growth Accelerator Programme in the Highlands and Moray.

Designation: Director of Development and Infrastructure

Date: 12 May 2015

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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:

<b>Start Up Advisory Service</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>	<b>Target</b>	<b>Actual</b>
Number of volume start up clients who have begun trading	71	64	55	63	<b>272</b>	<b>253</b>

<b>Growth Advisory Service</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>	<b>Target</b>	<b>Actual</b>
Number of growth companies assisted with growth action plans	11	4	24	12	<b>50</b>	<b>51</b>
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	0	0	<b>20</b>	<b>4</b>
Number of growth companies accepted into HIE account management	0	0	0	1	<b>14</b>	<b>1</b>

<b>Local Business Advice</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>	<b>Target</b>	<b>Actual</b>
Number of existing businesses accessing advisory services	122	123	121	152	<b>650</b>	<b>518</b>

<b>Loan Activity</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>	<b>Target</b>	<b>Actual</b>
<b>Highland Opportunity Loan Funds</b>						
Number of loans	7	4	4	2	<b>30</b>	<b>17</b>
Value (£)	121,785	105,000	200,000	75,000	<b>500,000</b>	<b>511,785</b>
<b>Princes Trust Youth Business Scotland</b>						
Number of clients supported with loans or grants.	1	8	4	3	<b>30</b>	<b>16</b>
<b>Number of jobs created and retained as a result of loan activity</b>	43 of which 18 are new jobs	58 of which 18 are new jobs	39.5 of which 16 are new jobs	24 new jobs created	No Target defined	

**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 criteria for access to account management is growth in turnover of £200k over a three year period, the criteria differs 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.