The Highland Council	Agenda Item	13
Planning, Development and Infrastructure Committee **4 November 2015**	Report No	PDI 68/15

Business Gateway

Report by Director of Development and Infrastructure

Summary
This report updates Members on performance with the Business Gateway contract for Quarter 2, 2015/16. It also provides an update on progress with the development of the Local Growth Accelerator Programme, a proposed ERDF Programme aimed at increasing the amount of support currently available to support growth businesses in the Highlands. 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). A new contract, covering the period from 2015 until 2018 has recently been finalised with HOL. The Council via this contract also delivers the service on behalf of Moray Council, under a shared service agreement.

2. Performance: 1 July 2015 to 30 September 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 second quarter of the 2015/16 operating year.

2.2 Start-up Activity
   The end of the second quarter has seen a total of one hundred and twenty eight (128) businesses supported to start up this quarter, which is slightly ahead of target. Start-up workshops are now being booked, with HOL reporting a high level of demand for these services.

2.3 Growth Activity

No businesses have moved into the growth pipeline this quarter but one business has now been accepted into account management with HIE during the second quarter of 2015. Businesses with growth aspirations do continue to emerge, with a total of twenty nine (29) businesses by the end of the second quarter, being supported with the development of growth action plans.

2.4 Advice to Existing Businesses, serving local markets

A total of 247 businesses have accessed advice during the first two quarters of 2015 which is slightly behind target.

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

HOL Loans amounting to a total of £60,000 have been awarded this quarter bringing the cumulative total to £311,000. While this is slightly behind target, the number of enquiries in the pipeline indicates a strong demand for the supply of loan finance. The commercial sector is beginning to show signs of being more receptive to lending to SMEs, and hitherto low priority sectors such as tourism

Start-up Loan Company (SULCO)

The financial body (West of Scotland Management Services) acting as Scottish delivery partner with Business Gateway has not renewed their contract with SULCo beyond August 2015. HOL assisted 2 clients to submit applications totalling £20,000 for unsecured personal start-up loans before the closure deadline. This brought the value of live applications processed this year to £113,800. Start-ups will continue to be considered for HOL loan.

Enterprise Europe Network (EEN)

The Enterprise Europe Network is hosted by HOL who participate in the Scottish EEN Consortium Alongside HIE and Scottish Enterprise. It provides Highland businesses with a range of support aimed at encouraging them to consider internationalisation through the provision of a specialist advisory service. The Council has agreed to support the EEN for the next two years to ensure continuity of the service.

HOL's EEN team is now 9 months into their 24-month Work Programme. Good progress is being made towards targets with 53 clients receiving individual advisory support and 16 local companies expressing interest in European partnering opportunities. HOL's EEN team continues to work closely with local partners, such as Business Gateway, HIE and Inverness Chamber of Commerce to ensure Highland businesses are aware of the breadth of internationalisation support

available to them. HOL has strengthened its position in the Scottish EEN consortium by extending its geographical reach and supporting Scottish Enterprise (SE) in the delivery of EEN internationalisation services to selected SE clients.

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

4.1 The Council has submitted an application to the Scottish Government for ERDF assistance to deliver a package of business support services aimed at encouraging growth. The Local Growth Accelerator Programme (LGAP) stage one application was approved on the 29th of September, allowing us to formally proceed to the second stage in the application process which details the operational processes required to deliver the LGAP across the Highlands.

4.2 The total cost of the Local Growth Accelerator Programme 2015 to 2018 will be £2,367,567. Total match funding (50%) will be £1,183,783.50 to be found from the Development and Infrastructure Business Gateway Budget (£553,411.50) as well as from the Employability Budget (£630,372). The Employability Budget element of the budget is funding two elements of this Programme, the Graduate Placement Programme and HR Advice.

4.3 Limited operations have continued since April 2015 in relation to the Graduate Placement Programme and the delivery of HR Advice. However this has been at a low level of engagement and it is expected that the costs will be recoverable once the stage two operational applications have been formally approved by The Scottish Government.

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.

As detailed above in Section 4 the total amount of Council match funding required to deliver the Local Growth Accelerator Programme will be £1,183,783.50.

5.2 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.

5.3 Legal/Risk
When securing external funding the Council is required in effect to enter into contractual agreements with the Scottish Government to ensure the funds are correctly utilised and accounted for. If this is not done correctly the Council will be financially at risk of not being able to reclaim the funds involved and reputationally at risk of being perceived as unable to manage public funds correctly.

To address these risks the wider Economy and Regeneration team need to have the correct processes in place and staff capacity and capabilities to undertake the work involved. To this end it is proposed to employ dedicated administrative support

staff to help undertake this work. Both the ERDF and ESF Programmes recognise that additional support resources are required here and will part fund such dedicated staff. It is estimated that up to 1.5fte will be required to administer both the Employability and Business Growth Accelerator programmes, albeit the proposal is to employ one member of staff in the first instance and to review the situation thereafter. These priorities are referred to in the Employability update report on this agenda.

Recommendation

The Committee is recommended to:

- note Business Gateway performance for the Second Quarter of the Operational Year 2015/16; and

- note progress in relation to the ERDF Application for financial assistance towards the development of the Local Growth Accelerator Programme, and approve funding of up to £1,183,783.50 over three years as match funding from the Development and Infrastructure, Business Gateway and Employability revenue budgets, towards projects to be part funded by the European Regional Development Fund.

Designation: Director of Development and Infrastructure

Date: 12 October 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 2015/16 are outlined below:

Start Up Advisory Service	Qtr 1	Qtr 2	Target 2015/16
Number of volume start up clients who have begun trading	65	128	252

Growth Advisory Service	Qtr 1	Qtr 2	2015/16
Number of growth companies assisted with growth action plans	15	29	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	0	2
Number of growth companies accepted into HIE account management	0	1	1

Local Business Advice	Qtr 1	Qtr 2	2015/16
Number of existing businesses accessing advisory services	130	247	500

Loan Activity	Qtr 1	Qtr 2	2015/16
Highland Opportunity Loan Funds			
Number of loans	6	2	20
Value of Opportunity Loans awarded	£201,000	£60,000	£600,000
Number of Community Enterprise loans awarded	1	0	3
Value of Community Enterprise Loans awarded	£50,000	0	£100,000
Princes Trust – Enterprise Programme			
Number of clients supported with loans or grants.	1	1	30
Value of grant or loan awarded to PT clients	£248	£250	£20,000

Number of jobs created/retained as a result of loan activity	**28.75 (22.95 new jobs)**	**70 (28 new jobs)**	**150 (150 new jobs)**
Enterprise Europe Business Services			
Clients receiving European advisory support	**23**	**30**	**150**
Achievements (significant EU dimension secured)	**0**	**2**	**11**
Partnership Proposals Published by H&I clients	**2**	**0**	**12**
Expressions of Interest made by local companies	**2**	**14**	**20**

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.