

THE HIGHLAND COUNCIL
SUTHERLAND AREA COMMITTEE

30 AUGUST 2016

Agenda Item	
Report No	

BUSINESS DEVELOPMENT: SUTHERLAND UPDATE

Report by Director of Development and Infrastructure

Summary

This report updates Members on the performance of the Council's business development services in Sutherland. It summarises the delivery of the Business Gateway over the first quarter of 2016, and informs Members on progress with Council involvement in local business development activity in Sutherland during the first quarter of 2016/17.

Members will be aware that the Business Gateway Service, as well as access to finance services are now being delivered directly by the Development and Infrastructure Service.

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.

The Council, through its Access to Finance schemes, is committed to the delivery of business development services aimed at supporting small businesses and Highland entrepreneurs with advice and finance.

1 Background

1.1 The Council's Business Gateway and Access to Finance Services were previously delivered by Highland Opportunity Limited (HOL). The decision taken by the HOL Board to wind up the company has led to the Council becoming directly involved in the delivery of all the Council's business development services. Further information on these services in Sutherland is detailed in **Appendix 1** of this report. These include responsibility for the delivery of the Business Gateway throughout the Highlands, as well as "access to finance" services such as the Highland Opportunity Loan Funds, and the emerging Local Authority Loan Fund (Business Loans Scotland).

1.2 This report will provide Members of the Sutherland Area Committee with a twice yearly report on business development activity directly delivered by the Council in the area.

2. The Business Gateway Service

2.1 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.

2.2 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. The service is now being delivered directly by the Council, and we will also continue to deliver the service on behalf of Moray Council, under a shared service agreement.

3. Highland Council Business Development Services

3.1 In addition to Business Gateway the Development and Infrastructure Service also delivers a wide range of services to businesses. **Appendix 1** of this report gives a detailed breakdown of the performance of these services over the previous quarter, April to June 2016, some of the main points are summarised below.

4. Business Gateway Quarter One Activity

Start-up Activity

The end of the first quarter has seen eight businesses assisted to start up so far this financial year in Sutherland.

Growth Activity

Business Gateway in Sutherland is working with a number of businesses with growth aspirations. Over the course of the first quarter of 2016/17 a total of six businesses across a variety of sectors, including the Creative Industries, Hospitality and Food and Drink, are currently being supported with the development of growth action plans.

ERDF/Local Growth Accelerator Programme

The procurement process for the delivery of the Local Growth Accelerator Programme is now underway, and we hope to have the additional growth services available to businesses in the Highlands by the final quarter of the financial year. Limited operations have continued since April 2015 in relation to the Graduate Placement Programme (details below) and the delivery of HR Advice. The full quarterly report attached as an appendix to this report gives some examples of where this programme has been utilised in Sutherland.

Advice to Existing Businesses, serving local markets

Business Gateway continues to offer assistance to businesses in general across the Highlands. A total of 47 businesses in Sutherland have accessed advice during this quarter, well ahead of target.

4.1 Graduate Placement Programme

This programme offers businesses an opportunity to recruit a graduate for six to twelve months, to deliver a growth related project. The subsidy is up to 50% of the graduate's gross salary. Alongside this financial assistance, the businesses that participate in the programme can also benefit from utilising Business Gateway's team of advisers who can offer guidance on business plans all the way through to the recruitment process. Currently one business in Sutherland has applied to the scheme.

4.2 Employment Grants Scheme

Supported by the European Social Fund, an Employment Grant provides a wage subsidy to businesses that create permanent posts for people who are currently out of work. The grant subsidy is set at between 30-50% of the new recruit's wages, and can last for six months to one year. In addition, businesses benefit from the assistance of Business Gateway's specialist recruitment advisors. There are currently three businesses in Sutherland receiving assistance towards the wages of an unemployed person.

4.3 Tourism Development

The Council continues to support the activities undertaken by Venture North to develop and promote the wider Sutherland & Caithness area as a tourism destination and promote it. This support is provided through an annual Service Level Agreement that specifies a number of activities to be undertaken including:-

- Networking events for local tourism businesses including a digital media event.
- Assist with an Archaeology Festival, a Food & Drink Festival and a Music Festival as a means of attracting visitors to the area.
- Working to increase participation in World Host.
- Work with tourism businesses and other tourism groups to encourage business participation in and the further development of the North Coast 500.
- Promoting Sutherland & Caithness through production of short video clips, social media activity and by supporting or hosting of press trips by travel writers and bloggers.
- Representing the interests of the local tourism industry by engaging with other regional and national groups.

Funding of £5,000 is provided to assist Venture North in delivering these activities.

The Highland Council works with Cruise Scotland and individual ports to help promote the Highlands to the Cruise ship market, for example through attending the Seatrade Europe exhibition in September 2016 along with Cruise Scotland and while none of the Cruises ships themselves come into Sutherland the area, most notably Dornoch & Dunrobin Castle benefit from excursions organised when ships come into Invergordon.

4.4 Access to Finance

The Access to Finance Services previously delivered by HOL on behalf of the Council has now been fully assimilated into the Development and Infrastructure Service. A break-down of activity in Sutherland is contained in the activity report attached as an appendix to this report.

4.5 Enterprise Europe Network (EEN)

The Enterprise Europe Network has transferred to the direct management of the

Council. It provides Highland businesses with a range of support aimed at encouraging them to consider internationalisation through the provision of a specialist advisory service. A breakdown of EEN activity across the Highlands is contained in the attached appendix. The recent referendum vote for leaving the European Union makes the services that the EEN deliver of particular relevance to Highland businesses, helping them to continue to trade successfully once the UK formally leaves the European Union. The Council is currently in negotiation with Scottish Enterprise with a view to the future funding of the service in the Highlands.

4.6 HR and Public Procurement Support

A limited service is currently being provided, while we conclude the procurement exercise for the growth accelerator programme. Further details are available in the report attached as an appendix to this report. It is important to note that businesses in Sutherland continue to receive assistance with HR issues as well as with public procurement support.

5 Implications

5.1 Resource

The Business Gateway service 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 Investments Ltd, as well as financial support from the European Regional Development and Social Funds.

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.

Recommendation

The Committee is recommended to:

(i) Note Business Development Service performance in Sutherland for the 1st Quarter of 2016/17.

Designation: Director of Development and Infrastructure

Date: 16 August 2016

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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.



business development
leasachadh gnothachais

Quarter 1 Activity Report

April – June 2016
Sutherland

Quarterly Review

This first quarter sees the transfer of the Business Gateway Service into the direct management of The Highland Council. The local Business Gateway office continues to be based at the Kyle of Sutherland Development Trust offices, Bonar Bridge. Accordingly, we have ensured that service levels to our clients are unaffected. This shift has meant operationally we are now much more able to access all of the Highland Council resources and infrastructure

In spite of economic uncertainties arising from the downturn in the oil and gas industries and, latterly, our position in the EU, there does appear to be significant confidence in some local sectors. Certainly, tourism entrepreneurship in Sutherland is on the increase; with plenty of new entrants in the pipeline.

The Food & Drink sector is thriving with some significant exporters but some of our primary producers now have plans for increased value-added production. As with the rest of the UK, there is significant interest in developing micro-distilleries with two definite and one possible facility planned for Sutherland in 2016/17.

There are currently 3 Prince's Trust applications for support of young entrepreneurs in progress. Additionally, there is a noticeable increase in the number of young people who are developing crofts and innovative projects on those crofts – in particular creative industries, food & drink and the hospitality sector.

Our Start-up Workshops and, with HIE, our popular Digital/Social Media Workshops continue across Highland & Moray. Details of all these courses can be found on the Business Gateway Highland Events Calendar (<http://www.bgateway.com/local-offices/highland/events>) and are also publicised through our Business Gateway Sutherland Facebook Page.

Unfortunately, we are still unable to offer our Growth Programmes which have, in the past, been very successful in taking our clients to the next stage of development. However, to a certain extent, this gap has been filled by one-to-one support from Business Gateway Advisors, Recruitment and Finance specialists. We can also signpost our clients to similar programmes offered by local development trusts, Caithness Chamber of Commerce etc. However

Development Trusts and similar organisations are a considerable force within the local economy - instigating major community projects in the Kyle of Sutherland, Helmsdale, Durness, and Dornoch among others. We are very pleased to work alongside these groups where needed but, in the end, it is the work of the communities which provides both the inspiration and the momentum to make these projects happen. Projects we are currently assisting include a proposed Assynt Development Group and a root-and-branch review of a North Coast agricultural development organisation

The North Coast 500 route continues to receive national and international publicity and now features in the marketing activity of businesses on the Route. Businesses are reporting that the season started a couple of weeks earlier than usual and it is hoped that this expansion of the season will continue. We are working with several businesses on (and adjoining) the Route to help them exploit this initiative through collaborative marketing and developing additional attractions and facilities. As part of this activity, Business Gateway Sutherland is attending meetings of the Heart of Sutherland Tourism (HoST) initiative which aims to persuade tourists to take a detour from the main NC500 – and to ensure that local businesses are able to take advantage of additional tourism activity.

There have been a total of 47 enquiries in the quarter, with a good area spread from East, West, North Coast etc and also a nice cross section of business sectors, including Food and drink, creative/cultural and the highest number of engagements from the Tourism/Hospitality sector. Enquiry levels have again increased in the quarter. 30 new enquiries (i.e. where clients received direct support for the first time from the Sutherland office) were received in the quarter. In addition, 17 existing businesses made at least one

repeat enquiry. Assistance was predominantly requested for start-up and development funding although recruitment, public contracts, innovation and acquisition assistance has also been provided

As expected, several of the new enquiries have been from those affected by the downturn in the oil and gas industries - and from others taking voluntary redundancy or early retirement from the public sector.

Business Start up

A very positive start to the year, especially in the hospitality-sector with the previous quarter enquiries resulting in an increase in business starts up this first quarter. We are confident this trend will continue in to the next quarter. A total of eight have been progressed, that's ahead of target (in fact it's almost half the total starts for 2015/16.) This has resulted in the creation of 12 jobs (including owners). Of these new starts, one was assisted by the Prince's Trust and we were also pleased to help the Carnegie Whisky Cellars, <https://www.facebook.com/carnegiewhiskycellars/?fref=ts> with both start up and employment advice.

Business Growth

Our Business Growth sector is moving forward and during this quarter we have developed six growing businesses in the Creative Industries, Hospitality, and Food & Drink with emphasis on Access to Finance, applications for external funding and awards, Recruitment and Procurement.

With the help of our Investment Manager and Recruitment Adviser we have recently assisted a client to make a successful acquisition of another similar company.

Specialist advice

Our Specialist Advice service (using external experts to provide support to our clients) is still on hold pending our ERDF funding. We are confident this is moving forward and the timeframe should now be the in the final quarter for delivery.

However, we continue to work closely with Interface (providing academic input and innovation support), HISEZ (for social enterprises), Emergents (Creative Industries) and Digital Highland; each providing direct advice and support to our clients. For example, three clients in this quarter have been successfully signposted to Interface - and one to the Scottish Manufacturing Advisory Service (SMAS)

Several of our businesses are being supported by HIE's exporting advisory service and two others are receiving support from the HIE Innovations Team.

Marketing/PR

Local activity

This first quarter Business Gateway has seen a good amount of visibility via local marketing activity. It covered a broad mix of media and used a number of platforms to deliver visibility for the Business Gateway service in Highland:

- There have been nine Q&A features in this quarter in Highland. These features are an in depth conversation, as part of the publications editorial content, with business owners that have been helped by Business Gateway on the pros and cons of running a business.
- Business Gateway featured heavily in the Scottish Provisional Press Group newspapers supplement Business Matters which showcased a number of our current clients.
- Social media – Business Gateway services continues to be very visible through the local Facebook page in Sutherland. We continue to build useful engagement and numbers within the social media

stream. Our local approach can drill down to specific demographics within communities and can therefore produce a filtering process. Twitter continues to be useful to signpost workshops, events and partnership working. More recently we had very short notice on new Digital workshops being launched and through our Facebook database filled all of the spaces.

- Press ads – There has been some activity in this last quarter including a number of start-up ads in the local press but also a focus on growing businesses as we started the New Year. There has been full page advertising in the Executive and the new P&J backed business publication The Leader.
- Xpo North, the creative industries event was a useful visibility vehicle for Business Gateway with some 1200 visitors at the event.
- New annual advertising contract signed by BG National with Inverness Airport over the next year with the following with 8 x digital screens and a 6 sheet at Inverness Airport. The artwork will stay the same for the moment (all calls to action are localised) but there will be a change with the new creative in the autumn.
- The Q2 BG National advertising plan has been approved and locally we have added a cross section of platforms, from bus backs to radio.

Access to Finance

A number of clients have been assisted with enquiries for financial assistance for both start up and growth support. Much of our work is therefore preparing clients for loan applications from the public or private sector. This includes a revised Highland Opportunity loan fund (now administered by the Highland Council) and our partnership with the Start Up Loan Company. One new Sutherland business has received funding from SULCO this quarter and there are several more in the pipeline.

With the assistance of our Investment Manager, we are working with 6 clients to access multi-funder packages.

It is expected that, later this year, we will be involved in the promotion and support of the forthcoming local government loan scheme.

One of our Far North clients has been awarded a grant from the Caithness Business Fund and we are assisting three others with applications to this windfarm initiative.

We have encouraged 12 Sutherland businesses to submit expressions of interest to the delayed Highland LEADER programme. A Caithness & Sutherland Development LEADER officer has been appointed and we would hope that news of criteria and process will be released during quarter 2.

BG Recruitment Support

The first quarter of this year has been busy in terms of recruitment/employment enquiries. The enquiries continue to be a mixture of funding, recruitment and employment basics and HR queries. Repeat enquiries from clients continue to be a significant percentage of work especially with the continued changes to employment matters such as pensions.

HR support

This quarter has seen a steady number of HR enquiries. Due to the ERDF regulations the work of the recruitment advisers is now split differently. The HR Adviser in Sutherland will now be taking on a wider scope of work, combining Employability activities with HR responsibilities (businesses requiring basic HR and recruitment queries such as employment contract templates, annual leave issues and recruitment

processes). We have successfully streamlined the Graduate Placement Programme (GPP) application process and made it more user friendly, this is having a positive effect on the applications. The programme has also been advertised locally. The number of businesses interested in the programme has increased this quarter. The expectation is for the number of graduate placement applications to continue to increase in the next quarter. The Graduate Placement scheme was delivered via recruitment advisers this will now be handled in the main by the Business Gateway Advisers focussing on funded activities for growth clients.

We will continue to promote the programme in the Sutherland area and work with eligible businesses to support the development of business growth plans, assist with the application and provide business support and specialist advice where required.

The Business Gateway HR support service continues to receive referrals through Council colleagues, Skills Development Scotland, Jobcentre Plus, HIE and other organisations.

The Scottish Employer Recruitment Incentive (SERI), a Scottish Government fund administered through Skills Development Scotland in conjunction with the Council, reopened at the start of April. With only 11 spaces for the whole of the Highland Council area it was fully committed by mid-May. The SERI scheme will be reviewed in September/October and we have requested more places should there be a next round. The Highland Council's own Employment Grant is available to micro businesses with the aim of supporting employment opportunities for individuals with significant barriers to employment such as a disability, homelessness, low skills, no work experience etc. This has enjoyed success across the Highland area with fifteen businesses supported with grant funding. We continue to engage with businesses to promote this scheme.

Snapshot of Activities and Events

April 2016

- "Innovate Your Business" Clinic with HIE - Dornoch
- Team Meeting – Inverness

May 2016

- Golspie Gallery Opening – client support
- Participatory Budget Meeting – Golspie
- Oil & Gas Industry PACE Event – Alness
- Alternative Banking Event – Bonar Bridge
- Highland Council Service Review Meeting – Golspie
- In May/June, Business Gateway Sutherland was part of the steering group for the local participatory budget programme which was launched with "**Stronger Sutherland**" – an event attended by nearly 40 community initiatives pitching for a share of a cash pot to assist initiatives across Sutherland. As a result of this interesting day in Lairg, we are able to arrange support for several attendees via Just Enterprise, Social Enterprise Academy and HISEZ.

June 2016

- Assynt Client Clinics – Lochinver
- Stronger Sutherland Feedback Meeting – Golspie
- Heart of Sutherland Tourism Group - Lairg
- Meeting with Interface – Bonar Office
- Careers Fair with BG Ross-shire – Tain
- Meeting with HIE (with Investment Manager) - Helmsdale
- 2-Day Start Up Workshop - Kinlochbervie
- Prince's Trust Meeting - Bonar Bridge

Next Quarter visibility:

- Heart of Sutherland Tourism Group - Lairg
- Start-Up Workshop – Tain
- Enterprise Club/Business Clinics – Lochinver
- HIE- Growth Business Review – Helmsdale

European Enterprise Network (EEN)

The Enterprise Europe Network exists to help small and medium sized companies (SMEs) in Europe to internationalise and make the most of opportunities in the single market. Enterprise Europe Scotland is a partner of this network and internationalisation services offered by the network are delivered by Highland Council. EEN Innovation services are delivered by HIE. The key internationalisation services available through the Enterprise Europe network are:

- Access to the network:** 3000 staff, 600 partners, 60 countries all able to assist with enquiries and finding the right business partner.
- Advice and Information:** on doing business in Europe such as EU legislation, policy, VAT and taxation in Europe. We can provide market information, country profiles, trade statistics and company lists.
- Partner Search:** a database with over 8000 live opportunities of companies looking for distributors, agents, joint ventures and suppliers, opportunity to publish profiles.
- Events:** information and brokerage events, scheduled 1-2-1 meetings often attached to large international trade fairs.
- Voice on EU legislation:** EEN can link companies into the European consultation process to have a say on shaping future legislation that affects business and feedback on proposals and initiatives

Examples of recent enquiries:

- IT company looking for market information from across Europe as well as suppliers of MIS systems.
- Textile company looking for market information for the USA.
- Jeweller requesting contact information for potential partners/retailers in Denmark.
- Tourism business requesting information on brokerage events at international trade fairs.
- Business support organisation looking for information on EU labelling legislation.
- Fisheries sector company looking for distributors in Germany.
- Highland energy business seeking contacts for potential European partnerships.

Engagement with Stakeholders:

- Various meetings with HIE's internationalisation team
- Invited to speak at HIE/SDI's "Doing Business in Scandinavia" event on 18th April
- Invited to speak at SE/SDI's "Doing Business in Scandinavia" event on 19th April
- Invited to speak at HIE's "Preparing to Export" course on 25th May
- Invited to speak at HIE's "Doing Business in France" event on 7th June
- Various meetings with Inverness Chamber of Commerce
- Co-ordinated and organised "Reaching Customers Overseas" event in Aviemore on 5th May