

The Highland Council

Planning, Development and Infrastructure Committee 25 January 2017

Agenda Item	8
Report No	PDI/05/17

Business Development

Report by Director of Development and Infrastructure

Summary

This report updates Members on performance with the Business Development Service for Quarter 3, 2016/17.

The delivery of the Business Development 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. 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. The Council also delivers the service on behalf of Moray Council, under a shared service agreement.

1.3 Performance highlights for the third quarter of 2016/2017 are detailed below and in the accompanying Business Development report attached as an appendix to this report.

1.4 The service continues to perform well, with the target for the numbers of start-ups assisted (252) set to be achieved. Furthermore, the numbers of enquiries being dealt with by the service is also ahead of predictions, with 1,337 for quarter 3 of an annual target of 1,400, and the numbers of businesses (604) accessing local advisory services are well ahead of the annual target of 500. This positive number of enquiries, and number of local businesses accessing local services, reflects the importance of ensuring that the Business Gateway Advisers are embedded within their local business communities, and able to react quickly to business needs.

1.5 The Service works very closely with HIE to deliver the Digital Boost Programme. This programme, which is aimed at encouraging businesses to utilise the new

digital infrastructure that is being rolled out across the Highlands, has proved to be very successful in Highland. Further details of this programme are contained in the accompanying Business Development report, along with details of a successful collaboration with the Federation of Small Businesses that highlighted the potential impacts upon businesses from Cybercrime.

2. Performance: 1 October 2016 to 31 December 2016

2.1 **Appendix 1** provides a detailed breakdown of performance over the third quarter of the 2016/17 operating year.

2.2 Start-up Activity

66 businesses have been supported to start up this quarter. During the period 10 start-up workshops were delivered, with a total of 87 attendees. To date 313 individuals have attended these workshops. Demand is ahead of target which suggests that the total number of attendees at workshops will comfortably achieve the target of 380.

2.3 Growth Activity

Business Gateway Advisers across the Highlands have worked with thirteen businesses with growth aspirations this quarter, assisting them with the development of growth action plans. The number of high value start-ups remains below target during the third quarter. Targets have been achieved for numbers of businesses being accepted onto the growth pipeline or into account management with HIE. The service continues to work closely with HIE on the further development of growth businesses across all Highland Council areas.

2.4 Advice to Existing Businesses, serving local markets

Assisting businesses across the Highlands, whether they are potential growth businesses or not, is a key aspect of the day to day service provided by the Business Gateway service. Forty eight businesses have accessed advice on a wide range of topics this quarter.

2.5 Local Growth Accelerator Programme

The ability to engage more directly with growth businesses in the Highlands had been hampered by the uncertainty surrounding the approval of the Local Growth Accelerator Programme ERDF application. The formal approval has now been received from the Scottish Government and the procurement process has now been completed for the delivery of the Programme. New additional growth services are now available for businesses to access during the final quarter of this financial year. These services will be aimed at businesses that have completed growth action plans allowing them access to a wide range of services. Details of the full range of services available are contained in the accompanying business development report.

3. Highland Council Business Support

3.1 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.

- 3.2 A detailed description of the range of services available to businesses across the Highlands is contained in the Business Development report attached as an appendix to this report. This includes an update on:
- access to finance including the Highland Opportunity Loan Fund and the emerging Scottish local authority Business Loan Scotland loan fund;
 - recruitment support, including details of the Council's Employment Grant Scheme and Graduate Placement Programme; and
 - Enterprise Europe Network.

4. Implications

4.1 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 Loan Fund as well as alternative sources of loan finance and European Regional Development and Social Funds.

4.2 Rural

The Business Gateway service is provided across Highland through a network of local business advisers complemented by a range of locally based workshops and a national website and contact and enquiry service. This network of advisers (based in Thurso; Portree, Bonar Bridge; Alness, Inverness and Fort William) allows Highland businesses, especially micro SME's, to access 1:1 business advice across all parts of Highland.

4.3 Equalities, Climate Change/Carbon Clever and Gaelic

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

4.3 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 asked to note performance of the business development service for the third quarter of 2016/17.

Designation: Director of Development and Infrastructure

Date: 10 January 2017

Author: Kenny Macinnes 01463 702553

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 3 Activity Report

October – December 2016

Quarter in Review

In the third quarter of 2016 the Business Gateway service in Highland continues to work in collaboration with Moray Council to deliver the service across the Highland and Moray Council areas. We have had significant success with our start-ups and up until the end of quarter 3 we have reached 214, which is ahead of our projections at this stage in the year. As we head towards the final quarter we are continuing to challenge and change the landscape the way we and our clients do business with our collaboration in the digital arena - this has had a significant impact in positivity for our local companies and we intend to build on that success. A total of 154 businesses have attended our nine digital workshops in Highland this quarter. We also ran a successful Cybercrime event with the Federation of Small Businesses and Highlands and Islands Enterprise. This was similar to an event we had run in Moray six months ago using ethical hackers from the Scottish Business Resilience Unit. The event helped businesses understand the dangers and the solutions to keep their businesses safe from attacks. In light of recent high profile cyber-attacks this has further highlighted the issue and we have had a significant number of enquires to run further events.

Within the core Business Gateway service the number of start-up and existing business enquiries during this period has resulted in a number of conversions into new start-up businesses. Existing businesses continue to show growth aspirations which could involve employing staff, Graduate Placement, Employment Grants, taking on new premises and developing and diversifying into new markets. The service continues to work with these businesses to help them achieve their growth ambitions through one to one advice and workshops. A number of businesses are working on business growth plans with advisers assisting on the viability on any development plans ahead of implementation and/or further investment. We also continue to collaborate with key organisations including Highlands and Islands Enterprise to ensure that these growing businesses are supported at all stages in their development. Business Gateway Highland has also streamlined the Growth Pipeline and Account Management process via the new electronic system, aligned to the Business Gateway Customer Relations Management platform.

A number of enquiries from existing businesses looking to expand and grow, and who are looking for finance to fund their growth ambitions have also been received. This has led to a number of Business Gateway/Access to Finance joint client business meetings, which in turn have resulted in those businesses successfully securing loan funds to support their growth ambitions. Some have been channelled towards our Growth Action Plan route to help them grow their business. In early February we will launch our Local Growth Accelerator Programme. More information on this European funded project is detailed in page 5 of this report.

We continue to provide Business clinics in the Badenoch and Strathspey area and have recently located a pop-up shop within the Victorian Market in Inverness. The Inverness pop up shop was to coincide with the launch of the Nesswifi project. We have also been partners with a number of events including the Highland Tourism Conference and the UHI Create awards.

Business Gateway Highland contract partners, The Roberts Partnership continue to present a programme of business workshops in the Highlands. These include business start-up, record keeping and marketing, as well as additional topics such as branding, PR and tax obligations. We have had 87 attendees in Highland in quarter 3.

Our Business Gateway advisers continue to provide pre-start support for young entrepreneurs and signpost them to the Prince's Trust where appropriate. The Prince's Trust activity at the end of this quarter has been very encouraging with 21 young people supported year to date with nine business starts. This is significantly more than the two previous years combined.

Highland Core	Q3	Y to D	Target	Progress	2015/16
Volume Start Ups Commenced Trading	66	214	252	85%	252
Higher Value Start Ups	1	5	20	25%	24
High Value Start Up - Action Plans for growth	0	1	10	10%	7
Attendees on Start-up Workshops	87	313	380	82%	317
Growth co.s engaged with Growth Action Plans	13	31	50	62%	51
Companies accepted into Growth Pipeline - HIE	0	2	2	100%	0
Companies accepted Into Account Management - HIE	0	2	1	200%	2
Businesses accessing local advisory services	48	604	500	121%	526
Highland LGAP					
Highland LGAP	Q3	Y to D	Target	Progress	2015/16
Specialist Advice					
Unique businesses assisted one to one	17	69	60	115%	89
HR Advisory Service					
Businesses assisted with one to one advice	14	193	125	154%	228
No of jobs created	10	53	65	82%	69
Growth Workshops					
Half day workshops delivered	20	61	60	102%	33
Unique businesses assisted	142	483	215	99%	
Growth & Leadership Programmes					
Programmes per annum	0	0	2	0%	2
Business assisted	0	0	20	0%	
Regional Specific Entrepreneurial Support					
No. of businesses supported to grow substantially	0	0	5	0%	
Key Sector Entrepreneurial Support					
No of businesses supported	0	0	35	0%	
Graduate Placement Service					
Graduate Applications submitted	5	13	25	52%	6
Graduate Placement (approved by HC)	5	13	25	52%	6
Growth Advisory Service					
No of clients on growth workshops/seminars	0	0	350	0%	0
Business Base					
Businesses attending growth or key sector support	0	0	170	0%	0
Additional Measurements					
Additional Measurements	Q3	Y to D	Target	Progress	2015/16
Local Events					
Local Events	6	13	10	140%	23
Local Events Delegates	347	904	110	822%	186
Enquiries					
Total Enquiries	392	1337	1400	96%	1319
Repeat Enquiries	130	344	400	86%	401
Courses					
Start Up Courses	9	43	38	112%	39
Highland Recruitment/HR Total/					
No. of Repeat Businesses Given Advice	16	33			228
No of New Jobs (First Time Employers)	4	31	25		25
No of New Jobs (Graduates)	2	5	25		6

Business Gateway Performance

The performance tables for Highland Business Gateway service are listed above. As this is quarter 3 we are able to have some vision of the yearly performance. The service is on track to deliver its start-up target. We have reached our target of companies being accepted into growth pipeline and account management. Our growth company indicators are slightly lower than expected at this junction. However, we expect these to increase at reach year end. This is all dependent on the length of time required for companies to progress their growth ambitions. As we head to towards our final quarter there have been good enquiry numbers coming through, with total enquiries reaching 1,337 of an annual target of 1,400. This represents 96% at the end of Q3; we are therefore in a good position to exceed the target for 2016/17. Around a quarter of the total include repeat enquiries demonstrating the active and supporting role we have with clients to assist with their business interests. The number of businesses accessing our local advisory services has increased significantly to 604, 121% on year to date. The visibility of the service is a contributory factor.

Business Start Up

The number of business start-ups in the quarter is 66. There are a variety of leading sectors within the geographical areas. Retail and business services are dominant in Inverness, whereas this quarter hospitality/tourism along with creative/cultural lead in the Caithness area. A flavour of the type of businesses which Business Gateway have helped start to trade during the quarter include gin production, fashion accessories, training provider, artist gallery, author, designer branded clothing, cleaning services, personal trainer and car valet. In total 214 start-ups as we go into the final quarter.

Business Growth

There have been 31 Growth Action Plans implemented year to date, 13 in the last quarter. This suggests we could be around our yearly target at year end. It is useful to note that some are taking longer to get their growth plans completed and there are reasons for that in a number of cases, from funding to capacity. The delay in the implementation of the planned menu of BG growth activities due to European funding set-backs continues to have an impact on the number of growth clients we are able to work with. We acknowledge that once the additional growth services are in place the numbers of growth action plans being worked on will be significantly boosted. The action plans agreed to date are with businesses showing significant growth indicators including increasing turnover, employing new staff for the first time and developing new target markets for their products and services. Some of the businesses supported this quarter with growth ambitions include a PR business, indoor activity centre, architect practice and fitness gym. There are other specific businesses we are working with on commercially sensitive growth plans including a client with a development plan in the region of £4.5 million

Specialist advice

In this quarter the Graduate Placement Programme (GPP) has five graduates approved taking the yearly total to 13. There are a number already in the system but they still have to go through the rigorous process, particularly when it comes to a business identifying a suitable business growth project. This has to be separate to the company's core activities that would require a full time graduate for 12 months. The HR Adviser who managed the Programme within Business Gateway has left the service last quarter and this added work will be absorbed within the service.

We will continue to promote the programme in the Highlands working with eligible businesses to support the development of business growth plans, assist with the application and provide business support and specialist advice where required. In this last quarter four businesses have been supported with specialist public procurement advice, excluding basic advice on how to find and tender for public contracts delivered. Due to the lack of ERDF funding the service has had to be delivered by one HR adviser on a purely reactive basis without actively seeking clients. With funding now secured before year end this service will be delivered as part of the ERDF funding and we should see these numbers increasing. See page 5 for more information on ERDF.

Local Growth Accelerator Programme (LGAP)

This project has a provisional start date of Monday 6th February.

Project Aims and Objectives:

With match ERDF funding, The Highland Council has created a framework of specialist advisers for The Highland and Moray Council areas to deliver business development services, they are additional to the services currently delivered through the Business Gateway core service. These have four key strands and will deliver the following:

Additional Specialist Advice

- Winning public contracts
- Supply chain logistics
- Access to finance
- Efficiency & Quality Management Systems
- Marketing
- Protecting Intellectual Property
- Sector specific specialist advice

Recruitment Advisory Service

Providing direct one-to-one support assisting SMEs with recruitment as part of their Growth plan.

Growth Workshops

Providing a range of topics supporting growth across the Highlands and Moray, including the following:

- Branding and Marketing
- Negotiation
- Pitching
- Business efficiency
- Financing Growth
- Strategies for Growth
- Developing and managing staff
- Exploiting digital processes

Key Sector Entrepreneurial Support

This activity is designed to build on the capabilities of SMEs to secure higher value contracts, both public and private. It takes a sectoral approach to encouraging supply chain development, collaboration and the potential for moving into new markets outwith the Highlands and Moray.

A key element of this programme will be to coach businesses on how to become supply chain aware, and how to access opportunities. Services will include:

- Sector engagement activity
- The development of online training materials and ebooks
- Encouragement/development of sector specific clusters
- Brokerage events to encourage joint bids and collaborative partnerships.
- Activities designed to influence the creation of incubator hubs within sectors.

Marketing/PR

Local activity

In the third quarter Business Gateway's high visibility has continued via local and national marketing activity, covering a broad mix of media and using a number of platforms to deliver visibility for the Business Gateway service in Highland:

- six Q&A features as part of the publications editorial in the Scottish Provisional Press (SPP) group newspapers in Highland. These features are an in depth conversation with business owners that have been helped by Business Gateway. They answer questions on the pros and cons of running a business. There are currently another three more being worked on before year end;
- press ads: There has been local activity across all SPP titles including the Badenoch and Strathspey Herald, Caithness Courier, Ross-shire Journal, Inverness Courier and the West Highland Free Press;
- Business Gateway sponsored the UHI Create awards. The business competition is organised and hosted by Inverness College UHI through CREATE to stimulate and foster growth in entrepreneurship across our area;
- there continues to be an LED football advertising contract at Ross County for all live TV games. At Inverness Caledonian Thistle there are two permanent pitch side boards signposting the Business Gateway service;
- Business Gateway keynote speaker presentation at the Press and Journal Business Breakfast in November provided a useful platform to showcase the range of assistance we provide for SMEs and lead to a number of enquiries;
- we attended the annual Cairngorm Business Partnership event at Coylumbridge attended by 140 businesses. The staff from Business Gateway took part in a number of the workshops and although there were two BG staff on hand all day to offer assistance and support it was disappointing and unusual that we received only three enquiries on the day;
- Business Gateway has been running a Digital Boost TV commercial throughout quarter 3 encouraging businesses to sign up for our many free digital workshops;
- sixteen street liner bus advertising has been ongoing in quarter 3 and covers the Highland area;
- local radio commercials across the area have been aired in Q3. These will re-start in early January with the start-up campaign;
- twice weekly Business Gateway local radio feature on Cullin FM between 6-7pm. There is an agreement with Nevis Radio to do similar in quarter four;
- social media: Business Gateway services use their local Facebook pages and include Ross-shire, Caithness, Lochaber, Skye, Sutherland and Inverness. Twitter continues to be useful to signpost workshops, events and partnership working. There will be a social media advertising campaign across the national social media channels from Monday 9th January - some may appear on your socials timeline; and
- the Business Gateway National ad campaign coming up includes TV and social media. The start-up campaign starts early January 2017 on ITV and will have a variety of spot laydowns including the following TV shows: Early evening news, Emmerdale, Coronation Street, This Morning Jeremy Kyle and Judge Rinder to name a few! There will also be advertising on SKY using the Sky adsmart to deliver ads based on your demographic. It's common for your neighbour to be watching the same sky channel at the same time but entirely different adverts because of this technology.

Access to Finance

Enquiries and activities within Access to Finance service continues to be positive with 19 enquiries handled over the quarter, leading to a total of 80 for the year to date. The enquiries included 4 Social Enterprises and covered a range of issues from use of e-commerce, accounting and banking queries to raising new finance. A total of 55 cases have completed with an on-going caseload of 25 carried forward. Of those supported over £4.1 million of finance has been accessed for clients across a range of sectors, with over 21% in Tourism, reflecting difficulties still being experienced by the hospitality sector in accessing finance.

Overall to date level of enquiries remain high with these, completed and ongoing, ranging in value from £10k to well in excess of £1million. A few clients have been supported to access crowdfunding e.g. Funding Circle with one particular case helped to raise £200k within two weeks! Referrals from a variety of sources, including Banks, have continued but most positive has been the work of Business Gateway Managers who continue to actively work with clients of all scales and style. Relationships with Banks and other funding sources continue to grow with an improved attitude towards lending although the need for clients to offer full security and personal guarantees for support can often prove problematic, but by syndicating lending this can be addressed.

Business Loan Scotland (BLS) is being established as a partnership amongst Scottish local Authorities, including The Highland Council (THC). The fund is being supported by ERDF and will provide access to affordable finance for small businesses. The BLS fund will be complementary to the Highland Opportunity Fund and aims to increase resources available in the region to support growing businesses and will start accepting applications from the end of January in line with latest update. The fund will be promoted in the media and other sources, referring enquiries through to THC Investment Manager and the Business Gateway team. In addition the Scottish Micro-Finance programme, complementary to the BLS fund for applications up to £25k has been launched and the local officer is in contact with the Gateway team.

The following table summarises the overall number of enquires to date (80) with some 55 completed cases, supporting access to over £4.1 million in funding. It is noted that a wide range of sectoral activity has taken place with over 21% of tourism enquiries. This is mainly due to mainstream lenders attitude towards hospitality which also extends to start-up or early stage development businesses, where difficulties in accessing funds can often be experienced.

Dates	Statistical performance				Status		Funds accessed
	Commercial enterprises	social enterprises	new products & services	gross jobs created	Complete	Ongoing	Complete
Q1	38	2	14	31	34	6	£2,550,500
Q2	17	4	13	24	11	10	£945,000
Q3	15	4	5	24	10	9	£607,500
Q4							
YTD	70	10	32	79	55	25	£4,103,000

SECTORAL BREAK-DOWN	Q3	YTD	%
Oil & Gas	0	1	1.3%
Construction	1	1	1.3%
Manufacturing	3	9	11.3%
Food and Drink	3	8	10.0%
Tourism	4	17	21.3%
Professional services	2	11	13.8%
Personal Services	0	8	10.0%
Crafts & Retail	1	9	11.3%
Recycling & environmental	0	1	1.3%
Forestry	0	2	2.5%
Fisheries	1	3	3.8%
Social Enterprise / Community	4	10	12.5%
TOTAL	19	80	100.0%

Business Finance

Highland Opportunity Investment Limited Loans amounting to a total of £75,000 have been awarded this quarter, to a total of three organisations, including a community enterprise. This brings total loans approved for the year to £193,700 with a number on line for approval during the coming quarter. The loans will support or create 150 jobs, including 20 quality higher value jobs (over 25k pa), levering in over £1.2 million of additional investment into Highlands. 72% of the businesses supported are in key sectors. Officers are currently involved in developing a number of potential loan applications for substantive investment anticipated as being presented for approval in the coming quarter.

The following table summarises performance to the end of Dec 2016.

Loan Funds	Quarter	YTD	Target	Progress
Value of Opportunity Fund Loans	£70,000	£189,700	£600,000	31.6%
Number of Opportunity Fund Loans	2	6	20	30.0%
Value of Community Enterprise Loans	£5,000	£5,000	£100,000	5.0%
No. of Community Enterprise Loans	1	1	3	33.3%
Jobs retained and created	22	67	150	44.8%
Potential increase in jobs 3 years	14	48	75	63.7%
No of 'Quality' jobs supported	3	13	20	65.0%
Leverage Achieved	£345,644	£1,183,624	£1,800,000	65.8%

BG Recruitment Support

The third quarter has been steady in terms of recruitment/employment enquiries. The enquiries continue to be a mix of funding; especially the Highland Council's Employment Grant scheme but also include the following: TUPE procedures, retaining employees, recruitment process with interviewing techniques, employment funding, apprenticeship and annualised hours. Repeat enquiries from clients continue to be a significant percentage of work especially with the continued changes to employment matters i.e. the auto enrolment procedures for pensions. We are working with businesses across all sectors, significantly in

Food and Drink, Tourism, a number of retailers and farming. Five clients that were assisted creating 7 new jobs (3 Skye, 3 in Ross-shire and 1 in Lochaber).

Employment Grants

The Highland Council's ESF supported Employment Grant scheme went live at the end of March and there has been steady interest throughout the areas. The scheme is a 40% wage subsidy for either 26 weeks for 25yrs old and over or 52 weeks for under 25 yrs. The business must have less than 50 employees and be creating an additional permanent position of between 21 and 45 hours per week. The recruit must be currently unemployed and meet an additional 2 criteria. To date in 2016/17, 28 businesses have received employment grants.

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 performance statistics reflect actual delivery over a 24 month period, from January 2015 until December 2016.

TARGETS FOR 2015 AND 2016	TARGET	to 31 Dec 16
Regional/local events organised	8	13
Participants in regional/local events	150	237
SMEs/clients receiving individual advisory support	300	159
Brokerage events/company missions organised	4	14
SMEs/clients in brokerage events/company mission	25	73
Meetings at brokerage events/company	75	84
Partnership profiles produced	24	20
Expression of interests received by local companies	48	40
Expression of interests made by local companies	40	70
Clients involved in SME Feedback actions (with SE)	20	23
Achievements	22	6
Active contributions to Network activities	6	41
SMEs/clients using digital services provided by the Network	3,000	6,000 approx.
Cooperation with local stakeholders	7	10
Enquiries from EEN partners answered	30	48