

THE HIGHLAND COUNCIL

PLANNING, ENVIRONMENT AND DEVELOPMENT COMMITTEE

20 MAY 2009

Agenda Item	18
Report No	PED 48/09

HIGHLAND OPPORTUNITY LIMITED

Report by Director of Planning & Development

SUMMARY

This report advises Members of the performance of Highland Opportunity Limited (HOL) against the range of targets set by the Council as part of the 2008/09 contract it held with HOL to deliver business development services. Support for HOL fits with the Council's Programme to "*Work with the Scottish Government, the business community, Highlands and Islands Enterprise (HIE) and the third sector to promote business growth, including more local businesses and social enterprises through the establishment of Business Gateway in 2009 and other Council support*".

1. Introduction

1.1 Highland Opportunity Ltd. (HOL) is the Council's wholly owned Enterprise Trust. The company was incorporated in 1986 as a company limited by guarantee with the specific mission to help businesses in the Highlands to start up and grow, and to create or sustain employment.

1.2 Prior to the establishment of the Business Gateway service in the Highlands, the Council had an annual contract with HOL to deliver a number of services to set targets. This contract was tied to the Council's support for HOL and in the financial year 2008/09 this support consisted of:

- £40k core funding (reducing annually by £20k until a base rate of £10k in 2010/11).
- £45,146 support for two staff transferred from the Council to HOL in the Service reorganisation in 2005.
- £100k support for the Employment Grants Scheme.
- £10,800 to support the Public Tenders, Enterprise Europe, and Grantfinder services.

1.3 The schedule of services negotiated with HOL committed the Company to providing a variety of services for the Council. The main elements of these are summarised below:

- Provision of discretionary loan finance to businesses and to social enterprises, supported by professional advice on business planning as well as post loan aftercare support.
- Operate the agency for Prince's Scottish Youth Business Trust (PSYBT) in the Highlands.

- Supply match funding to support loan finance made by PSYBT.
- Support business in the Highlands by providing low cost business premises for lease.
- Host the Enterprise Europe Network office in the Highlands on behalf of the European Commission.
- Deliver the Employment Grants Scheme on behalf of the Council.
- Host the Public Tenders website giving Highland businesses access to opportunities to bid for public sector business opportunities.

1.4 The Council also has a separate contract with HOL for the delivery of the Working for Families service, now incorporated within the Fairer Scotland Fund. While formally reported to Resources Committee, actual delivery against targets is included in this report to provide Members with a full picture of the work undertaken by HOL.

2. Annual Performance

2.1 The table below illustrates HOL's performance over the previous financial year in delivering the contract agreed with the Council.

Services Delivered	Target	Actual
Number of businesses assisted with discretionary loans	48	44
Total value of business loans up to £30,000	£270K	£433.1K
Total value of business loans over £30,000	£400K	£180K
Number of PSYBT Clients match funded	20	13
Total value of PSYBT match funding	£40K	£32K
Number of Community Enterprises assisted with loans (CELF)	4	6
Total value of CELF loans	£200K	£242K
Number of jobs created or retained (HOL,PSYBT)	160	259
Enterprise Europe enquiries	2,000	2368
New Posts supported by Employment Grant Scheme	100	84

2.3 Property Occupancy levels: The Company manages a number of premises offering low cost business accommodation. Currently the premises in Alness and Inverness are operating at a 100% occupancy level. The property in Wick is at 75% occupancy, with the newly acquired Ness Horizons Centre at Beechwood Business Park, Inverness, 90% occupied.

2.4 Analysis of Outcomes:

Number of businesses assisted with discretionary loans: an above target outcome for this element of HOL's activities demonstrates the important role its financial support continues to play in supporting small business in the area.

Total value of business loans up to £30,000: the total value of loans has significantly exceeded the targets set for it.

Total value of business loans over £30,000: it has been a quieter than normal time for clients seeking loans in this category of HOL's activities. This situation is expected to change once the newly launched Highland Business Growth Fund becomes established.

The Highland Business Growth Fund: This scheme will offer a 2 year unsecured, interest-free, debt bond to any eligible business in the Highlands which requires access to finance to start up or grow. There will be a personal obligation to repay or in the case of limited companies, a directors' guarantee. For existing businesses the maximum size of a single bond will be £50,000. Applicants will have to demonstrate a robust business plan and be able to use the bond as leverage for at least an equal amount from a commercial source of loans such as a bank or private lender. At the end of 2 years, bond holders will be required to redeem the debt facility in full from a commercial source of finance or convert it into a further 3 year term loan from HOL at 5% annual interest. For business starts the maximum size of a single bond will be £20,000. Applicants will have to demonstrate a robust business plan and be able to use the bond as leverage for at least an equal amount from a commercial source of loans such as a bank or private lender. In addition to the bond a non-refundable grant will be offered which may be worth up to £8,000. At the end of 2 years, bond holders will be required to redeem the debt facility in full from a commercial source of finance or convert it into a further 3 year term loan from HOL at 5% annual interest. The scheme is targeted at existing businesses operating in the priority sectors of Tourism and Culture, Energy, Food and Drink, Life (and other) Sciences and the Creative Industries, together with new start ups. The Retail Sector is not eligible. The scheme is part funded by the European Regional Development Fund

PSYBT: the amount of match funding for loans provided to PSYBT by HOL failed to reach its target for 2008/09. Over this period PSYBT dealt with twenty seven businesses in total throughout the Highland area. However, fourteen of these clients received grant funding from PSYBT resources rather than loan funding which is matched funded by HOL.

The Community Enterprise Loan Fund (CELF): the numbers of Community Enterprises being assisted by HOL has exceeded its target. Furthermore, the value of the loans was more than targeted. The fund was refinanced through Social Investment Scotland, and this, together with increased promotional activity, has led to this welcome increase in the numbers of Community Enterprises assisted.

Number of jobs created or retained: the figures for this year indicate a significant number of jobs created or retained by HOL and PSYBT investment.

Enterprise Europe enquiries: slightly above target for the year. The Enterprise Europe Network has maintained the EIC record of consistently exceeded its targets for providing information on doing work in the EU to a wide range of Highland businesses. The new Enterprise Europe Network is a consortium of HOL, HIE and Scottish Enterprise and incorporates the Euro Info Centre and Innovation Relay Centre network.

The Employment Grants Scheme; has been operational for over 20 years providing grant assistance to employers wishing to take on unemployed staff. The performance of the scheme over 2007/08 had been giving cause for concern. To remedy this, HOL made a number of changes to the scheme in an attempt to make it more attractive to potential employers. This included improved marketing as well as targeting sixteen to nineteen year olds for specific assistance. Furthermore, by increasing the amount of time that the grant subsidy is available, from six to twelve months, take up of the grant, while not yet up to target, has improved significantly.

- 2.5 The geographical spread of HOL's activities is widely distributed throughout the Highland area. For example, if the distribution of discretionary loans (excluding PSYBT, CELF) over the year 2008/09 is considered (as detailed in the table below), it can be seen that investment has been spread across the Council area.

Area	businesses assisted	Value of Loans
Caithness	3	£40,000
Sutherland	3	£37,000
Ross and Cromarty	11	£145,600
Skye and Lochalsh	2	£8,500
Inverness	10	£149,000
Nairn	1	£20,000
Badenoch and Strathspey	8	£48,000
Lochaber	6	£165,000
Total	44	£613,100

- 2.6 Working for Families; aims to remove barriers to parents entering education, training or employment. It commenced in August 2004 as a stand alone 'ring-fenced' initiative but is now incorporated within the Fairer Scotland Fund. The table below illustrates how this project has performed over the last financial year, detailing the total number of clients registered against the target set and the soft and hard outcomes these clients have achieved. Due to the fact that certain clients received support across two financial years, the numbers detailed do not neatly add up.

Area	Client Registrations		Hard Outcomes (Education, work, training)	Soft outcomes (Volunteering, business placements etc)
	Target	Actual	Actual	Actual
Caithness	45	80	28	16
Sutherland	25	21	23	1
Ross-shire	68	63	51	26
Skye & Lochalsh	65	33	44	18
Inverness	72	48	29	29
Lochaber	25	12	0	7
Total	300	257	175	97

The project is slightly below its annual target for client registrations. The Lochaber project only commenced in the current financial year and this accounts for the below target performance as this part of the project develops. The project reports an above target number of hard outcomes, that is transitions into employment or training of 175 (target 160). Project Workers report that overall, 85% of those entering employment or training had remained there for over 6 months with 75% still in employment or training after 12 months. The numbers of soft outcomes (intermediate measures such as volunteering, business experience placements etc) is also higher than targeted, 97 (target 80). Outcomes can vary dramatically between areas illustrating the varied local economic circumstances, and client group that the project deals with. Some people only need a small amount of intervention from Project Workers to get them back into the labour market, while for others there is a greater deal of work required before they are ready to enter employment, training or education.

3. Contract Renewal

- 3.1 In September 2008 the Committee agreed that HOL be contracted to deliver the Business Gateway Service in the Highlands. The delivery of the Business Gateway Service has required a new contractual arrangement to be entered into between the Council and HOL. The delivery of HOL's business support services form an addendum to the delivery of the Business Gateway Service contract.

4. Resource Implications

- 4.1 The financial implications arising from this report are detailed in paragraph 1.2.

5. RECOMMENDATION

- 5.1 Committee is recommended to:

Note the performance of Highland Opportunity Limited against the targets set out for it in financial year 2008/2009.

Signature:

Designation: Director of Planning and Development

Date: 11 May 2009

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