

**THE HIGHLAND COUNCIL**

**PLANNING, ENVIRONMENT AND DEVELOPMENT COMMITTEE**

**18 January 2012**

Agenda Item	6
Report No	PED 4/12

**BUSINESS GATEWAY**

**Report by Director of Planning and Development**

**Summary**

This report updates Members on:

- The third quarter and cumulative performance of the Business Gateway contract with Highland Opportunity Ltd, for the financial year 2011/12.
- The proposal for the Business Gateway service delivery, post 1<sup>st</sup> April 2012.

The delivery of the Business Gateway service is directly supportive of the Council's Single Outcome Agreement commitment to create "A competitive, sustainable and adaptable Highland economy".

**1. Contract Performance**

**1.1 Start Up Activity**

- Start up activity is slightly under profile to achieve target, although an uplift in February and March is usual.
- The number of businesses working with Business Gateway and seeking to register for VAT is down, but this is understandable due to the current difficult trading conditions faced by business.

**1.2 Existing Business Activity**

- Businesses accepted into the growth pipeline, with a view to future account management with HIE, is lower than expected at this point in the year.
- While 272 existing businesses have secured support from the Business Gateway service, the number doing so is lower than forecast.

**1.3 Local Addenda Activity**

- The Highland, Island and Moray Retail Skills shop, funded by the Council but delivered under the Business Gateway banner, held two pilot workshops of the Mary Portas retail support programme, a World Host for retail workshop and three retail engagement events. Feedback was excellent and the Skills Shop is rolling out a programme of support for retail.

- Four Business Gateway Road Shows have taken place: Portree, Fort William, Thurso and Inverness with 115 attendees. The Highland Council Procurement team also attended the road shows. The Road Show in Fort William had 35 attendees which is more than double last year and reflects the increased engagement with the business community by the local Business Gateway adviser.

#### 1.4 Partner Working

- HIE and the Business Gateway National Unit has now agreed a formal protocol for client management. This should result in an improved working partnership and a streamlined service for clients moving into growth pipeline and account management. The target for businesses moving into growth pipeline is behind target (14 achieved against target of 32), while ahead of target for account management (7 achieved against target of 8).
- HIE has recently secured funding to roll out a programme of ICT support for all businesses. Business Gateway is part of the working group for this programme and will work in partnership with HIE to deliver a programme of one to one advice, workshops and on line support.
- The Council/BG, HOL and Federation of Small Businesses (FSB) have forged closer links with plans to deliver some shared events/business support next year.
- In response to research, which emphasised that businesses value networking and peer to peer learning opportunities, the Council supported the Fusion networking conference in November and funded at the conference, a Business Gateway workshop on “Tendering for Public Sector Procurement” and “The effective use of Social Media”.
- The Council funded Business Gateway to support CREATE at the UHI business awards, and this has started to generate some new start leads.

#### 1.5 Quality Assurance feedback

- A targeted consultation with Highland business stakeholders, is currently underway and will be used to inform future service developments. A verbal update will be given at Committee.

## **2. Service Delivery Arrangements post 1<sup>st</sup> April 2012**

- 2.1 The current contract with Highland Opportunity Ltd. (HOL) to deliver the Business Gateway service on behalf of the Council ends on 31 March 2012. While the current contract has the facility for two, one year extensions, due to developments elsewhere in Scotland with the Business Gateway service, it is considered appropriate to review and establish new contract arrangements at this time.

- 2.2 Before the Business Gateway service was established in the Highlands and Islands in 2009, 12 'lowland' Scotland Business Gateway contracts transferred to local government management. As these contracts end on 30 September 2012, significant work has been ongoing at a national level to evaluate the Business Gateway service and define the new service specification going forward. Allied to this work and informing the new service specification has been the findings of the Scottish Parliament, Enterprise, Energy and Tourism Committee Inquiry into the Business Gateway – contract renewals and a Scottish Government led research project into 'Identifying the Gap' in business development services across the public sector in Scotland.
- 2.3 This new service specification will in turn inform the scope of the Business Gateway service to be delivered in Highland. The Council has therefore been closely involved in this work to ensure that the flexibility and responsive approach to local economic conditions currently enjoyed can continue. This has been achieved but a number of small changes in local service delivery are now necessary to ensure the Business Gateway service delivered locally in Highland, remains a 'nationally' consistent one, for example, aftercare support. At the time of writing this report a revised and detailed service specification for the service post 1<sup>st</sup> April 2012 is currently being drafted and will be available for Members' information if requested. While existing QA feedback has been reviewed as part of this work, the Economy and Regeneration team has also commissioned the QA consultants to undertake some additional targeted research to ensure the emerging service specification is responsive to local business needs (see para 1.5).
- 2.4 When considering how best to deliver the Business Gateway service in January 2008, a number of options were discussed by Committee, including the bringing of the service in-house and recruiting staff. It was agreed, however, that the preferred approach was to appoint a specialist supplier (by open tender or negotiated with HOL) to deliver the required advisory services. Such an approach was seen a potentially offering greater flexibility and responsiveness to the needs of business plus it would allow the Council to concentrate on issues of performance management and continuous improvement rather than on detailed operational matters.
- 2.5 When the recommendation was made to Committee in September 2008 to negotiate a contract with HOL to deliver the business advisory services required, the following factors had been considered in terms of best value.
- Cost
  - Existing Services
  - Service Quality
  - Existing Contract
  - Accountability
  - Services Evolution
  - Shared Services with Moray Council

This original best value assessment has been revised and updated and it is concluded that there are no compelling reasons or benefits accruing to change this delivery model to either an in-house team or to another specialist provider. For Members' information, Moray Council has confirmed that the current Business Gateway service model (a shared service with Highland Council and contract delivered by HOL) delivers for Moray businesses and has requested that the current arrangements be continued for three years post 1<sup>st</sup> April 2012.

- 2.6 Accordingly it is proposed that HOL be invited to enter into a new Business Gateway contract for the period 1<sup>st</sup> April 2012 to 31 March 2015, with an option for two, one year extensions. As the Council is the sole owner of HOL and has strategic and operational control of the company, the Council is able under EU Procurement law, to negotiate a contract with HOL. The outcome of this negotiation, which will include input from Moray Council, and details of the revised Business Gateway service will be reported to the March 2012 PED Committee.
- 2.7 Members will be aware that with the transfer of responsibility to local government for the Business Gateway service, an obligation has also been transferred to local government to ensure that its wider services align with this business development function. As reported on a number of occasions to Committee this is a challenge the wider Planning and Development Service has responded to across a number of its functions from Building Control, to Tourism and Employability. During the next contract period this is a challenge which will continue to be tackled and acted upon.
- 2.8 One aspect of this work which is particularly relevant to mention at this time, is the need to achieve a closer integration between the purpose and scope of the Business Gateway service and with the wider work of HOL. An example of this is a need to align HOL loan finance to start-up or existing businesses who are growing and receiving Business Gateway support and a stepping away from loan support to HIE 'account managed' companies. It is recognised that with the coming Council elections in May 2012 and the inevitable time impact this will have before the new Council has its Programme for Highland in place and the new HOL Directors are appointed and meet, there is merit in the Council via the PED Committee giving direction to HOL in the intervening period. To this end it is proposed that this matter be included in the report to be presented to the March 2012 PED Committee.

### **3. Implications**

#### **3.1 Resource**

The Business Gateway service in 2011/12 is being delivered within budget (£692k). The current budget (£692k) will be rolled forward into the contract negotiations as the maximum contract sum available. Reduced overhead costs and efficiencies will however, require to be achieved over the contract period. In 2012/13 this will contribute towards the planned £50k efficiency saving from the Economy budget.

### 3.2 Legal, Equality, Climate Change, Risk

There are no Legal, Equality, Climate Change or Risk implications directly arising from the quarterly performance report.

## **4. Recommendation**

4.1 The Committee is recommended to:

- (i) Note performance for the three quarters of the operating year 2011/12.
- (ii) Agree the proposal for the delivery of the Business Gateway service from 1<sup>st</sup> April 2012 to 31 March 2015 with details of the negotiated contract with Highland Opportunity Ltd. reported to the March 2012 PED Committee.

Designation: Director of Planning and Development

Date: 9 January 2012

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## APPENDIX 1: Key Performance Indicators Quarters 1,2 and to 3, 2011/12

Business Support	Qtr 1	Qtr 2	Qtr 3 not incl Dec	YTD	Target
<b>Start Up Activity</b>					
Business Starts	56	58	58	172	272
VAT+	2	1	1	4	27
Sub Growth Pipeline	0	0	3	3	5
Growth Pipeline	0	1	1	2	3
Into Account Management	0	1	0	1	1
<b>Existing Business Activity</b>					
Existing Businesses	88	122	62	272	500
Sub Growth Pipeline	21	4	6	31	45
Growth Pipeline	2	8	4	14	32
Into Acc Management	2	4	1	7	8
<b>Workshop Activity</b>					
Start Up Workshops	7	8	5	20	46
Existing Business Workshops	15	25	24	64	75
Tailored Training/Rural Workshops	0	1	0	1	6
Partnership Workshops	2	2	3	7	6
<b>Loan activity * (000s)</b>					
No of PSYBT Grant	6	1	2	9	20
Value of PSYBT Grant	£5.5	£1	£2	£8.5	£20
No Highland Opportunity Loans*	7	5	12	24	48
Value of HOL Loans	£69	£121	£206	£396	£450
Total no of jobs created/retained	48.5	37	45	130.5	160

\* loan reporting covers the full three quarters