

THE HIGHLAND COUNCIL
PLANNING, ENVIRONMENT & DEVELOPMENT COMMITTEE
19 NOVEMBER 2008

Agenda Item	
Report No	

HIGHLAND OPPORTUNITY LTD.

Report by Director of Planning and Development

SUMMARY

This report provides a summary of Highland Opportunity Limited's activities during the financial year 2007/2008. In addition, it gives details of the Company's current performance against the range of targets set for it as part of its contract with the Council to deliver business support to Highland businesses and highlights key work priorities during the rest of this financial year.

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 HOL's present business activity falls into four workstreams:
- Financial Assistance to Small and Medium sized Enterprises (SME's): Low cost loan finance is offered to businesses to create or sustain employment in the Highlands. The Company holds the Highland agency for the Prince's Scottish Youth Business Trust (PSYBT). £1.04 million of loans, including match funding of loans to PSYBT clients, were approved during the financial year to a total of 62 businesses supporting 299 full time jobs. All loans are supplemented by professional business advice and aftercare support. HOL delivers the Employment Grants Scheme on the Council's behalf. This scheme provides employers with a wage subsidy to take on employees, with 48 jobs being supported during the financial year.
 - Community Support and Social Enterprise: HOL's Community Enterprise Loan Fund provides discretionary loan finance to social enterprises, for example, community owned businesses, community lifeline facilities etc. The Loan Fund has recently received an additional £500,000 low cost credit facility from Social Investment Scotland to enable it to operate as a Community Development Finance Institution (CDFI). This enables HOL to continue to offer a low cost credit facility to community enterprises which banks are often reluctant to support. Four applications totalling £145,000 were approved during the last financial year. HOL also offers impartial advice and support to communities when negotiating community benefit funds.

- European Business Services: HOL is partner with Highlands and Islands Enterprise and Scottish Enterprise in the new Enterprise Europe Network Scotland Consortium which is a part of a Europe wide network of over 80 centres dedicated to helping Small and Medium Sized Enterprise's improve competitiveness and innovation. The team acts as an important channel enabling Highland companies to increase the number of Highland businesses developing trading links and partnerships in Europe. They undertake a number of activities, such as providing information on European legislation, policies and programmes designed to improve access for Highland businesses to European business information and opportunities. Since its establishment in January 2008 the Enterprise Europe Network team has received a total of 2,206 enquiries from Highland businesses
- Project Management: HOL has been involved in the delivery of a number of projects on behalf of the Council. The Working for Families Project aimed at removing the barriers to parents entering employment, training or education has assisted 913 families, with approximately half returned to employment training or education. This project has now become part of the wider Fairer Scotland Fund which seeks "to tackle area-based and individual poverty; and to help more people access and sustain employment opportunities."

HOL is a partner in the HISEZ Community Interest Company and provides the company with office accommodation. HOL also provides low cost office accommodation for rent in its premises at the West End Business Suite and in its Enterprise Centre based in Alness. The Public Tenders Project brought public sector tendering opportunities to the attention of Highland businesses. This project has now been mainstreamed by the Scottish Government in the recently established Scottish Government Procurement Portal.

- 1.3 The Highland Opportunity Company Review 2007-8 is attached for Members reference. David Owen, Company Manager, will attend the Committee to present the Company Review and answer any queries Members may have.

2 Current Performance

2. The table below records activity over the first two quarters of the current financial year (April – Sept) against the contract targets set for the same period. Members will note that the highlight figure relates to the higher than target loan finance (under £30k) offered to businesses.

- 2.1 Reports have been received covering the first two quarters of the new contract period, April to September 2008. Current performance is as follows;

Performance against HOL's Contract Targets	Actual	Target
Number of businesses assisted with discretionary loans	28	22.5
Number of PSYBT Clients match funded	2	10
Total value of PSYBT match funding	£7K	£20K
Number of Community Enterprises assisted with loans (CELF)	4	5
Total value of CELF loans	£147K	£100K
Number of jobs created or retained (HOL, PSYBT)	141	80
Total value of business loans up to £30,000	£272K	£175K
Total value of business loans over £30,000	£180K	£200K
Minimum occupancy level of property	80%	80%
Enterprise Europe enquiries	1117	1000

- 2.2 Highland Opportunity Limited will be responsible for the delivery of the Highland Business Gateway service due to come into force in April 2009. The contract for the delivery of this service will be subject to a new contract and the detail of the proposed new service will be the subject of a separate report.
- 2.3 The Company continues to deliver the Working for Families Project and there is the possibility of further opportunities arising from participation in the Fairer Scotland Fund. For example, the project has now been expanded to include parts of Lochaber, this combined with a possible expansion of the eligibility criteria could ultimately contribute to a pan Highland key worker service.
- 2.4 The current economic downturn presents HOL with opportunities to work more closely with Highlands and Islands Enterprise to identify additional funds to assist business liquidity.

3 Council Programme

- 3.1 HOL's activities align with the some of the key priorities for the Council, including:
- *'... support communities in the formation of local trust groups to buy, manage or have a stake in land and property on behalf of their community'*
 - *'... increase training and apprenticeship opportunities across the Highlands'*
 - *'...develop Highland tourism'*
 - *'...increase the number of young people leaving school and moving into education, training or employment by 87% by the end of 2009'*

5. RECOMMENDATION

That the Committee:-

- (i) Note the performance of Highland Opportunity Limited

Signature:

Designation: Director of Planning and Development

Date: 06 November 2008

Author: Kenny Macinnes, 01463 702553

Background papers: Highland Opportunity Limited Company Review

Highland Opportunity Limited Company Review

2007-2008

Overview

Highland Opportunity Limited (HOL) is the Highland Council's business development company, which aims to create and sustain employment in the Highlands through active support to businesses and communities. HOL does this by providing discretionary loan finance to SMEs and community enterprises, support services to businesses and practical help for young entrepreneurs. HOL enjoys the status of a Local Enterprise Trust approved by the Scottish Executive. It does not distribute any profit, but reinvests in the economic development of the Highlands. It has been in operation since 1986 and has assisted over 1200 Highland businesses and sustained over 3500 jobs.

HOL holds the Highland Agency for the Prince's Scottish Youth Business Trust (PSYBT), is a partner on the Enterprise Europe Network Scotland consortium and works with Social Investment Scotland to operate a Community Development Finance Institution (CDFI) to provide finance for community enterprises.

HOL is the parent company in a group of enterprise, investment and service companies. It is a company limited by guarantee with a Board of Directors drawn from the elected Members of the Highland Council. Directors serving at 31 March 2008 were: -

- Councillor Helen Carmichael, (Chair)
- Councillor Iain Brown
- Councillor Drew Hendry
- Councillor Bill Fernie
- Councillor Graeme Smith
- Councillor Isobel MacCallum
- Councillor Jimmy Gray
- Councillor David Henderson
- Councillor Billy Barclay

HOL Group net asset value at the 31st March 2008 was over £4.3 million.

HOL continued the management of a project called "Working for Families" which

aims to remove obstacles, including childcare, to parents entering education, training and employment. The project is aimed at disadvantaged families in East Caithness and Sutherland, Skye and Lochalsh, Easter Ross and parts of Inverness.

The project was ultimately funded by the Scottish Government and was worth £600,000 per year. It was part of the Government's action against child poverty and operated until March 2008, when it became part of the wider Fairer Scotland Fund.

At the year-end, 913 families had been assisted through the project, of which around half had moved into education, training or employment.

HOL continued the operation of the Employment Grant Scheme, which provides employers with a wage subsidy for workers taken out of unemployment or facing redundancy. 48 jobs were supported under this scheme which is part funded by the European Social Fund.

Financial Assistance to Small & Medium-sized Enterprises (SMEs)

HOL has offered low cost loan finance to businesses that are creating or sustaining jobs in Highland. HOL continued to offer match funding to Highland loan clients of PSYBT. Around £1.04 million of loans were approved for 62 Highland businesses in the year, supporting 299 full time jobs. All loans are offered in conjunction with professional business advice and aftercare support.

All commercial investment activity has been operated by the subsidiary investment company Highland Opportunity (Investments) Limited.

At year end the process of assigning the assets of Highland Prospect Limited to Highland Opportunity (Investments) Limited was advanced and it is intended to dissolve Highland Prospect Limited in

2008 in line with the policy of HOL and the Council.

Assistance to Communities

With a renewed and enlarged £500,000 low cost credit facility provided by Social Investment Scotland, HOL continued to operate its Community Enterprise Loan Fund (CELFL) through a subsidiary social investment company, Highland Opportunity (Communities) Limited. This Fund is intended to provide discretionary loan finance to social enterprises, where banks are often unwilling to lend. A part-time business advisor promotes the Fund, advises clients and supports their applications. Four applications were approved during the year for a total of £145,000.

HOL has also acted as an advisor and negotiator for communities seeking to obtain optimum levels of Community Benefit payments from developers of renewable energy schemes in the Highlands.

Young Enterprise Services

HOL continued as Highland regional agency for PSYBT. HOL continued to provide administrative support to Young Enterprise Scotland (YES) in the Highland area and made a grant of £2,500 towards its operating costs. YES is a school-based programme to help young people to learn about entrepreneurship by the practical route of running a company.

Business Support

HOL operates European Business Services through a subsidiary company Highland Opportunity (EBS) Limited. It is a partner in the new Enterprise Europe Network Scotland consortium which is part of a European wide network of over 80 centres (distributed throughout the Member States of the EU) dedicated to helping SMEs improve competitiveness and innovation.

European Business Services is an important channel through which Highland companies can access European business information and opportunities. Its aim is to:

- Increase the number of Highland businesses developing trading links and partnerships in Europe.
- Improve access of Highland businesses to public sector contracts.
- Increase the awareness and access of Highland businesses to European legislation, policies, programmes, markets and commercial opportunities.
- Improve links between Highland and European businesses through international projects and so encourage exchange of experience and best practice.

The Public Tenders Project is aimed at informing Highland businesses of public sector tendering opportunities which are below the threshold for mandatory publication in the Official Journal of the EU. It is an electronic service which has gained much support from the Highland public sector and recognition beyond the Highlands. During 2008 this project will be migrated into the wider Scottish Government sponsored Scottish Procurement Portal.

HISEZ Community Interest Company moved into HOL's offices during the year as a workspace licensee. HOL owns a management share in HISEZ and provided the interim Chief Executive role to HISEZ during the second half of the year.

The Company continued to provide office space and administrative support to the Prince's Trust, and rented out the Castle Room in HOL's offices to the private sector for meetings.

HOL's West End Business Suite at 67a Castle Street Inverness offered serviced business space.

HOL's Enterprise Centre in Alness, Ross-shire has continued to have 80% occupancy during the year.

A £750 award was given to the Most Promising Newcomer at the annual Highland and Islands Business Awards Lunch.

HOL's performance against its contract targets and its summary accounts are shown in the Appendix on the back page.

Appendix

Performance against HOL's Contract Targets	Target	Actual
Number of businesses assisted with discretionary loans	50	52
Number of PSYBT Clients match funded	20	10
Total value of PSYBT match funding	£40K	£29K
Number of Community Enterprises assisted with loans (CELF)	5	4
Total value of CELF loans	£200K	£145K
Number of jobs created or retained (HOL,PSYBT)	160	299.5
Total value of business loans up to £30,000	£350K	£418K
Total value of business loans over £30,000	£400K	£595K
Minimum occupancy level of property	80%	80%
Enterprise Europe enquiries	2,000	2,206

Summary of Financial Statements for Year to 31st March 2008

Extract of Combined Group Accounts for

Highland Opportunity Limited
 Highland Opportunity (Investments)Limited
 Highland Opportunity (Communities) Limited
 Highland Opportunity (EBS) Limited
 Highland Prospect Limited

Balance Sheet	£ 31/3/2008	£ 31/3/2007
Fixed assets	960,161	706,630
Current assets	7,809,489	7,408,417
Liabilities	(4,222,129)	(3,303,920)
Provision for pension fund shortfall	(237,000)	(245,000)
Net assets less liabilities	4,310,521	4,411,105

Financed by

Share capital in HOL subsidiaries	350,002	285,002
Profit and loss account	4,197,519	4,371,103
Pension reserve	(237,000)	(245,000)
Total Capital and Reserves	4,310,521	4,411,105

Profit and Loss Account	2007-8	2006-7
Turnover	1,242,190	1,486,103
Interest receivable and investment income	187,581	179,812
Other income	0	17,000
Operating expenses	(1,605,748)	(1,784,398)
Surplus/(Deficit) before tax	(175,977)	(101,483)
Taxation	11,607	11,418
Surplus/(Deficit) for the year	(187,584)	(112,901)
Balance brought forward	4,371,103	4,458,765
Actuarial Gain	14,000	26,000
Balance carried forward	4,197,519	4,371,864

Highland Opportunity Limited, 81a Castle Street, Inverness IV2 3EA
 Registered in Scotland number 97373