

The Highland Council
Planning, Development and Infrastructure Committee

Agenda Item	10
Report No	PDI 63/16

2 November 2016

Business Gateway

Report by Director of Development and Infrastructure

Summary

This report updates Members on performance with the Business Gateway contract for Quarter 2, 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. 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.

2. Performance: 1 July 2016 to 30 September 2016

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

2.2 Start-up Activity

51 businesses have been supported to start up this quarter. During the period, seven start-up workshops were delivered with a total of 133 attendees. To date, 226 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 five businesses with growth aspirations this quarter, assisting them with the development of growth action plans. The number of high value start-ups is below target during the second quarter, but we would expect this to rise over the next six months, with the summer period often seeing a downturn in demand. The situation is similar in relation to the target for the numbers of action plans for growth being completed for high value start-ups (Growth Companies with ambitions to grow turnover by £100k over the next three years). The introduction of our growth accelerator programme services for growth companies should also impact favourably on the numbers of businesses being assisted. Three companies have currently been accepted onto the growth pipeline or into account management with Highlands and Islands Enterprise (HIE). We continue 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. 168 businesses have accessed advice, on a wide range of topics this quarter, well ahead of target.

2.5 Our ability to engage more directly with growth businesses in the Highlands does continue to be hampered by the uncertainty surrounding the approval of the Local Growth Accelerator Programme ERDF application. 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.

3. **Highland Council Business Support**

3.1 The Access to Finance Service, previously delivered by Highland Opportunity Limited has now been fully assimilated into the Development and Infrastructure Service. A fuller description of the range of services available to businesses across the Highlands is contained in the activity report attached as an appendix to this report.

3.2 Business Finance

Highland Opportunity Investment Limited Loans amounting to a total of £19,700 have been awarded this quarter, to a total of two companies. This is behind target for the year, however Officers are currently involved in the development of a number potential loan applications which should improve the position significantly.

3.3 Business Loan Scotland

3.3.1 Business Loan Scotland (BLS) is being established as a partnership amongst Scottish local Authorities, including The Highland Council (THC). The fund is valued at £7.35m across Scotland and is supported with ERDF and Commercial Bank finance. It will provide access to affordable finance for small businesses. The BLS fund will be complementary to the Highland Opportunity Loan Fund and aims to increase resources available in the region to support growing businesses. The launch date is anticipated as early November and will be promoted in the media and other sources, referring enquiries through to THC Investment Manager and the Business Gateway team.

- 3.3.2 Due to national delays with the approval process for the ERDF Programme and the targets set before ERDF resources can be drawn down, the Highland funding involved in BLS has had to be significantly reduced at the current time (£112k Council match securing additional £148k ERDF/Bank finance). Subject to ERDF timelines the opportunity may exist to invest further in the fund and draw down additional ERDF/Bank finance.
- 3.4 Enterprise Europe Network (EEN)
- 3.4.1 The Enterprise Europe Network provides advice and assistance to businesses wishing to find partners throughout Europe and beyond, with the aim of helping ambitious SMEs to innovate and grow internationally. Appendix 1 gives details of the performance of the service for the 21 months up to 30 September 2016.
- 3.4.2 The services delivered through EEN Scotland are likely to be even more valuable over the next two years as the BREXIT discussions and implications unfold: businesses will need strong support during this period of uncertainty and EEN can help businesses build the connections, partnerships and reputation to ensure that they are in a stronger position, whatever the outcome of BREXIT.
- 3.4.3 The current two-year EEN work programme, and associated match-funding package (50% from the European Commission), was to end on 31st December 2016. In order to allow this important provision in the Highlands and Islands to continue as well as the maintenance of the wealth of experience of the staff involved, Scottish Enterprise has proposed a financial package which would mean the EEN team and services are fully funded for at least the next 2 years – until December 31st 2018.
- 3.5 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. Further information on how the programme is delivered throughout the Highlands is contained in the accompanying appendix to this report.
- 3.6 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 HR recruitment advisors. 29 businesses have currently applied for grant support from this scheme.
- 3.7 HR and Public Procurement Support
A limited service is currently being provided, while the procurement process referred to in section 2.5 is concluded. Further details on activity across the Highlands are contained in the appendix to this report.

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 Equalities, Climate Change/Carbon Clever, Rural 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 recommended to note both the contents of the report for the second quarter of 2016/17, and the Heads of Agreement reached with Scottish Enterprise to fund the EEN team until December 2018.

Designation: Director of Development and Infrastructure

Date: 12 October 2016

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 2 Activity Report

July – September 2016

Quarter in Review

In the second 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. Client satisfaction rates have remained high, with the recent quality assurance survey, undertaken by Progressive on behalf of Business Gateway National confirming that in Highland and Moray the customer engagement experience under the following headings remains a positive one:

*Getting what you want from the local office (phone contact) up from **85% to 100%**

*Overall Satisfaction, Face to Face contact with the local office, up from **96% to 100%**

*Overall satisfaction Phone contact with the local office up from **88% to 100%**

*BG national unit research (Progressive) Highland BG sample size, 222

There have been a steady number of start-up and existing business enquiries during this period which has resulted in a number of conversions into new start-up businesses. Existing businesses continue to show growth aspirations with a number looking to employ people, take on new premises and develop 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 are working on business growth plans, with their advisers checking the viability of any development plans ahead of any implementation or further investment, and this inevitably leads to some of these growth companies taking longer to come through the process. We also continue to collaborate with our key stakeholders such as Highlands and Islands Enterprise to ensure that these businesses are supported at all stages in their development.

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 successful securing loan funds to support their growth ambitions.

Business Gateway Highland delivery partners The Roberts Partnership continue to present a programme of free 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. The Digital Boost programme, aimed at encouraging businesses to take up improved ICT connectivity continues. The type of support being provided includes a mixture of digital workshops, online guides, health checks and one-to-one advice.

The Prince's Trust activities currently are being delivered centrally following the redeployment of the local manager. We have offered to co-locate a local person within the Business Gateway service. Our advisers will continue to provide pre-start support for young entrepreneurs and signpost them to the Trust.

Underlying trends, based on business engagement evidence suggests that business growth, in a number of areas, is continuing to be apparent across a range of different sectors. This is evidenced through our start up statistics and also based on enquiries about growth from existing businesses, particularly those looking for finance to fund these growth ambitions.

Highland Core	Q2	YTD	Target	Progress	2015/16
Volume Start Ups Commenced Trading	51	136	252	54%	252
Higher Value Start Ups (PHVSU) engaged with	0	4	20	20%	24
High Value Start Ups - completed Action Plans for growth	0	1	10	10%	7
Attendees on Start-up Workshops	133	226	380	59%	317
Growth COs engaged with Growth Action Plans	5	13	50	26%	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	168	373	500	75%	526
Highland LGAP					
Highland LGAP	Q2	YTD	Target	Progress	2015/16
Specialist Advice					
Unique businesses assisted one to one	15	51	60	85%	89
HR Advisory Service					
Businesses assisted with one to one advice	56	130	125	104%	228
No of jobs created	28	41	65	63%	69
Growth Workshops					
Half day workshops delivered	10	42	60	70%	33
Unique businesses assisted	3	212	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	3	8	25	32%	6
Graduate Placement (approved by HC)	0	5	25	20%	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	Q2	YTD	Target	Progress	2015/16
Local Events					
Local Events	2	3	10	30%	23
Local Events Delegates	12	249	110	226%	186
Enquiries					
Total Enquiries	156	883	1400	63%	1319
Repeat Enquiries	36	257	400	64%	401
Courses					
Start Up Courses	7	27	38	71%	39
Highland Recruitment/HR Total					
No. of Repeat Businesses Given Advice	8	26			228
No of New Jobs (First Time Employers)	2	5	25		25
No of New Jobs (Graduates)	1	41	25		6

Business Gateway Performance

The performance tables for Highland Business Gateway service are listed above. As this is the half year stage it gives an overview of service performance, and identifies areas of activity requiring additional attention.

The service is on track to deliver its start-up target with 136 businesses starts at the half year stage. There have been 27 workshops and a total of 226 attendees. We have reached our target of companies being accepted into growth pipeline and account management. All of our growth company indicators are below expectations but there are plans in place to deliver the annual target numbers although this is dependent on the length of time required for companies to progress their growth ambitions. For the next six months it is planned to target advertising campaigns towards growth companies, with a focus on local success stories in our marketing activity. The first two quarters have seen good results in terms of enquiries to the service with overall enquiries reaching 70% of target. Numbers of businesses seeking one to one advice and HR advice have been encouraging, at 85% and 104% respectively. A number of these are companies with growth potential and the service continues to work with them and to encourage them to grow and fulfil their growth potential.

Business Start Up

The number of business start-ups this quarter was 51. The dominant sector in a number of areas is Hospitality/Tourism Food along with general retail, the majority of the latter is from the Inverness area. We then move down to food and drink, personal & business services, and construction. It is a decent spread and our challenge, as these companies make an impact, is to help them on their journey to survive and grow by ensuring they receive aftercare assistance. In total 136 start-ups at the half year stage, given our quietest months are in quarter two, is encouraging. The rate at which new businesses starting up in Inverness and the surrounding areas has continued to grow but in other areas we have seen a slight dip. However, we note that the Highland survival rate at the 12 month stage is 86% and at 36 months, 75%. Research from the BG National unit also reports that 'businesses who received support from Business Gateway were more likely to still be trading after three years when compared with the UK' average.

Business Growth

There have been 13 Growth Action Plans implemented year to date, five in the last quarter. This number is behind our projection but we are starting to see some coming through for Quarter 3. A number are taking longer to get their growth plans on track for a number of reasons, from funding to staffing. Geographical areas are focused on specific sectors, in the far North the renewables sector has slowed but we have seen manufacturing companies, metal recycling and construction thriving. In Ross and Cromarty cosmetics and a smokehouse account for growth action plans. In other areas a jewellery business and environmental services have contributed to the growth companies. Along with our numbers at the half year stage and based on business engagement evidence combined with national indicators it does confirm that there is a slower rate of growth companies in many areas.

Specialist advice

Last quarter the Graduate Placement Programme (GPP) application process was streamlined to make it more user-friendly. It was also extensively advertised across the area using local outlets. This resulted in an increased number of businesses interested in the programme. The length of time for a graduate application to be completed is still relatively long, 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. We have to accept a number of businesses appear not to want to spend time and resources in shorter term projects, meaning, it is harder to recruit and the graduate then starts to look for another job some months into the project. Despite this the expectation is for the number of graduate placement applications to continue to increase in the next quarter. The success of the GPP in Highland has been the catalyst for it to be extended to Moray in collaboration with Moray Council, where a maximum of five graduate placements will be available.

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 five businesses have been supported with specialist public procurement advice, excluding basic advice on how to find and tender for public contracts delivered by the all Area Business Advisers. The low numbers for specialist advice are due to the delay in ERDF funding which has meant the service has had to be delivered by one HR adviser on a purely reactive basis without actively seeking clients. We are continuing to encourage local businesses to tender for contracts and all Area Business Advisers are able to provide basic advice. The specialist advice service is well received by clients, they are generally good at what they specialise in but often lack the knowledge and resources to compose a tender proposal that reflects their level of expertise in their specific field.

Marketing/PR

Local activity

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

- Case study on a Business Gateway client, Café Sia coincided with the launch of the Press and Journal's Business Magazine 'Leader'. We are working on another two case studies.
- There have been five Q&A features as part of the publications editorial in the Scottish Provisional Press 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 five more being worked on.
- Business Gateway featured in the Scottish Provisional Press Group newspapers supplement Business Matters in this quarter. These are twice yearly supplements with a detailed step by step business guide written by one of the business advisers.
- Press ads – There has been local activity across all SPP titles including the Badenoch and Strathspey Herald, Caithness Courier, Ross-shire Journal and the Inverness Courier.
- There has been full page advertising in the Executive magazine.
- Some of the Business Gateway team are going to contribute to the Inverness Courier feature 'On our doorstep'. The first one was published recently with Mark McIntosh
- Business Gateway sponsored the Outstanding Performing Small Business Award at the Highland Business Awards in September as part of the Highland Business Week. There was an ad in the programme. Seven BG clients were also on the BG table at the event.
- There will be football advertising LEDs Ross County for all live TV games and Inverness Caledonian Thistle will have a permanent pitch side board signposting Highland and Moray Business Gateway service.
- 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.
- Business Gateway National start up campaign started on Monday 12th of September. The campaign runs until mid-October. There is TV (STV), Digital Display, Social Media, Radio, Press and PR. Link to the TV commercial <https://www.youtube.com/watch?v=Mh1gp5cJxas>

Access to Finance

Enquiries and activities within Access to Finance service continues to be positive with 21 enquiries handled over the quarter leading to a total of 61 for the year to date. The first quarter is traditionally the busiest experienced over the year. A total of 34 cases have completed with an on-going caseload of 27 carried forward. Of those supported over £3.35 million of finance accessed for clients across a range of sectors but predominantly in Tourism, Professional and Personal Services and in Retail.

Traditionally quarter 2 is quieter due to summer break however enquiries ongoing have value from £15k to almost £1million. A number of referrals have been received from HIE and we continue to work in partnership with them across the Highlands. 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 being noted by some albeit there is a need for entrepreneurs to offer full security and personal guarantees for support.

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. The launch date is anticipated as early November and will be promoted in the media and other sources, referring enquiries through to THC Investment Manager and the Business Gateway team.

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 21 month period, from January 2015 until September 2016.

EEN Performance Statistics:

TARGETS FOR 2015 AND 2016	TARGET	up to Sept16
Regional/local events organised	8	13
Participants in regional/local events	150	237
SMEs/clients receiving individual advisory support	300	144
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	16
Expression of interests received by local companies	48	32
Expression of interests made by local companies	40	58
Clients involved in SME Feedback actions (with SE)	20	23
Achievements	22	4
Active contributions to Network activities	6	30
SMEs/clients using digital services provided by the Network	3000	5635
Cooperation with local stakeholders	7	10
Enquiries from EEN partners answered	30	45