

The Highland Council
Planning, Development and Infrastructure Committee

Agenda Item	9
Report No	PDI 6/15

18 February 2015

Business Gateway

Report by Director of Development and Infrastructure

Summary

This report updates Members on performance with the Business Gateway contract for Quarter 3, 2014/15. It also provides further details on the development of an application for ERDF European Programme that aims to add value to the Business Gateway service, and to the business support activity funded by the Council. The report also addresses contractual arrangements with Highland Opportunity Ltd. post 1 April 2015.

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.

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 the Highlands, a national website, and a national contact and enquiry centre. While the Council is responsible for the service in the Highlands, it is delivered under contract by the Council's wholly owned Enterprise Trust, Highland Opportunity Ltd (HOL). The Council, via this contract, also delivers the service on behalf of Moray Council, under a shared service agreement.

2. Performance: 1 October 2014 to 31 December 2014

2.1 The Development and Infrastructure Service meet HOL formally on a monthly and quarterly basis to review contract performance, and to discuss and resolve emerging issues. **Appendix 1** provides a detailed breakdown of performance over the first three quarters of the 2014/15 operating year.

2.2 Start-up Activity

Fifty-five businesses have been supported to start-up this quarter. Allied to this thirteen start-up courses were provided with ninety-one delegates attending. Start-

up activity to date (190 businesses) is running slightly behind target due to a lack of activity during the Christmas period and is expected to pick up again during January 2015.

2.3 Growth Activity

No businesses have moved into the pipeline during the quarter, however twenty four businesses, which do not fit the criteria for HIE account management, have been supported with growth action plans. This is an encouraging sign, indicating that businesses with growth aspirations are emerging in a variety of sectors, including key sectors such as food and drink, tourism and the creative industries. The rise in numbers of businesses receiving specialist advice further highlights this promising trend.

2.4 Advice to Existing Businesses, serving local markets

121 businesses have accessed advice this quarter which remains behind target, but is consistent with demand at this point in the financial year. The total number of enquiries handled during quarter 3 was 273 which is on target.

2.5 In summary, overall enquiry levels are on target and the level of existing businesses not seeking to be businesses of scale at this time, but requesting advice on all aspects of business sustainability and survivability, continues to be significant. From this, Business Gateway has identified those which have growth potential, and continues to work with them to help them achieve their ambitions.

3. **Highland Council Business Support**

3.1 As detailed above, while HOL delivers the Business Gateway service, the Council is ultimately responsible for the service provided. 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, managed and delivered through HOL. This added value activity includes:

- Business Finance

Highland Opportunity loans are broadly on target with approvals totaling £436,785. With fifteen approvals, the number of loans is above target.

HOL is now able to offer unsecured personal loans, financed by the UK Government (SULCo), to businesses in their first 12 months of starting up a business. During quarter 3, six loans have been supported to approval stage valued at £57k.

The Business Gateway Plus programme, which is funded by the Council with ERDF support and provides one to one support for businesses to “access finance” and “find, tender and win contracts”, has provided support to a hundred businesses this financial year exceeding the project target of sixty.

- Create and Employ

The Create and Employ project, which is funded by the Council with ESF

support, continues to provide free specialist advice for all aspects of taking on an employee, especially for the first time. It works closely with the Council's Employability team to encourage take up of the Highland Council Employment Grant and the Graduate Grant.

- During quarter 3, thirty six businesses have accessed specialist recruitment advice, with the creation of twenty two new jobs. Eleven of these jobs were with employers taking on staff for the first time.
- twenty seven businesses have received support with employment grants; and
- twenty four jobs have been created for unemployed people.

Graduate Placement Scheme

The Graduate Placement Scheme is fully funded by the Council and in the 3rd quarter four businesses have applied, with three new recruits employed.

4. European Regional Development Fund 2014-2020 (ERDF)

- 4.1 A first stage application has been submitted to the new ERDF Programme for the establishment of the Business Gateway Local Growth Accelerator Programme in Highland and Moray. The Council's application is the only local authority application submitted in this first funding round. The programme has been designed to significantly increase the assistance available to accelerate the growth of small and medium sized enterprises (SMEs), in the Highland and Moray Council areas. The vision is to support SMEs with sustainable growth potential from the point of start-up, through the growth pipeline towards, where appropriate, Highlands and Islands Enterprise account managed status.
- 4.2 The Local Growth Accelerator Programme will complement, and extend the scope of core Business Gateway services within the Highlands and Moray. It will utilise the existing delivery infrastructure as a platform to launch the new activity, as well as integrating delivery with related employability, and other local economic development activities to maximise the programme's impact.
- 4.3 Across the Highlands and Moray, the proposal seeks to identify and work closely with 925 SMEs, through a range of activities designed to develop their growth aspirations, provide unique and specific expert advice, support leadership potential, and specifically focus on overcoming sectorial as well as generic barriers to growth. Between April 2015 and December 2018, 2,682 individual interventions are planned, utilising, for example, one-to-one advice, workshops, seminars, intensive specialist programmes, and graduate placements as options for SMEs. In addition, it is expected that 325 jobs (FTE) will be created.
- 4.4 The overall estimated expenditure is £2,297,579.04. Match funding of £1,148,789.52 has been identified from core budgets for delivery of local authority economic development activities, including the specific resource dedicated to the Business Gateway contract delivery. The ERDF Grant required, at an intervention rate of 50% is £1,148,789.52.

5. Implications

5.1 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 Ltd. loan finance, and European Regional Development and Social Funds.

5.2 Equalities, Climate Change/Carbon Clever, Risk, Rural and Gaelic

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

Recommendation

The Committee is recommended to:

- (i) note performance for the 3rd Quarter of the Operational Year 2014/15; and
- (ii) note progress towards the securing of 2014-2020 ERDF Programme finance for the establishment of a Business Gateway Local Growth Accelerator Programme in the Highlands and Moray.

Designation: Director of Development and Infrastructure

Date: 2 February 2015

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APPENDIX 1:**Key Performance Indicators**

The performance indicators and targets used for the delivery of the service are dictated by the national Business Gateway model and reflect the key priorities of business start-up and growth. Support for growth is the key priority for the service. It does however allow an amount of local discretion to provide a service that is responsive to local needs and changing economic circumstances.

The key Performance Targets and performance for the year 2014/15 are outlined below:

Start Up Advisory Service	Qtr 1	Qtr 2	Qtr 3	Target 2014/15
Number of volume start up clients who have begun trading	71	64	55	272

Growth Advisory Service	Qtr 1	Qtr 2	Qtr 3	2014/15
Number of growth companies assisted with growth action plans	11	4	24	50
Number of growth companies accepted into a growth pipeline relationship with HIE (seeking to grow turn over by £200k over next 3 yrs.)	0	4	0	20
Number of growth companies accepted into HIE account management	0	0	0	14

Local Business Advice	Qtr 1	Qtr 2	Qtr 3	2014/15
Number of existing businesses accessing advisory services	122	123	121	650

Loan Activity	Qtr 1	Qtr 2	Qtr 3	2014/15
Highland Opportunity Loan Funds				
Number of loans	7	4	4	30
Value	£121,785	£105,000	£200,000	£500,000
Princes Trust Youth Business Scotland				
Number of clients supported with loans or grants.	1	8	4	30
Number of jobs created and retained as a result of loan activity	43 of which 18 are new jobs	58 of which 18 are new jobs	39.5 of which 16 are new jobs	No Target defined

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.