

The Highland Council

Planning, Development and Infrastructure Committee 19 August 2015

Agenda Item	11
Report No	PDI/49/15

Business Gateway

Report by Director of Development and Infrastructure

Summary

This report updates Members on performance with the Business Gateway contract for Quarter 1, 2015/16.

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 Highland, a national website and a national contact and enquiry centre. While the Council is responsible for the service in Highland, it is delivered under contract by the Council's wholly owned Enterprise Trust, Highland Opportunity Ltd (HOL). A new contract, covering the period from 2015 until 2018 has recently been finalised with HOL. The Council via this contract also delivers the service on behalf of Moray Council, under a shared service agreement.

2. Performance: 1 April 2015 to 30 June 2015

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 quarter of the 2015/16 operating year.

2.2 Start-up Activity

Sixty five businesses have been supported to start up this quarter, which is slightly ahead of target. No start-up courses were run during this quarter as delays in finalising the new contract prevented HOL from appointing a workshop contractor. However, the contract has now been concluded and it is expected that start-up courses will commence in the near future.

2.3 Growth Activity

No businesses have moved into either the growth pipeline or into account management with HIE during the first quarter of 2015. Businesses with growth aspirations do continue to emerge. During this first quarter 15 businesses that do not currently fit the criteria for HIE account management have been supported with growth action plans.

2.4 Advice to Existing Businesses, serving local markets

130 businesses have accessed advice during the first quarter which is slightly ahead of target. The total number of enquiries handled during the quarter is 228 which is slightly short of the target.

2.5 In summary, overall enquiry levels are slightly behind 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. Business Gateway has identified those which have growth potential, and the above target increase in the numbers of growth action plans prepared is a good indication of this. The target for numbers of businesses moving into the growth pipeline, and ultimately into Account Management with HIE, has been reduced to reflect the reality of the situation namely that few businesses are being accepted by HIE. It is an issue that we will continue to raise with HIE as the year proceeds.

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

HOL Loans amounting to a total of £201,000 have been awarded this quarter. This is significantly ahead of target and may be an indication of unmet demand for the supply of loan finance from the commercial sector.

Start-up Loan Company (SULCO)

HOL has been able to offer unsecured personal loans financed by the UK Government (SULCO) to businesses in their first 12 months of starting up in business. During the first quarter of this financial year 9 loans have been approved with a total value of £93,800. However it should be noted that a number of these applications were carried forward from the previous financial year but ultimately approved in this current financial period.

Scottish Local Authority Loan Fund

The Council has agreed to participate in the Scottish Local Authority Loan Fund. The new pan-Scotland Fund will offer gap funding to small and medium sized enterprises (SMEs) in the form of secured (in the majority of cases) loans up to

£100,000 with a fixed interest rate (probably 6% per annum). The Council is investing £337,500, and this in turn will attract ERDF funding of £450,000 as well as private bank funding of £337,500. Each local Authority's financial contribution will be ring fenced for use solely in their area, with £1.25m being available for loan finance to businesses in the Highlands, alongside the existing resources available through HOL loan funds.

Enterprise Europe Network (EEN)

The Enterprise Europe Network is hosted by HOL. It provides Highland businesses with a range of support aimed at encouraging them to consider internationalisation through the provision of a specialist advisory service. The Council has agreed to support this service for the next two years to ensure continuity of the service and to support HOLs participation in the Scottish EEN Consortium alongside HIE and Scottish Enterprise.

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

- 4.1 In January the Council submitted an application to the Scottish Government for ERDF assistance to deliver a package of business support services aimed at encouraging growth. The Local Growth Accelerator Programme (LGAP) has still to be formally approved despite assurances from the Scottish Government that this would be imminent.
- 4.2 HOL was invited to tender for this contract and a tender was duly delivered aiming at a start date of April 2015, timed to coincide with the commencement of the new core Business Gateway contract. For the time being the services to growth businesses contained in the application are not being delivered while we await this approval. We do plan to proceed to set up a mechanism for the delivery of the Graduate Placement Scheme and new guidelines and an application form are currently being drawn up to comply with ERDF reporting requirements.

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.

As detailed above in Section 4, work is ongoing across the new European programmes to identify opportunities to secure match funding for future business development activity.

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 asked to note Business Gateway performance for the first Quarter of the Operational Year 2015/16

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Date: 26 July 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 2015/16 are outlined below:

Start Up Advisory Service	Qtr 1	Target 2015/16
Number of volume start up clients who have begun trading	65	252

Growth Advisory Service	Qtr 1	2015/16
Number of growth companies assisted with growth action plans	15	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	2
Number of growth companies accepted into HIE account management	0	1

Local Business Advice	Qtr 1	2015/16
Number of existing businesses accessing advisory services	130	500

Loan Activity	Qtr 1	2015/16
Highland Opportunity Loan Funds		
Number of loans	6	20
Value	£201,000	£600,000
Princes Trust Youth Business Scotland		
Number of clients supported with loans or grants.	1	3
Number of jobs created and retained as a result of loan activity	28.75	150

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.