

Report

10

Report to:	Enterprise Services Committee
Date of Meeting:	19 March 2013
Report by:	Executive Director (Community and Enterprise Resources)

Subject:	Business Support Programmes Incorporating Business Gateway Contract Update
----------	---

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ inform Committee of the business support activity undertaken by the Council in 2012/13
- ◆ seek approval for a range of business and sector development programmes for 2013/14
- ◆ inform the Committee of the final outturn of the Business Gateway 2007 to 2012 contract and the content of the new Business Gateway contract from 1 October 2012

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the outcomes of the Council's programmes to support local companies during 2012/2013, as set out in Appendix 2 of this report, be noted.
- (2) that the business support and sector development programmes budget proposed for 2013/2014, as detailed in Appendix 1 of this report, be approved.
- (3) that the outturn for the Business Gateway 2007 to 2012 contract and content of the new Business Gateway Contract, from 1 October 2012, be noted.

3. Background

- 3.1 As a Connect Priority Objective, Regeneration Services continue to focus on supporting the local economy and creating the right conditions for growth. Businesses continue to face increasing challenges in the economy and the need for financial support in particular working capital, is ever increasing.
- 3.2 The business development team actively engage with local business owners to understand their needs and find a way to break down any barriers to growth. However, as stated above one of the biggest challenges is accessing funds and then encouraging companies to invest in their growth, while their key priority may be sustaining or consolidating business performance.

- 3.3 Some financial support is given to small and medium enterprises through grants. Grants are local, discretionary funds and can assist with external costs to the businesses which may be a barrier to growth; for example, employee training, external consultancy costs, attending exhibitions, purchasing capital equipment and improving their property.
- 3.4 The team also provides “soft” loans to businesses of up to £100,000 through the West of Scotland Loan Fund which is a catalyst to unlock bank funding. The business development team manage the South Lanarkshire Council allocation of £1.367M in the fund which is held in a separate company and includes match from ERDF.
- 3.5 The team provide key sector support for tourism through a dedicated tourism officer, who also manages the VisitLanarkshire.com marketing activity. The team also engage with the food and drink sector and work to enable more companies to take up local, public sector procurement opportunities through the Supplier Development Programme.
- 3.6 Given continuing difficult economic conditions, there is now a recognition at the Scottish Government, especially the European funding team, that there has to be increased demand side support to balance current investment in the supply side. If we are able to increase our assistance for local businesses to overcome the barriers they face in their business, e.g. working capital, capital expenditure investment, this in turn will unlock more opportunities for sustainable jobs. As yet there is no translation of this recognition into additional finances, and South Lanarkshire Council local discretionary grants remain the main financial support tools for small independent local businesses which form the majority of our local business portfolio. Seeking European funding from the coming programme will be very important to enhancing the scope of delivery.
- 3.7 Overall performance statistics to December 2012 for each of the programmes is summarised at section 4 below and Appendix 2. The proposed budget for 2013/2014 is set out at Appendix 1. Section 5 provides an update on the Business Gateway contract performance. The business development team play a key role in the management of the Lanarkshire Business Gateway contract (worth £6.8m) through attending the contract operations and steering groups, and perform the important scrutiny role on the contract together with colleagues from North Lanarkshire Council who manage it.

4. Business Support activity

- 4.1 The proposed total budget for 2013/2014 business support activities is £428,000 (2012/2013 £545,000.)

Business Support Grant

- 4.2. This fund has been well received by the businesses from its inception in July 2012. To December we have assisted 56 businesses and these projects have projected sales to increase by £6.5M, and save or create 380 jobs.

The new fund for 2013/2014 is proposed to be set at £230,000 and will include the merged training grant allocation below.

Business Training Grant

- 4.3. The Business Training Grant, is a part of a partnership programme, Skills and Business Growth European project, with other West of Scotland local authorities which has secured ESF funding up to September 2013. The fund is a 50% grant award for eligible training used to help the business grow and develop, and to December the Council has assisted 38 companies and 97 trainees, yielding projected new sales of over £4.1M and 337 new or saved jobs.
- 4.4. Moving forward the previous year allocation of £50,000 will continue to be matched through ESF until the maximum allocation under the partnership has been reached. The Council currently awaiting the announcement of the training offering for businesses from Skills Development Scotland (SDS) and it is proposed to continue to offer the training grant as is, until the maximum ESF allowance is reached and the SDS offering can be assessed. It is not proposed to duplicate any future SDS offering and are therefore proposing to merge the training grant allocations together into one Business Support Grant to accommodate any future announcements by SDS.

Rural Capital Grant Scheme

- 4.5. This scheme is a competitive discretionary grant fund, aimed at supporting new and existing small businesses located in rural South Lanarkshire to undertake growth projects. A grant of up to 50% is available, up to a maximum of £10,000 and £15,000 if related to tourism. The fund has supported 8 companies which project additional sales of £398K and will save/create 65 jobs. The remaining budget approved under the existing LEADER programme of £89,000 will continue to be drawn down during 2013/14 to the end of the LEADER funding period in December 2013.

West of Scotland Loan Fund

- 4.6. The key investment tool at the present time for business support is the West of Scotland Loan Fund where the Council has made 2 investments to date this year which project to safeguard / create 48 jobs and additional sales over £438,000. One additional offer has been made and is awaiting completion. There is currently a healthy pipeline of 6 in progress at present as companies are still finding it difficult to complete the loan process due to difficulty sourcing private sector match funding. This is reflected in the number of completions to date. This fund is the Council's key tool to act as a catalyst and gap fund to make larger growth projects happen and is a lending fund of last resort. The West of Scotland Loan Fund is set up as a separate company, Limited by Guarantee, and has 12 members being the 12 West of Scotland Local Authorities. South Lanarkshire Council is the biggest user of the fund and any investments made into the fund, and repayment of all loans made in South Lanarkshire, are allocated to be used within South Lanarkshire (£1.367M available at present including ERDF match funding).

Supplier Development Programme

- 4.7. The Supplier Development programme is a partnership project with 26 other local authorities across Scotland. SDP is now well established as a key business growth initiative which delivers a range of specialist business support activities including the provision of advice, information, training and funding support with the aim of assisting businesses to become more capable of accessing and competing for public sector contracts. To date over 300 companies in our area have been assisted through this programme and the focus continues to be on establishing strong relationships with

the Council's procurement service and local suppliers. The SDP programme is currently undergoing a refresh given recent changes in Glasgow City Council and discussions at Board level. The proposed budget for 2013/2014 is £10,000.

Tourism sector

- 4.8. The Lanarkshire Tourism Action Plan is a pan Lanarkshire initiative and is based on the national tourism strategy which has very ambitious growth targets which were set prior to the economic downturn. Over the last 6 years the Council has been working very closely with the tourism sector to maximise the visitor expenditure in the area. The tourism officers work with the sector to create and roll out marketing campaigns through [www. Visitlanarkshire.com](http://www.Visitlanarkshire.com) to extend the length of our tourism season in Lanarkshire, these have been very successful over the last few years, and seek to maximise return from the "staycation" effect of the economic recession. To March, in excess of 30 companies have been assisted through this support programme. The proposed budget for 2013/2014 is £59,000.

Food and Drink sector

- 4.9. The team is currently engaging with Scotland Food and Drink to deliver a local food and drink action plan over the coming months in the run up to the Scottish Food and Drink fortnight in September. This is a pilot project which has never been done previously to focus efforts in a local authority area. Engaging with Scotland Food and Drink will ensure our local companies can benefit from the marketing opportunities and also specialist intelligence and other services available in the sector. The proposed budget for 2013/2014 to develop this sector is £10,000 and is included in Business Support Initiatives, appendix 1. Individual companies will still be able to access additional grant support through the direct grant funding support mechanisms above.

Business Advice

- 4.10. Business advice is one of the most important but least visible forms of support, with the businesses being given advice, referred to the appropriate services internal to the council or partners such as the Business Gateway or Chamber of Commerce. The Business Development Team will continue to ensure that this is continually improved during the coming year and more opportunities to liaise internally are sought, for example, through procurement.

Lanarkshire Property Advice Service

- 4.11 This service offers up to date market information on available commercial, industrial, retail and development properties in Lanarkshire (both North and South) as well as acting as a valuable conduit for clients to contact relevant council services such as planning, building standards etc. To December the Council assisted 413 businesses with enquiries and satisfied 23 property requirements.

Young Entrepreneurship

- 4.12. The Council will continue to support younger entrepreneurs through supporting the PSYBT work in Lanarkshire and also the team has engaged with Education Resources to develop and deliver new projects for potential school leavers, to ensure that new business start up is considered as a realistic option. The Young Apprentice project ran as a pilot project over July and August 2012 and was very successful. Plans are currently underway to launch the 2013 project on a bigger scale.

- 4.13. The activities highlighted in paragraphs 4.10 to 4.12 will be funded from Business Support Initiatives appendix 1.

Marketing

- 4.14. The Council will continue to market the business support available through the existing and new offerings through mechanisms such as the Lanarkshire Business Week (1 to 8 March 2013). This initiative has many free events throughout the week to show the diversity and levels of business support on offer from partners.

5. Business Gateway Background

- 5.1. The Business Gateway contracts across Scotland were originally put in place by Scottish Enterprise covering a 5-year period from 1 October 2007 to 30 September 2012. The Scottish Government reviewed the delivery of local economic regeneration during 2007 and determined that the management of the contracts would be transferred to local government. The Lanarkshire Business Gateway contract transferred on 1 April 2008 from Scottish Enterprise Lanarkshire to North Lanarkshire Council, who both councils agreed would be the lead local authority for the contract. The original contract expired on 30 September 2012 and a new contract has been in place, following a tender process, from 1 October 2012.
- 5.2. The key activities delivered through the contract are:
- Assisting businesses to set-up and grow
 - Identifying and working on a one-to-one basis with start-up and existing businesses which have growth potential
 - Delivery of workshops and events to assist start-up and existing businesses
- 5.3. The Business Gateway contract is managed on a day-to-day basis by Regeneration and Infrastructure Services within North Lanarkshire Council. Officers from North Lanarkshire Council report to an officers' group consisting of representatives from both Councils. The contract is overseen by a steering group which is chaired by South Lanarkshire Council and consists of elected members and senior officers from both Councils.
- 5.4. Following discussions and consideration of options for future delivery vehicles, it was agreed that North Lanarkshire Council would tender the Lanarkshire Business Gateway services for a period of 3-years from 1 October 2012 to 30 September 2015 with the option to extend for a further two 1-year periods.
- 5.5. The new Business Gateway contract was awarded to Lanarkshire Enterprise Services Ltd (LES) on 24 August 2012 and accepted on 4 September 2012. The total contract value over the maximum 5-year period is £6,875,273.
- 5.6. The local delivery of services through the contract is complemented by the national Business Gateway services which include support staff based within COSLA, the Business Gateway website (www.bgateway.com), the Business Gateway Enquiry Service (BGES), delivery of quality assurance services, national reporting and the provision of national marketing campaigns.

Final Outturn for Business Gateway 2008 to 2012 Contract

- 5.7. The Business Gateway contract performed well given the tough economic conditions endured during the period of the contract. In financial terms over the 4.5 years, there was an overall under-spend of £11,855 out of the remaining contract value transferred to North Lanarkshire Council of £6,525,000. During the contract period, there was close contract management and a good working relationship with the contractor Lanarkshire Enterprise Services Ltd. The initial 6-months were managed and paid by Scottish Enterprise Lanarkshire.
- 5.8. In relation to performance, the key results have also been very good given the difficult trading conditions faced by local businesses (see Appendix 3). In 4.5 years, across Lanarkshire, the contract has supported over 5,000 start-up businesses. In addition, it has supported 457 start-up and existing businesses with high growth potential. Of these, 131 have transferred to Scottish Enterprise to be directly account managed by advisers at Scottish Enterprise. Over 2,100 events were delivered to both start-up and existing businesses during the period with topics including: Business Planning, Marketing, E-business, Awareness Seminars, and social media as well as Meet the Advisor sessions enabling businesses to obtain one-to-one support.
- 5.9. In relation to quality management, there is a robust quality assurance programme in place comprising a mix of activities including monthly e-mail surveys to Business Gateway customers, analysis of events feedback forms, mystery shopping exercises and feedback from high growth customers. In the most recent quarterly performance report, to 30 September 2012, overall satisfaction from the monthly e-mails issued for the Business Gateway service in Lanarkshire was 91% against the national average of 84%.

New contract

- 5.10. Start-up Advisory Service covers both pre-start and start-up/early stage support. For “Volume Starts” (i.e. start-up businesses not expected to employ staff or meet turnover of £70K within 12-18 months) support is predominantly through attendance at workshops, Meet the Adviser sessions, the Business Gateway web site, the Business Gateway Enquiry Service and referrals to other services. For “Higher Value” Starts (i.e. start-ups expected to trade above £70K turnover and/or employ staff within 12-18 months of starting to trade) the main service is advisory support towards achieving the objectives identified within their action plan for growth.
- 5.11. Growth Advisory Services are available to pre-start, start-up or existing businesses with the potential to achieve turnover growth of £200K or more within 3 years. The principal components are training workshops (open to all existing businesses) and advisory services. Growth advisory services make nominated one-to-one advisor support available to the customer to help them achieve their growth objectives through delivery of an Action Plan for Growth. There is still the requirement in the new contract to segment growth companies to identify Growth Pipeline clients with growth in turnover of £400K over 3-years in consideration and if accepted into the Pipeline by SE will have access to SE discretionary products if accepted. A sub-set of these businesses will also be put forward for transfer to account management with SE.

5.12. Local Services are now in place to ensure that Business Gateway services are able to respond quickly and appropriately to changes in the needs of the gap business base and accurately reflect the specific pressures felt by local businesses. Local services will be reviewed on a 6-monthly and annual basis. The services for the first 6-months of the contract are as follows:

- An Aftercare Service – This includes the provision of advisor-led support through specialist surgeries to those start-ups who require additional advisory interventions to support their business following the initial start-up stage in order to improve sustainability and survivability.
- Local Advisory Service/Expert Help – This service is aimed at customers who do not meet the criteria for support within the Growth Advisory Service. It provides specialist one-to-one advisory support to assist businesses to sustain their business, survive, grow or meet specific business objectives.
- Bespoke Local Workshops – a series of one-day workshops aimed at addressing particular local, sectoral and/or topical issues linked to local needs.

6. Employee Implications

6.1. There are no employee implications

7. Financial Implications

7.1. The proposed expenditure of £428,000 in Appendix 1 will be met from existing revenue budgets within Community and Enterprise Resources for 2013/2014.

7.2. Funding for the Business Gateway contract is paid direct through North Lanarkshire Council's Revenue Support Grant from the Scottish Government supported by additional management costs which cover the North Lanarkshire Council's cost of managing the contract.

8. Other Implications

8.1. The risks in not proceeding with these proposed Business Support programmes are that the Council will fail to adequately achieve the Connect objective of supporting local businesses to grow in a time of recession and economic uncertainty. This will, in turn, have a negative impact on the local economy, employment and general social wellbeing. This will also create a threat to existing partnerships and have a considerable negative impact on the Council's reputation.

9. Equality Impact Arrangements and Consultation Arrangements

9.1. This report does not introduce a new policy, function or strategy and therefore no impact assessment is required.

9.2. Consultation has taken place with North Lanarkshire Council and Lanarkshire Enterprise Services.

Colin McDowall

Executive Director (Community and Enterprise Resources)

4 March 2013

Link(s) to Council Objectives/Values

- ◆ Support the local economy by providing the right conditions for growth, improve skills and employability

Previous References

- Enterprise Resource Committee 15 February 2012 Business Development Annual review.
- Enterprise Services Committee 19 June 2012 Business Development Proposed Business Support Programmes 2012/2013.
- Enterprise Services Committee 21 August 2012 Business Gateway Contract Tender Update.

List of Background Papers

None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Yvonne Rogers, Business Development Team Leader

Ext: 5679 (Tel:01698 455679)

E-mail: yvonne.rogers@southlanarkshire.gov.uk

Appendix 1

Business Support Programmes Proposed Budget 2013/2014

	Budget 2012/2013 £	Proposed Budget 2013/2014
Business Support Fund	180,000	230,000
Business Training Grant	50,000	-
Tourism Sector Support	67,000	59,000
Business Support Initiatives	61,000	40,000
Supplier Development Programme	15,000	10,000
Business Development Total Budget	373,000	339,000
Rural Capital Grants Scheme (funded through LEADER programme)	172,000	89,000
Regeneration Services Business Support Total Budget	545,000	428,000

APPENDIX 2 – Performance statistics 9 months to December 2012

Measure	Year to Date	Measure Status	Annual Target
Over 1500 businesses assisted per annum with grants, loans or property advice	915	Green	1,500
Value of sales generated by businesses assisted by Economic Development between £10m-£20m	6,060,707	Green	10,000,000
Between 500 – 1,000 jobs created or sustained per annum as a direct result of local authority intervention	830	Green	1000
Number of enquiries from start up businesses (trading for 12 months or less) monitored and baseline established	N/A until year end	N/A until year end	N/A until year end
Percentage of SME customers satisfied with Company Development team maintained at over 90% satisfaction	100	Green	90
Number of enquiries to property advice service increased (base 2009/10 – 774)	413	Amber	774
Number of enquiries fulfilled increased (base 2009/10) – 16%)	6	Amber	16
Number of enquiries referred to other services monitored and baseline established by March 2012	To be imported at year end	N/A	N/A
Customer satisfaction with the service increased (base 2009/10 – 88%)	100	Green	100
Increase number of tourists visiting the area by 3% year on year (based on 2005 baselines of £2.8m people)	2.19m	Amber	3.44m
Increase tourism revenue by 6% year on year (based on 2005 baseline of 2.8m people spending average of £245)	£240.167m	Amber	£402.177m
Increase the total number of employees in the tourism sector by 2% by December 2011 (based on a baseline figure of 5,900)	5886	Amber	6777

Appendix 3

Table 1 – Summary of Key Results from Business Gateway Contract 2007-2012

Service Provided	TOTAL
Start-up businesses supported through Business Gateway	5,098
Start-up businesses working with a business adviser achieving VAT status	511
Start-ups expecting to trade at a level over £400K within 3-years supported by a Business Gateway Adviser	141
Existing businesses expecting to increase their turnover by £400K within 3-years supported by a Business Gateway Adviser	316
Start-ups passed to Scottish Enterprise to be Account Managed following Business Gateway Adviser Support	25
Existing businesses passed to Scottish Enterprise to be Account Managed following Business Gateway Adviser Support	106
Events delivered to support Start Up Businesses	1,355
Events delivered to support Existing Businesses	785