

Report

To:	Community and Enterprise Resources Committee
Date:	31 March 2020
Report by:	Executive Director (Community and Enterprise Resources)

Subject:	Lanarkshire Business Gateway Contract Update and Future Delivery
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide an update on the performance of the Lanarkshire Business Gateway contract from March 2017 to December 2019;
- ◆ advise of the options appraisal process agreed by the Business Gateway Steering Group; and
- ◆ seek approval for the recommended model for delivery and timing of the next phase of Business Gateway services.

2. Recommendation(s)

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

- (1) that the progress and performance of the current Business Gateway contract be noted; and
- (2) that the proposed delivery model to proceed with a tender for a new contract from March 2021, as set out in Section 5, be approved.

3. Background

3.1. Business Gateway (BG) is a publicly funded service that provides free business support and advice for start-up and existing businesses. The service is nationally branded and delivered locally across Scotland. Following changes to the delivery of local economic regeneration agreed in 2007, the delivery of the Business Gateway service was transferred from Scottish Enterprise to local government on 1 April 2008 in order to align more closely with local priorities and local authority economic development services. North Lanarkshire Council is the lead authority and manages the contract for Lanarkshire Business Gateway on behalf of both North and South Lanarkshire Councils.

3.2. The current BG service is contracted with Lanarkshire Enterprise Services Limited (LESL) and commenced on 1 March 2017. This contract was for an initial 25 month period to 31 March 2019, with two possible extensions for one year, to 31 March 2020, and 11 months to 28 Feb 2021. The BG steering group, comprising elected members and senior officers from both Councils, initially approved an option to extend the contract for a period of twelve months to 31 March 2020 and have now exercised the option to extend for a further eleven months to 28 February 2021.

- 3.3. The Lanarkshire BG service delivers business advisory services and workshops to both start-up and existing businesses across Lanarkshire. The contract consists of two Lots;
- ◆ Lot 1, business start-up services, 20% of the contract
 - ◆ Lot 2, high growth support services, 80% of the contract
- 3.4. The total value of the 4 year contract is £5,528,821 of which £4,738,126 is provided through North Lanarkshire Council's Revenue Support Grant (RSG) and £790,695 from European Regional Development Fund (ERDF) which was secured by using BG contract funds as match funding. The ERDF enables the provision of additional services through expert help for businesses.
- 3.5. The BG relationship between North and South Lanarkshire Councils is governed by a Minute of Agreement. South Lanarkshire Council chairs the BG Steering Group which oversees the strategic direction and performance of the service. The steering group consists of two elected members and senior officers from both North and South Lanarkshire Councils. They are supported by operational staff who have responsibility for contract management. The group is chaired by Councillor Colette Stevenson and meets on a quarterly basis.
- 3.6. At a national level, the BG National Unit based within COSLA provides local services with marketing, branding, PR, and quality assurance support. A national Board is also in place to oversee the BG National Unit strategy and operational delivery and ensure national targets are being met. Councillor Colette Stevenson is also on this national Board representing the Lanarkshire BG.

4. Contract Performance and ERDF Award

- 4.1. In relation to the Lot 1, start-up service, from 1 March 2017 to December 2019, there have been 2,835 new businesses supported to start trading in the Lanarkshire area of which 1,374 (48%) are within South Lanarkshire.
- 4.2. Within the Lot 2 growth service, each business receiving support is allocated a Business Gateway advisor who is their single point of contact for Business Gateway services. Advisors can carry out a business development review and develop action plans to help enterprises identify, structure and progress their growth plans. The target is to support over 500 growth businesses per year. For the period 1 March 2017 to December 2019, 1363 businesses have been supported and 680 (50%) of these were in South Lanarkshire.
- 4.3. A unique service delivered in Lanarkshire has been the innovative SMART Accelerator programme. This is a programme that runs in cohorts of up to 14 entrepreneurs to help them scale their business through a blend of business growth support. Since the beginning of the current contract, 7 Accelerator programmes have been run, supporting some 100 high growth businesses.
- 4.4. The service also provides an expert help programme supported through the ERDF. This allows growth businesses to access up to 3 days of consultancy support to provide additional specialist skills which may not be available within some small to medium sized employers (SMEs), such as marketing or finance. This service has provided access to over 800 days of specialist support since the beginning of the current contract.

- 4.5. Performance from the start of the contract on 1 March 2017 through to 31 December 2019 is outlined in detail in Appendix 1. In relation to more recent performance, results in Lot 1 Start-up are strong and on target. Performance in Lot 2 Growth is also positive with targets on course to be achieved by March 2020.
- 4.6. In 2014, the lead authority, North Lanarkshire Council, on behalf of both Councils, successfully secured a Lanarkshire-wide bid for ERDF funding to augment business support services available to eligible SMEs across Lanarkshire. The BG contract funds were used as match funding to lever the ERDF funding. The total ERDF funding secured was £1,796,010 for activities during the period 1 October 2015 to 31 December 2018. The key aims of the support were to accelerate business growth, help businesses access markets, increase productivity and ultimately drive sustainable economic growth and job creation in the region. Support in Lanarkshire has been concentrated through the following two strategic streams:-
- 1) Business Competitiveness Grant Support which includes South Lanarkshire Business Support Grant funding.
 - 2) Business Advisory, Expert Help and Workshop Support through Business Gateway Lanarkshire.
- 4.7. An ERDF extension request was submitted in 2019, to continue the additional support, maintaining BG contract funds as match funding. Confirmation has only recently been received from Scottish Government that the bid has been successful. An offer of grant has been made until March 2023 which overlaps with the end of the current contract in February 2021. The BG stream has been awarded £1,029,600 with the aim of supporting over 900 businesses.
- 4.8. Officers are currently assessing how the benefit from the ERDF award can be maximised as part of the BG service design specification phase, which is set out in section 5 below. The key ERDF project objectives are:-
- ◆ Providing support, advice and expertise to help increase turnover
 - ◆ Providing assistance for product and process innovation
 - ◆ Helping businesses to improve productivity and efficiencies
 - ◆ Helping businesses to access new domestic and international markets
 - ◆ Providing support to accelerate business growth

5. Business Gateway Services 2021 Onwards - Options Appraisal

- 5.1. An options appraisal process for future BG service was agreed by the Business Gateway Steering Group and this is outlined in Appendix 2. The process has 4 key phases and it is currently in phase 3; agreeing the model of delivery and designing the detailed service specification. Economic Development officers in North and South Lanarkshire Councils have undertaken the options appraisal process to date.
- 5.2. An appraisal workshop took place in December 2019. Two officers from North Lanarkshire Council and two officers from South Lanarkshire Council scored the 8 delivery options against a set of detailed requirements and objectives. The 8 options assessed were:-
1. Tender a new contract with an external supplier based on a new and updated draft specification for the Business Gateway Service
 2. Set up individual contracts for certain services

3. Set up a new Company that is wholly owned by the Councils to deliver the contract
4. Deliver the service in-house by bringing the Business Gateway Service into the Councils to be delivered
5. Deliver the service as a regional model through the Glasgow City Deal to ensure consistency of service and achieve economies of scale
6. Deliver a local model with regional branding
7. Retender the existing contract and continue to deliver the current services externally
8. Do nothing and cease to deliver Business Gateway provision across Lanarkshire

5.3. Option 7 was discounted as an identical contract would not deliver efficiencies and improvements learned from the existing contract. Further, option 8, ceasing delivery of Business Gateway services, would be contrary to key Council Plan Connect objectives to promote and support inclusive economic growth and to the detriment of businesses in Lanarkshire. On this basis, both of these options were not taken forward.

5.4. Three other options (2, 5 and 6) scored lower for a number of reasons. Options 5 and 6 scored lower because the Glasgow City Region activity in relation to BG and a single enterprise offer was not sufficiently developed to allow these to be assessed with a degree of certainty and this work is unlikely to be included within the necessary time frame to be incorporated into the next contract phase. Option 2 also scored lower on the basis that multiple contracts would require additional management resources to ensure they were effective and appropriately integrated with other services.

5.5. Scoring ranked from 0 to 5 with 0 being 'delivery mode shall not allow the objective to be achieved or ability to achieve is unknown' and 5 is 'Delivery mode shall achieve the objective'. The workshop involved active discussion and rationalisation on the ability of the delivery model to meet the objectives. Officers then undertook individual scoring. The 3 highest scoring options out of a potential score of 540 was as follows:-

Option	Score
1. Tender a new contract with an external supplier based on the new and updated draft specification for Business Gateway – Option 1	317.5
2. Bring the Business Gateway Service into the Councils to be delivered in-house – Option 4	310
3. Set up a new company that is wholly owned by the Councils to deliver the contract – Option 3	308

5.6 The overview each of these options are outlined below:-

1. Option 1 : New Tender

A tender is considered the best option to ensure continuity of service to Lanarkshire businesses from 2021. A contract also facilitates prudent and proactive management to exert control, allow flexibility and to affect behaviours from any third party provider.

2. Option 4 : In house Delivery

Bringing the Business Gateway service in house would ensure local authority control over the funds and bring an increased ability to be flexible and direct activity based on local business need. However, this option would take significant resources to mobilise and could result in loss of continuity of service for businesses throughout 2021.

3. Option 3 : Wholly owned company

Setting up a new company provides more control and flexibility than the tendered contract but not as much as bringing the service in house. However, there would be additional costs to run and govern the company.

This workshop concluded that the recommended delivery model should be Option 1 to tender a new contract using a new service specification.

- 5.7. This recommendation was tabled at the BG Steering Group on Monday 20 January 2020. It was approved by NLC's Enterprise and Growth Committee on 6 February 2020. This was approved by both bodies subject to approval by this Committee in accordance with the terms of the Minute of Agreement.

6. **Next Steps**

- 6.1. The next step would be to design the new specification and proceed to procurement which will take place between April and October 2020 with a view to confirming an appointment by end of October 2020. The recommended provider will require to be notified followed by a 3 month stand still period and 3 months mobilisation period for the contractor from December 2020 to February 2021. The outcome of the tender process and recommendations will be reported to a future Community and Enterprise Resources Committee.
- 6.2. The new service and delivery model require to be in place and operational from 1 March 2021.
- 6.3. It is proposed to tender a contract for an initial term of two years and the option to extend for two further one year periods. This will provide a contract term attractive to the market and also the opportunity and flexibility to respond to strategically important ongoing areas of work progressing over the next two years which may impact future service delivery, which are set out below:-
- ◆ The Glasgow City Region economic strategy review: this includes actions around the provision of a unified support offer to businesses and an action to consider the potential to provide a single Business Gateway service across the City Region.
 - ◆ Changes in the Scottish Enterprise business support model: a new strategic operating plan outlines a different approach to place-based activity and focus on creating high value jobs.
 - ◆ Single Entry Point (SEP): online directory of available business support: this is now available for all businesses as a pilot at <https://findbusinesssupport.gov.scot/> and is a key output of the Enterprise and Skills Review. It is the intention that this will cover all public sector business support in the future. At present, the SEP covers 200 products from 6 national agencies and includes core BG services.

- ◆ The Target Operating Model; development of the SEP identified a further piece of work is required to explore how the wider business support environment needed to transform to remove duplication and simplify the services available.

7. Employee Implications

- 7.1. There are no employee implications arising from this report.

8. Financial Implications

- 8.1. The Business Gateway contract is fully funded by the Scottish Government.
- 8.2. The total value of the current 4 year contract, i.e. the tender price, is £5,528,821. Funding for the provision of the contract is provided by the Scottish Government and paid directly to North Lanarkshire Council through its Revenue Support Grant (RSG). In addition to the Lanarkshire Business Gateway contract budget, NLC receive £120,000 per annum to manage the contract.

9. Climate Change, Sustainability and Environmental Implications

- 9.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

10. Other Implications

- 10.1. Work will be undertaken with Legal and Procurement teams to ensure adequate safeguards are in place for South Lanarkshire Council as part of the new procurement process and new contract.
- 10.2. The current Minute of Agreement with North Lanarkshire Council expires at the end of this current contract in February 2021. To protect Business Gateway services, the level of funds in place, and South Lanarkshire Council's interests, a new memorandum of understanding will be required to cover the period of a new contract.
- 10.3. The aim of the contract is to create new and support existing businesses to be successful and sustainable. By supporting the growth and sustainability of local business and sectors, the service aligns with our Economic Development Strategy and Council Plan vision to provide the right conditions for sustainable and inclusive growth.
- 10.4. The risk involved in not pursuing this course of action is that the necessary support to new and growing businesses will be reduced, which will impact adversely on the affected businesses and the local economy. It will equally have a detrimental effect on the Council's reputation as well as damaging existing successful partnership arrangements.

11. Equality Impact Assessment and Consultation Arrangements

- 11.1. This report does not introduce a new policy, function or strategy and, therefore, no impact assessment is required.
- 11.2. Consultation will continue to take place with officers in North Lanarkshire Council and appropriate partners on the design and development of the new service specification.

Michael McGlynn
Executive Director (Community and Enterprise Resources)

5 March 2020

Link(s) to Council Values/Ambitions/Objectives

- ◆ Promote economic growth and tackle disadvantage
- ◆ Support the local economy by providing the right conditions for inclusive growth

Previous Reference

- ◆ Enterprise Services Committee 29 September 2015

List of Background Papers

- ◆ None

Contact for Further Information

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

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Appendix 1

Lanarkshire Business Gateway Performance 1 March 2017 to 31 December 2019

The Business Gateway Service is a pan-Lanarkshire one and performance figures are for whole of Lanarkshire. Each indicator is outlined below together with the percentage of the target achieved in the period. Most results are approximately 50-50 between North and South Lanarkshire.

Contract Deliverables	Actual 2017/18 13 mths	% of target achieved	Actual 2018/19 12 mths	% of target achieved	Actual to Dec 9 mths	% of target achieved
LOT 1 Start Up Service						
Volume Start-Ups	1090	100%	1000	100%	745	99%
LOT 2 Growth Service						
BDR Start Up Businesses	184	92%	165	97%	102	72%
BDR Existing Businesses	290	87%	316	96%	227	83%
High Growth Starts supported >7hrs	209	105%	156	92%	103	73%
Existing SME's supported >7hrs	305	94%	334	104%	256	96%
Expert Help	467	111%	259	100%	66*	22%*
Accelerator (Daily rate)	285	158%	330	183%	142	0%*
Evaluation Reports	4	100%	4	100%	2	60%
SME's supported < 7hrs > 1hr	1116	81%	863	66%	727	101%

* Note there has been a change in the recording and billing for these contract lines and indications are that this will be on target at the year end.

Most recent Customer satisfaction levels for the year January to December 2019

Service	National Average	North Lanarkshire	South Lanarkshire
Overall satisfaction	85%	84%	81%
Service delivered met expectations	83%	84%	82%
Benefit the business will gain from service received	89%	92%	83%
Would recommend Business Gateway	86%	84%	86%

Appendix 2 –Options appraisal process

The exercise has 4 key phases and we are currently in phase 3.

1. ***Set key objectives and outcomes we wish to achieve for the service, identify delivery model options available, set governance and stakeholder management.***

During phase 1 stakeholders involved in the exercise were identified and engaged and the governance for this exercise set.

Clear objectives and a high-level service specification were established, against which the various delivery model options were appraised.

An evidence base was also developed to inform the delivery model appraisal. This included reviewing evaluation reports and performance, market research, and conducting workshops with stakeholders including Council staff, businesses and support partners.

The 8 delivery model options below were identified.

4. Tender a new contract with an external supplier based on the new and updated draft specification for the Business Gateway Service;
5. Set up individual contracts for certain services;
6. Set up a new Company that is wholly owned by the Councils to deliver the contract
7. Deliver the service in-house by bringing the Business Gateway Service into the Councils to be delivered;
8. Deliver the service as a regional model through the Glasgow City Deal to ensure consistency of service and achieve economies of scale;
9. Deliver a local model with regional branding
10. Retender the existing contract and continue to deliver the current services externally
11. Do nothing and cease to deliver Business Gateway provision across Lanarkshire

2. ***Develop evaluation criteria, and conduct options appraisal***

The evaluation criteria was then developed to reflect the high level objectives and options previously identified. The strategic objective was as follows:

To deliver an efficient service which supports Lanarkshire businesses to achieve increased outcomes and economic impact. The service should be flexible and allow the Local Authorities to have sufficient control over delivery

We then assessed each of the 8 models against 28 separate objectives which were weighted in terms of importance and based on criterion used in previous appraisals. The highest weighted were flexibility, effective collaboration, ability to deliver outputs and influence actual outcomes, responsive service to meet customer needs, positively viewed by businesses, and protect the service from future budget cuts.

The 28 criterion used in this appraisal process are outlined in Appendix 3 for information.

Four officers, two from each authority then scored each delivery model individually and this was followed up by an appraisal workshop with the appropriate representation from both Councils. This workshop reviewed all scoring and made sure that all relevant criterion had been covered and scores moderated where appropriate. The overall highest scoring option was option 1 – to tender a new contract with a new specification.

This will require a new specification to be developed to maintain good performance and service improvements achieved to date and to overcome the challenges faced in seeking additional performance improvements, particularly in regard to measuring actual economic outcome measures such as numbers of additional jobs, higher value jobs, increased exporting, innovation and inclusive growth. In addition, the service specification will require to take greater recognition of the low carbon agenda

3. ***Agree the mode of delivery and design the detailed service specification***

We are now in phase 3 and the recommended delivery model is being put forward to the Business Gateway Steering Group on Monday 20 January for consideration and approval. North Lanarkshire Council propose to then proceed immediately to finalise a Committee Paper which will recommend a new contract tender process to their early Feb Committee and this will become public at this date. It is important to proceed with this process as quickly as possible in order to develop a new contract specification and proceed with the tender process in good time before the end of the final contract extension as there is no option to extend the current contract further.

A detailed service specification will then be designed and finalised based on the chosen option. The timeline will require this to be complete between January and March 2020.

4. ***Mobilise and implement the decision***

Phase 4 will mark the mobilisation and implementation of the decision on the delivery model. A period of 10 months has been set aside to enable this to take place and while this timeframe is tight it is also achievable if targets are met.

Procurement will take place between April and October 2020 with a view to appointment by end of October 2020. NLC would propose to go to Committee on 5 November 2020 with the recommended provider to allow for a cooling off period and 3 months mobilisation for the contractor from Dec to Feb 2020/21.

It is assumed that the new service and delivery model would be mobilised from 1 March 2021.