

ANGUS COUNCIL

DEVELOPMENT AND ENTERPRISE COMMITTEE – 20 JANUARY 2015

BUSINESS GATEWAY

REPORT BY CHIEF EXECUTIVE

ABSTRACT

This report provides an overview of current Business Gateway activity in Angus and Tayside and seeks authority to work with Dundee City and Perth & Kinross Councils to tender a new contract to deliver the service for Tayside commencing 1 October 2015.

1. RECOMMENDATION(S)

1.1 It is recommended that the Committee:

- (i) Note Business Gateway performance in Angus;
- (ii) Authorise the Service Manager – Economic Development, in consultation with the Head of Legal and Democratic Services, to work with Dundee City and Perth & Kinross Councils to procure a new Business Gateway contract for Tayside; and
- (iii) Agree that Dundee City Council continues as lead partner for Tayside and procures the new Business Gateway contract, (Dundee City Council procurement rules will apply however as this is a collaborative contract Tayside Procurement Consortium will be consulted and involved).

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN

2.1 This report contributes to the following local outcome contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- We have a sustainable economy with good employment opportunities

3. BACKGROUND

3.1 Since April 2008 local authorities in Scotland have received funding from the Scottish Government to deliver the Business Gateway service across Scotland. Essentially the service provides support for business start-ups and growth businesses and it is intended that there be a common provision of support across Scotland.

3.2 Scottish Government funding is provided on a regional basis. Dundee City Council, as the lead partner for Tayside, receives a sum of money each year within its block grant to fund the Business Gateway contract across Tayside and support services, including the employment of two officers.

4. CURRENT POSITION

4.1 Overview

When responsibility for Business Gateway was transferred to local authorities in 2008 it was agreed that Dundee City Council become the lead partner for Tayside. The Tayside contract, which is delivered by the enterprise agency Enterprise North East Trust (ENET), is overseen

by a Management Group that meets twice a year. Angus Council is represented on this group by the Convener of Development and Enterprise and the Service Manager – Economic Development. The position of Chair alternates between representatives of the three Tayside authorities.

There is also an officers' Steering Group that meets around 6 times per year to monitor ongoing operational performance, establish targets and make recommendations to the Management Group. Representatives from the Steering Group take an active role in the Business Gateway Scotland National Management Group, at which there is also representation from the Convention of Scottish Local Authorities (COSLA).

In addition to the governance of the contract, economic development officers have ongoing operational contact with ENET's business advisers, ensuring there is no duplication of service and that other Council support services are fully promoted to local businesses. Officers from Dundee City Council provide a point of contact for the contractor on more general operational matters and have a scrutiny and audit responsibility to ensure that what is recorded and claimed for has actually been delivered.

4.2 Current Contract

The current Business Gateway contract delivered by ENET is for a 3 year term and commenced 1 October 2012. There are options to extend the contract beyond 30 September 2015 by up to a further 2 years. ENET also delivers a separate contract delivering Business Gateway services in Aberdeen City and Aberdeenshire (the Grampian area).

Overall it is considered that ENET has performed well across the Tayside area, regularly achieving targets. Generally, Tayside has been among the top performing regions across Scotland when looking at a number of comparable performance indicators. A summary of performance in Angus and across Tayside is attached (Appendix 1). The number of business start-ups supported in Angus has generally been good over the period of the contract. However, over the last 12 - 18 months it has proven difficult to identify growth companies to support. This is something that is currently being explored with ENET.

At present ENET operates from a central office in Dundee with a smaller office in Perth. It has no accommodation of its own in Angus, having given up its business centre at Brechin Business Park in December 2013. However, it has business advisers who are dedicated to Angus and they have meetings with clients in their locality. Most workshops are held at the Angus Centre for Enterprise, Arbroath although events are also held in other Angus towns.

The total value of the current Tayside contract is £3.392 million, spread over the 3 years. The cost of the service is largely based on performance with the contractor paid for outputs. In financial year 2013/14 the cost of the service was £1,150,260, broken down into broad categories as in the table below:

Business Gateway Contract Payments 2013/14	£
Fixed Operational Costs (12 months @ £28,750)	345,000
Support for Business Start-ups	478,583
Workshops	60,270
Support for Growth Businesses	231,907
Local Services eg Survive & Thrive	34,500
Total	1,150,260

4.3 **Future funding**

There are ongoing discussions with the Scottish Government about using the money provided to local authorities for Business Gateway services as match funding to attract European Regional Development Fund (ERDF) support to enhance local business support provision, as was the case from 2008-2013. The Scottish Government is supportive of the general principle but it is unclear at present what level of financial support may be available from ERDF. However, it is recognised the figure could be significant. In accordance with ERDF programme guidelines any such support will have to be used to support growth companies. The definition of a 'growth company' has also yet to be agreed.

5. **OPTIONS**

5.1 When local authorities were given responsibility for Business Gateway delivery in 2008 the service was already contracted out across lowland Scotland. However, once those contracts expired at the end of September 2012 there was more flexibility in delivery of the service. This resulted in a mix of approaches. Some areas brought the service in-house, others brought part of the service in-house while others, such as Tayside and Grampian, decided to once again appoint an outside contractor.

5.2 The options going forward to deliver a Business Gateway service across Angus and Tayside are as follows:

- Tender again for a contractor to deliver a single service across Tayside. This is the preferred option and is discussed further in paragraph 6.
- Bring the service in-house with one of the local authority partners taking on the role of lead partner to deliver the service across Tayside. From discussions with officers from Dundee City Council and Perth & Kinross Council it would appear that neither is willing to take on this responsibility and the associated liability of the transfer of staff from ENET under Transfer of Undertaking (Protection of Employment) Regulations 2006 (TUPE). Likewise this is not the preferred option for Angus Council.
- Bring the service in-house with each local authority taking responsibility for delivery in its own area. Again this is not an option favoured by Dundee City Council or Perth & Kinross Council. There would also be the complication of disaggregating the funds provided to Dundee City Council as lead partner as well as TUPE to consider.
- Extend the current contract with ENET by a further 1 or 2 years. This would be a serious option to consider, however, in discussions with the Scottish Government it has been suggested that this option is unlikely to secure ERDF.

6. **PROPOSALS**

6.1 It is proposed that the existing structure for delivering Business Gateway services across Tayside continues. It is further proposed that the existing contract with ENET be allowed to expire at the end of September 2015 and a tender be issued inviting bids to deliver Business Gateway services across Tayside for a minimum of a further 3 years commencing 1 October 2015.

6.2 In discussions with partners it has been agreed that there will be targets set for individual local authority areas and any contractor appointed will be expected to have a presence in each local authority area.

6.3 As stated in paragraph 4, there are currently discussions ongoing amongst local authorities and the Scottish Government about the use of Business Gateway monies as match funding for ERDF monies. The new Business Gateway tender for Tayside will not only cover the core services as currently delivered but if the discussions regarding ERDF are successful, it will also cover the new 'business growth' services. In the unlikely event that it is decided that Business Gateway monies cannot be used as match funding then it is intended to continue with the process of procurement of a new contract for Tayside nevertheless.

7. FINANCIAL IMPLICATIONS

- 7.1 There are no financial implications arising directly as a result of the recommendations in this report.
- 7.2 A report will be brought to committee for information once final contract figures are known and once discussions regarding possible ERDF monies are concluded.

8. CONSULTATION

- 8.1 The Service Manager – Economic Development, the Head of Legal and Democratic Services and the Head of Corporate Improvement and Finance were consulted in the preparation of this report.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Article 9 of the minute of the meeting of the Strategic Policy Committee of 5 February 2008.
- Article 7 of the minute of the meeting of the Infrastructure Services Committee of 31 May 2011.
- Article 9 of the minute of the meeting of the Strategic Policy Committee of 31 January 2012.
- Article 10 of the minute of the meeting of the Infrastructure Services Committee of 21 August 2012.

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List of Appendices:

Appendix 1 - Business Gateway Delivery - October 2012 to November 2014

**Business Gateway Delivery
October 2012 to November 2014**

Total Number of Start-ups Assisted

Period	Tayside Target	Total Tayside Delivery	Angus Delivery
Oct 12 to Mar 13	390	390	94 (24%)
Apr 13 to Mar 14	780	802	202 (25%)
Apr 14 to Nov 14	533	557	188 (34%)

Number of High Growth Start-ups Assisted

Period	Tayside Target	Total Tayside Delivery	Angus Delivery
Oct 12 to Mar 13	160	134	34 (25%)
Apr 13 to Mar 14	280	287	49 (17%)
Apr 14 to Nov 14	210	214	58 (27%)

Number of Growth Businesses Assisted

Period	Tayside Target	Total Tayside Delivery	Angus Delivery
Oct 12 to Mar 13	34	34	8 (24%)
Apr 13 to Mar 14	95	81	7 (9%)
Apr 14 to Nov 14	57	50	8 (16%)

Number of Businesses into Scottish Enterprise Account Management

Period	Tayside Target	Total Tayside Delivery	Angus Delivery
Oct 12 to Mar 13	5	5	2 (40%)
Apr 13 to Mar 14	10	10	3 (30%)
Apr 14 to Nov 14	7	5	1 (20%)

Notes:

1. There are no targets in the current contract specific to the Tayside local authority areas.
2. Angus has approximately 25% of the working age population across Tayside. Although a number of variable factors need to be considered, this % can perhaps be used as a rough guide to the share of activity expected across Angus.
3. Numbers in Angus were affected by long term staff absence for a period during 2013/14 but have since recovered.