
Report To:	Regeneration Committee	Date:	2 September 2010
Report By:	Corporate Director- Regeneration and Environment	Report No:	RC/10/09/04/SJ/JH
Contact Officer:	Stuart Jamieson	Contact No:	01475 712401
Subject:	Business Gateway Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to apprise members in regard to the current position with the Scottish Enterprise Business Gateway Programme and Regeneration function transfer to Local Authorities.

2.0 SUMMARY

- 2.1 The management of contracts relating to Business Gateway Services (BGS) transferred from Scottish Enterprise to Local Authorities on 1 April 2008. Contracts for the provision of BGS are for an initial period of 3 years ending on 30 September 2010 with a view to extending the contract to 30 September 2012, following a performance review. Renfrewshire Council is the lead authority for the contract on behalf of Inverclyde and East Renfrewshire Councils.
- 2.2 Funds have been transferred from Scottish Enterprise to LAs to cover the costs of the contracts, including local addenda, staff, and an element for contingency, amounting to £12,158,500 per annum. The allocation to Renfrewshire Council, as the lead authority, is £674,499. £590,000 is the contract value with £84,499 allocated to staffing.
- 2.3 A Minute of Agreement has been signed between Renfrewshire, East Renfrewshire and Inverclyde Councils.
- 2.4 Annual targets have been established in respect of Business Gateway performance across the 3 Council areas. As at year end, 31 March 2010, 709 (101%) of the annual target of 700 New Starts had been achieved. Within Inverclyde 157 New Starts (22%) were achieved. This compares favourably with 139 New Starts in the previous year. Of Inverclyde's 157 business start-ups, 53 (23%) were female, 39 (32%) start-ups were those living in disadvantaged areas and 17 (22%) start ups were by young people.
- 2.5 2009/10 has seen a higher proportion of lifestyle clients starting up, mainly due to the push effect of the recession. We know that a number of start-ups were as a result of people having been made redundant and using their redundancy payments to set up in business. This positive impact was experienced across the Business Gateway Network. The number of females starting a business has increased by 24 on the previous year. However, the number of young people starting a business has fallen across the board although it may be that this is a result of the loss of the Young People's Grant which offered £1,000.
- 2.6 In terms of marketing, there have been regular editorials in the Greenock Telegraph and case studies in their business supplement. Nationally, the marketing campaign in April/May targeted support to existing businesses with growth potential. The campaign did generate enquiries but not from growth businesses. The Summer campaign will be aimed at business start-ups.

Scottish Enterprise have been tasked by Scottish Government to lead on the development of the Business Gateway website as the portal for all business related services.

- 2.7 A Quality Assurance survey of businesses was undertaken in Inverclyde, East Renfrewshire and Renfrewshire over the period April 2009 to March 2010. The results highlighted that businesses across the 3 local authority areas were very satisfied with the service received from Business Gateway with 96% indicating satisfaction locally against 91% nationally.
- 2.8 There is the danger of raising expectations. The segmentation of the Business Gateway client market means there are large elements of the local business base not eligible to receive advisory support. Notwithstanding the current economic climate and the expectation that BGS should step in to provide support, the BGS contract does not actually support this level of service. The contract is based on a segmentation model that seeks to focus the more expensive support services i.e. one-to-one advisory meetings, to those clients demonstrating growth potential, as per the Scottish Enterprise growth criteria.
- 2.9 The economic downturn appears to have had a positive impact on the number of business start ups in Inverclyde. However, there are concerns as to whether the Business Gateway contract is flexible enough to support local businesses in the current climate. Nevertheless, Business Gateway, PSYBT and the Economic Development Service are working together, as appropriate, to provide support to business and to achieve a multiplier effect (Refer Appendix 1). Increasingly, the Business Gateway national marketing materials are acknowledging the current economic climate and encourage businesses to contact their local BGS for support and advice to help them through this difficult period.

3.0 RECOMMENDATION

- 3.1 That members:
 - Note the current position
 - Note that further work is ongoing with CoSLA in regard to the Regeneration function and agree that further updates will be submitted to appropriate committees.

Stuart Jamieson
Head of Regeneration & Planning

4.0 IMPLICATIONS

4.1 Finance:

Financial Implications – One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
n/a	n/a	n/a	n/a	n/a	N/a

Financial Implications – Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if Applicable)	Other Comments

Personnel: N/A

Legal: N/A

Equalities: Equal Opportunities; Issues of Gender & Disability and Social Inclusion have been addressed within the Business Gateway Contract.

Case Study 1 – Fishing Boat Charter Business

Young entrepreneur, well qualified commercial seafarer under 25 years old. He approached the Business Store for advice and support for starting his own business. He had already purchased a boat to fish in the Clyde Estuary and to charter to fishing parties for which there is considerable interest from West Coast anglers and from fishing clubs and associations up and down the country.

In addition to Business Gateway business planning assistance for new start ups, as a young person he was eligible to apply for funding support from Princes Scottish Youth Business Trust (PSYBT). The costs to get the business off the ground were in the region of £30k and he had already committed £25k of his own money in purchasing the boat, fitting it out and purchasing creels etc. He was looking for PSYBT to fill the funding gap with their maximum £5k loan.

Although “in principle” £5k loans are available from PSYBT, due to current recessionary factors, they are not keen on extending many loans at the maximum amount. The PSYBT Manager approached the Council’s Small Business Assistance Scheme to see if we were interested in partnering on the loan funding package. A Council loan of £2k was agreed in principle so long as the entrepreneur could secure a £3k loan form PSYBT at their funding panel.

Case Study 2 – Engineering Machine Shop

A 2 year old limited company, mainly providing engineering services to other companies – maintenance contracts, engineering works for planned shut downs etc. They could see opportunities to set up a machine shop as they were outsourcing work to English based companies. Market research suggested that there was a considerable amount of work to be won in the local area.

They had invested £30k of their own money but required to invest an additional £20k in machine tooling equipment to give them sufficient equipment to service this demand. The company was working with Business Gateway on their growth plans and, as turnover was expected to grow to over £500k by 2012, their Business Gateway Adviser tried to have them accepted on to the Growth Programme which would have enabled them to access Scottish Enterprise products including investment products.

Despite investing a considerable amount of their own money, bank lending was not available to them. It is possible that banks view young companies as too risky in the current climate. The Business Gateway Adviser was unsuccessful getting them on to the Growth Programme and approached the Council to see if it was possible to put together a funding package. A loan of £2k from the West of Scotland Loan Fund was completed in December. The company has continued to strengthen its position and was finally accepted on to the Growth Programme in June.