

PERTH AND KINROSS COUNCIL

SCRUTINY COMMITTEE

29 November 2021

BUSINESS GATEWAY

Report by Head of Planning and Development
(Report No. 21/226)

PURPOSE OF REPORT

This report provides an overview of the Business Gateway Tayside service, and its performance and contracting arrangements. It also provides an update on the related Governance arrangements.

1. BACKGROUND

- 1.1 The national Business Gateway service was introduced throughout the Scottish Enterprise operating area in 2003 with the objective of offering a consistent signposting and development service to all businesses throughout lowland Scotland.
- 1.2 Each business, throughout its lifecycle, requires a varying type and intensity of support. Business Gateway provides this support through workshops, a comprehensive website with a considerable range of self-service content and tools, together with general and specialist adviser support.
- 1.3 The Business Gateway service has been managed and delivered by local government since April 2008. The service was previously run by Scottish Enterprise (SE) and was transferred following the 2007 review of the enterprise agencies, which also resulted in Councils taking over responsibility for local economic development. The Business Gateway service was subsequently expanded to include the Highlands & Islands.
- 1.4 Appendix 1 provides details of Business Gateway regions, lead local authority arrangements and the delivery model deployed in each region. The lead authority role is to contract with and report to the Scottish Government as well as receiving the funding on behalf of the region. Most Business Gateway services are delivered in-house by local authorities, six are contracted out, three operate a blended model, and one (Fife) is delivered via an arm's length organisation. When the services are delivered in-house by local authorities, the lead authority usually receives the funding on behalf of the others and the funding split is based on an agreed formula (e.g. population). Service Level Agreements are signed between the lead authority and the other local authorities including targets and funding payments. Monthly regional operational group meetings are organised. It is based on a collaborative approach with some sub-contracts covering the whole region paid from a regional pot. Local authorities can help each other in case of staff shortage. I

In Tayside, Dundee City Council is the lead local authority working with Angus Council and Perth & Kinross Council to deliver Business Gateway Tayside service on a contracted out basis. There is one officer employed by Dundee City Council to manage the contract, and that post is funded from the Business Gateway budget.

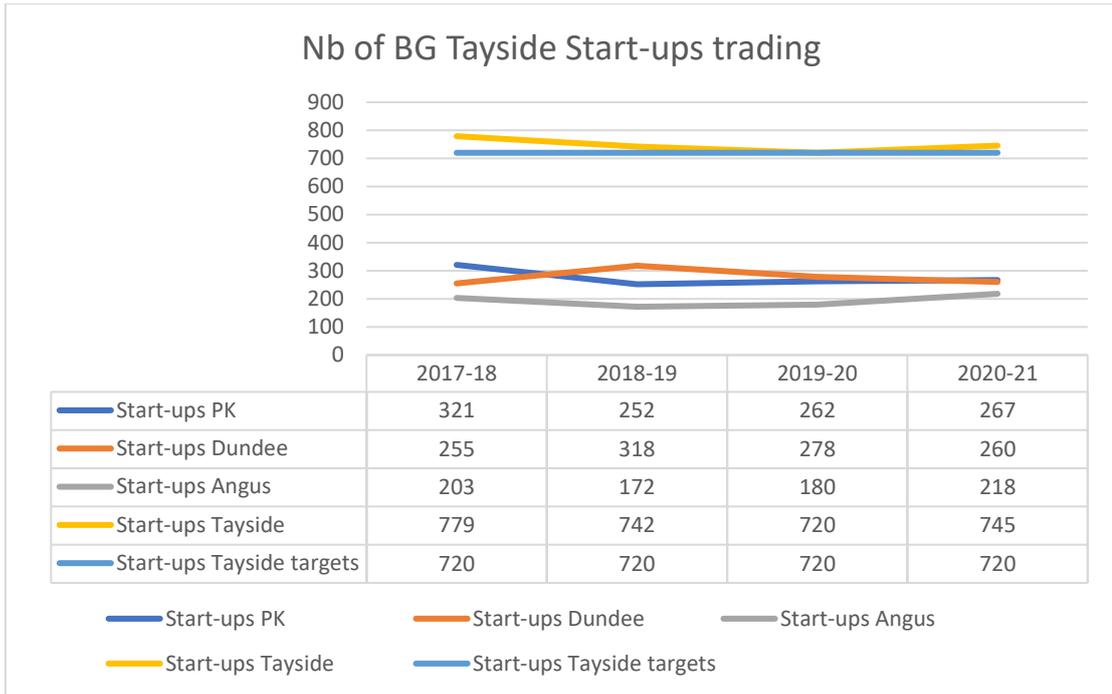
- 1.5 The Business Gateway National Unit (BGNU) supports Local Authorities in the delivery of Business Gateway services and is based at COSLA in Edinburgh.
- 1.6 The Business Gateway service is delivered through a combination of common national and bespoke local elements. The nationally delivered elements are as follows:
 - Business Gateway Enquiry Service which is delivered by Scottish Enterprise's Enquiry, Research and Fulfilment Service and is delivered as part of a Partnership Agreement with SE which is managed and monitored by the BGNU.
 - Business Gateway website (www.bgateway.com) which is managed by the BGNU. The website is the principal digital platform for Business Gateway and is used on all national and local marketing materials both online and offline.
 - Business Gateway Event Management System and the website (www.bgateway.com/events) which are the principal platforms for Business Gateway event listings and is used on all national and local marketing materials both online and offline.
- 1.7 The national services are complemented by a range of regional services:
 - Start-Up Advisory Service (defined as a core service),
 - Existing and Growing Businesses Service (including Growth Pipeline) (defined as a core service),
 - Business Gateway Local Services,
 - Additional Services Funded by the European Regional Development Fund (ERDF) (and potentially the new Shared Prosperity Fund).
- 1.8 Appendix 2 details the roles of the organisations responsible for the delivery, management, and oversight of Business Gateway services in Scotland.

2. CURRENT CONTRACT PERFORMANCE & GOVERNANCE

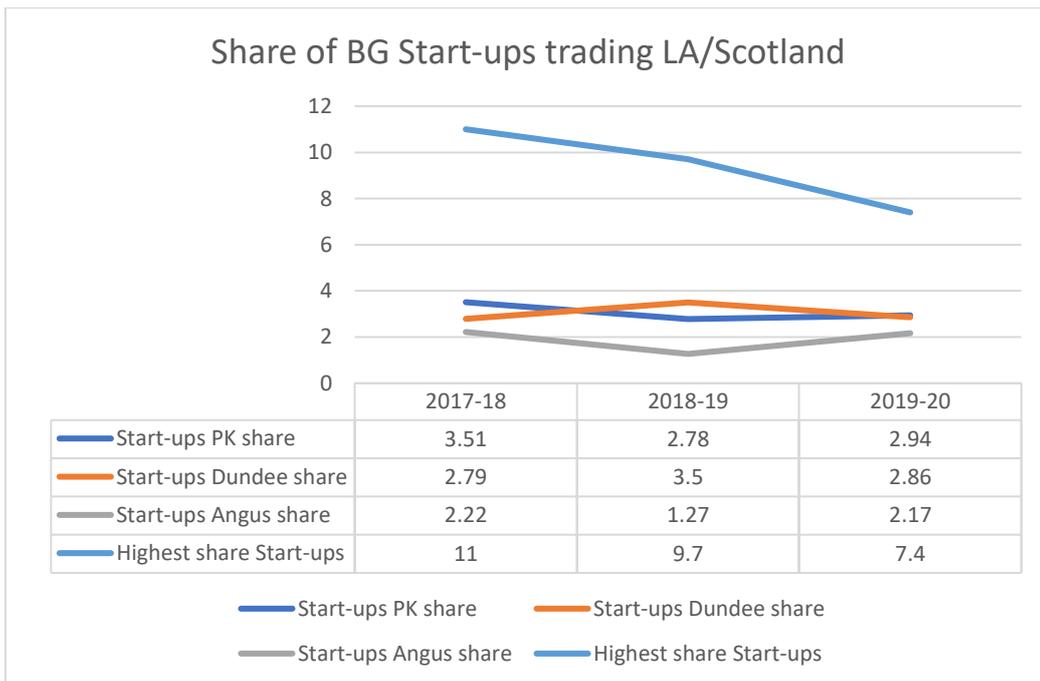
Contract performance

- 2.1 The Business Gateway Tayside contract has been held by Elevator since 2008. Following a full OJEU tendering process undertaken by Dundee City Council and supported by Angus and Perth & Kinross Councils, Elevator was successful in retaining the contract for Business Gateway Tayside service delivery from 1 April 2017 with Lanarkshire Enterprise Services Ltd also bidding for the contract. The contract ran to 31 March 2019 with the option to extend for three further years until 31 March 2022. Based on achievement of targets, Elevator's contract was extended to 31 March 2022.

- 2.2 The Business Gateway Tayside contract delivers the following services:
- Start-Up Advisory Service
 - Existing and Growing Businesses Service (including Growth Pipeline), Business Gateway Local Services linking to Scottish Enterprise Account Management system
 - Additional Services Funded by the European Regional Development Fund (based on funding applications) including:
 - o Expert Help programme
 - o International support services
 - o Accelerator programmes
 - o Events Including marketing, Future of the web, Planning for Growth
- 2.3 Appendix 3 details the Business Gateway national and regional service as a pipeline of an integrated business support system.
- 2.4 The Start-Up Advisory Service covers pre-start, start-up, and early-stage support for new businesses. The principal components of the Start-Up Advisory Service are:
- start-up guidance and information provided via the website and the Enquiry Service;
 - one-to-many training workshops (based on a core catalogue of workshops specified in the Business Gateway Programme Rules); and
 - one-to-one advisory services provided by Business Gateway advisers.
 - Services are outlined in an Action Plan agreed between the Business Gateway adviser and the client.
- 2.5 The Growth Pipeline assist companies with growth potential and will work with and refer to the support best suited to the firm, including the obsolete account management service from Scottish Enterprise. A further example would be a start-up technology business with high-growth potential which may have the option of receiving support from the High Growth Start-up team at Scottish Enterprise. The High Growth Start-up team works with pre-start businesses across Scotland. They have stringent eligibility criteria, but if companies qualify, they will receive intensive hands-on support.
- 2.6 The following graph shows the annual target number of start-ups for Tayside and the actual number of start-ups supported for Tayside and for each local authority. The target is set jointly by the 3 councils as part of the tendering process. The contract targets for Tayside have been met or exceeded over the period. There were no specific targets set for Perth and Kinross. The number of BG Start-ups in Perth and Kinross has slightly decreased over the period. The share of BG Start-ups in Perth and Kinross has also slightly decreased over the period (42.2%, 33.96%, 36.38%, 35.83%).



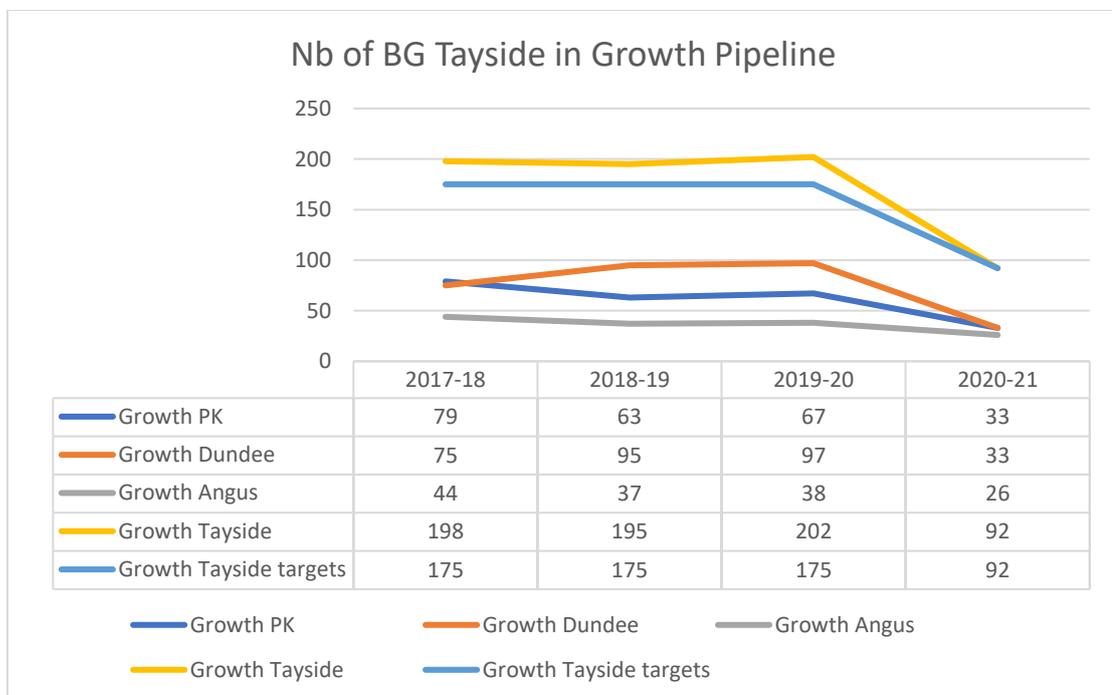
2.7 The following graph provides a national benchmark using the SLAED indicator 'annual number of BG start-ups trading in Scotland' and the national share in percentage for each local authority. The highest national share (the local authority which has the highest share) has decreased over the period, whereas the national share of start-ups in the local authorities in Tayside has remained relatively constant. The national share of BG Start-ups in Perth and Kinross has decreased over the period notwithstanding an improvement in 2019-20. Internal fluctuations between areas have to be expected in a contract which delivers across a wide area. Start-up figures in 2017-18 was particularly good and possibly the decrease may be explained by the decrease in rate of unemployment over the period.



2.8 The components of the Service for Existing and Growing Businesses are:

- business guidance and information provided via the website and the Enquiry Service;
- one-to-many training workshops (based on a core catalogue of workshops specified in the Business Gateway Programme Rules); and
- one-to-one advisory services provided by Business Gateway advisers.
- Services are outlined in an Action Plan agreed between the Business Gateway adviser and the client.
- nominated one-to-one adviser support available to the client to help them.
- Clients are referred to Scottish Enterprise for account management and other support including Growth Pipeline support. Early Stage Growth (ESG) clients are start-up clients or businesses which have been trading for less than eighteen months, and plan to create additional jobs in their local economy. Growth Advisory Service (GAS) provides additional business support with access to 121 support and expert help for businesses projecting increase in turnover of £200k+ over next three years.

2.9 The following graph shows the annual target number of businesses to be entered into the Growth pipeline (GAS/ESG) for Tayside and the actual number of businesses entered into the Growth pipeline for Tayside and for each local authority. The contract targets for Tayside have been exceeded over the period even if there was a decrease in 2020-21 mainly due to the impact of Covid. There were no specific targets set for Perth and Kinross. The share of BG Growth in Perth and Kinross has decreased over the period (45%, 32.3%, 33.16%, 35.87%). There is no available national data for comparison.



- 2.10 In addition to the core services outlined above and not duplicating existing Business Gateway national services, the Business Gateway Local Services provide the following:
- A service of 1-2-1 support to businesses, either existing or pre-start, considered by the Local Authority to be of importance to the local economy but not eligible, or do not meet the criteria, for mainstream Business Gateway or SE support.
 - Local networking events targeted at pre-start and new start businesses.
 - A service to businesses with urgent issues that may force them to downsize or put the future of the business in jeopardy in the immediate future and are looking for support and advice on the best way forward (Survive & Thrive).
 - Local initiatives to raise the profile of entrepreneurship and encourage a culture of enterprise.
- 2.11 Over the period, Business Gateway Tayside service has exceeded targets for Start-up workshops providing 165 and 114 Growth workshops as well as for digital boost events/support. The contract has also provided 126 referrals to the GAS. In 2020-21, 210 businesses in Tayside have been supported through Covid 19 Survive & Thrive scheme including 83 in Perth and Kinross.
- 2.12 In addition to the core and local services outlined above, ERDF funding was also secured to provide additional services as follows: specialist adviser support to growth businesses, expert help, growth workshops and accelerated high value enterprise.
- 2.13 Digital boost funding was also secured as part of the national digital engagement programme and provided 1to1 support and workshops with 74 interventions delivered in Perth and Kinross to date. The digital boost programme allows businesses to access webinars, grants, support from a digital consultant, online advice & tips to help their business and platforms do more with digital.

Contract Information

- 2.14 The budget for Business Gateway is provided by the Scottish Government through the revenue funding received by Dundee City Council as the lead authority for Business Gateway Tayside to deliver all core and local services.
- 2.15 The total settlement annual amounts received by Dundee City Council from the Scottish Government has remained constant over the period at £1,362,000.
- 2.16 Although the value for the contract which was tendered was not impacted, Dundee City Council decided to make a saving of £150,000 in the programme management costs and fees through its budget review process to address a challenging budget settlement in 2017/18. This action was not in accordance with the Business Gateway Operating Agreement and after further discussion with PKC and Angus the saving was re-instated in 2020/21. The reinstated funding was added to the contract value from 2020/21 to deliver more activities. However, the 3 year savings were not recovered.

- 2.17 Taking into account this course of event, there was a clear need to clarify and improve the governance arrangements including greater transparency on programme management costs and fees.
- 2.18 The actual spend and current budgets for the delivery of the Business Gateway Tayside service are as follows:

Year	Actual spend Core and Local Services (excl. VAT)	BG programme management costs and fees	Total (Local Government Settlement figures)
2017/18	£1,000,085	£211,915 (£361,915 - £150,000*)	£1,362,000
2018/19	£1,000,163	£211,837 (£361,837 - £150,000*)	£1,362,000
2019/20	£998,895	£213,105 (£363,105 - £150,000*)	£1,362,000
2020/21	£1,149,666	£212,334	£1,362,000
2021/22	£1,149,995	£212,005	£1,362,000
Total	£5,298,804	£871,196 (£1,511,196 - £450,000*)	£6,810,000

**Dundee City Council's saving reinstated in 2020-21.*

Additional funding is supporting ERDF and Digital Boost activities. ERDF funding have ceased, and withdrawal of ERDF is an issue that would impact on future delivery of services if not replaced particularly in relation to growth and expert advice support. Digital boost funding is allocated on an annual basis.

Year	ERDF	Digital Boost
2017/18	£200,211	£58,500
2018/19	£351,632	£55,860
2019/20	£324,483	£61,680
2020/21	-	£60,150
2021/22	-	£43,600
Total	£876,326	£279,790

- 2.19 Payments are linked to number of start-ups which has begun trading, number of businesses accessing ESG, number of businesses accessing GAS, local networking events/workshops, expert help, specialist advice as well as a monthly management fee.
- 2.20 In addition to overall management of the contract and specialist advisers, Elevator employs 16 people in total to deliver the Business Gateway Tayside service. The

contract requires a physical presence in Perth & Kinross and current staffing numbers are 2 start-ups advisers, 1 growth adviser and 1 administrator. 1 additional growth adviser (ERDF) was also employed in PK when funding was available. Access to regional specialist advisers on HR, export and communications is also available to PK businesses. Elevator has located its Perth and Kinross office at Perth Creative Exchange in Perth.

- 2.21 The regional delivery of Business Gateway Tayside service aimed at providing added value by increasing capacity and sharing specialist regional expertise. The joint co-ordination of contract management saved time and optimised resources for each local authority. The scale of the contract attracted interests from high performing contractors. It also allowed the creation of and access to a wider pool of experts to benefit our local businesses.
- 2.22 This Tayside wide approach to gateway services is now supported by the Tay Cities Economic Region model of a shared vision for its future via the Regional Economic Strategy. The cross fertilisation of supply chains and business communities and the catalysation of resource sharing is ever more crucial in the region, providing strong foundations, addressing inequalities, and forging even stronger partnerships to deliver a more prosperous and fairer future for the region, its communities, people, and businesses.

Current Governance arrangements

- 2.23 The current Governance arrangements for Business Gateway Tayside service are as follows:
- Memorandum of Understanding between 3 Councils – It provides a basis on which the parties shall agree the Services which are to be provided by the Contractor, specifies responsibilities of Dundee City Council as lead authority to Angus and Perth and Kinross Councils and specifies responsibilities of each party.
 - Contract between Elevator and Dundee City Council (acting on behalf of 3 Councils)
 - 1 BG Programme Monitoring Officer (hosted and employed by Dundee City Council) – The Officer is the point of contact for the Contractor and ensure co-ordination of day-to-day contract management activities.
 - Conveners' annual meeting which reviews contract performance
 - Business Gateway Tayside service Officers steering group comprising representatives from 3 Councils, Monitoring Officer and chaired by Head of Services from Dundee City Council. It meets quarterly and monitors and manages the contract.

3. FUTURE CONTRACT & GOVERNANCE

Future contract

- 3.1 The future landscape for the delivery of Business Gateway services at a national level is currently under review. The national Business Gateway Board, whose members are COSLA, SLAED, SOLACE and whose role is to provide strategic

leadership and recommendations on overall direction of the BG service, requested a strategic review of the service and the BGNU sought consultancy support to assist with this review which is expected to conclude by March 2022. The review of Business Gateway operations will also require considering the actions set out in the National Strategy for Economic Transformation which is currently being prepared and Scottish Enterprise's decision to replace account management with more generic growth opportunity interventions.

- 3.2 As the review will not be concluded in time to set-up a new contract by 31 March 2022, the current Business Gateway Tayside service contract will therefore require to be extended for a further year (31 March 2023) to ensure continuity whilst the national review is completed.
- 3.3 In addition, there are other changes to consider before a new contract is tendered:
- 3.4 Firstly, the new focus of SE on Scotland-wide business growth opportunities, which means that there is no longer an automatic local pipeline of potential high growth businesses that will be picked up by the SE account management system (ESG/GAS). Essentially, any business can now access SE support if it is agreed there is a growth opportunity that can be supported. This means Business Gateway service will play a critical role identifying who these businesses are and in getting them SE-ready.
- 3.5 Secondly, the Scottish Government has committed to a National Economic Transformation (and an Advisory Council has been established) and there is a need to understand what changes to the economic development landscape will emerge from this review to ensure the national Business Gateway service complements it.
- 3.6 In addition, we also need to factor in the Logan Review and the shift towards technology enabled higher value, higher skilled jobs if we are to minimise the projected job losses through automation.
- 3.7 It is anticipated that the new contract will continue to be delivered across the 3 Tayside Councils to ensure consistency across the functional geography and to deliver economies of scale and opportunity. However, it is intended the new contract will also allow for greater local flexibility to deliver what each Council area or sub-area might need specifically (e.g. more technology focussed/enabled businesses or a clear interface with the wider business support ecosystem (e.g. Chamber of Commerce, Growbiz's useful peer-to-peer support and mentoring in rural areas).
Future governance
- 3.8 Work has been undertaken by the Heads of Economic Development and colleagues across the 3 Councils to review Business Gateway Tayside service governance arrangements.
- 3.9 The recommendations would be to set up a new Board (with elected members) with a remit to monitor/scrutinise wide business support and development performance across the region including the Business Gateway Tayside service contract. The Board would replace the conveners' annual meeting.

- 3.10 The Board would meet more frequently than the conveners currently do, and the Business Gateway service contractor will be present for part of the meeting only. The Board minutes would be reported to the Tay Cities Joint Management Committee for information as well as Perth and Kinross Council as needed.
- 3.11 There is also a need to have stronger clear reporting lines between the proposed Board and the Council which would include more regular reporting of contract performance to Perth and Kinross Council.
- 3.12 A new Memorandum of Understanding (MoU) between the 3 Councils is being developed including full transparency around programme management costs. Reduction of management costs is already being explored to increase funding available for service delivery.
- 3.13 It is proposed that the new proposed Governance arrangements including MoU and Board nominations will be reported to a future meeting of the Strategic Policy & Resources Committee for consideration.

4. CONCLUSION AND RECOMMENDATIONS

- 4.1 The current Business Gateway Tayside service has been effective and performing well against the agreed targets. The good performance of business growth support is worth noting. The service has been sustained and adapted well to address the challenges arisen from Covid. Delivery has quickly shifted to digital channels such as workshop delivery on-line. Webinars aimed at young entrepreneurs and online networking event have been delivered successfully. Elevator, the current contractor of Business Gateway Tayside service, run three contracts in Scotland and the national share of the number of Business Gateway start-ups trading under these contacts have increased. The governance arrangements between Councils should be strengthened and reviewed to ensure full transparency and effective scrutiny of performance.
- 4.2 It is recommended that the Committee:
- (i) Consider and comment on this report
 - (ii) Note the content of this report

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Approved

Name	Designation	Date
Barbara Renton	Executive Director (Communities)	22 November 2021

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	No
Workforce	No
Asset Management (land, property, IST)	No
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	Yes
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	Yes

1. Strategic Implications

Community Plan / Single Outcome Agreement

- 1.1 The Community Plan/Single Outcome Agreement 2017 – 2027 lays out five outcomes focused strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:
- (i) giving every child the best start in life
 - (ii) developing educated, responsible, and informed citizens
 - (iii) promoting a prosperous, inclusive, and sustainable economy
 - (iv) supporting people to lead independent, healthy, and active lives
 - (v) creating a safe and sustainable place for future generations
- 1.2 This report relates to objective (iii) by maximizing and enhancing economic development opportunities to the benefit of businesses and local communities, encouraging new business creation and growth of existing businesses.

2. Resource Implications

Financial

- 2.1 Capital – None.
- 2.2 Revenue – There are no revenue implications arising from the report.

Workforce

- 2.3 There is no workforce implication arising from the report.

Asset Management (land, property, IT)

- 2.4 There is no asset management implication arising from the report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **relevant** and the following positive outcomes expected following implementation: as part of the new contract access to Business Gateway Tayside service would have to be tailored and flexible to encourage less represented groups (e.g. women, young people, people over 50, people from ethnic minority groups or people with a disability as well as people living in rural areas) which face barriers to participation.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. Pre-screening has identified that the PPS will have no or minimal environmental effects, it is therefore exempt.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council must discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. The proposals will enhance socio economic and economic development opportunities to the benefit of businesses. It will support local businesses to cut carbon emissions and more efficient.

Legal and Governance

- 3.7 The Head of Legal and Governance has been consulted and there are no legal implications.

Risk

- 3.8 There are a few risks associated with the proposal:

- risks associated with the need to strengthen governance arrangements in time for the development of the new contract. The risk will be mitigated by extending the existing contract by 1 year which would allow time for the revised Governance arrangements to be put in place. This risk will be managed by the Communities SMT.
- Risks associated with possible challenge to the extension of the contract beyond 31 March 2022. The risk will be mitigated by working closely with Dundee City Council's procurement team to ensure compliance. This risk will be managed by the Communities SMT and Dundee City Council.
- Risks associated with the need to develop a new contract which considers national developments and embed flexibility at local level. This risk will be mitigated by extending the existing contract by 1 year which would allow time to integrate national review results and devised fit-for purpose service. This risk will be managed by the Communities SMT.
- Risks associated with lack of replacement for ERDF funding and related support activities particularly growth and expert advice. The risk will be mitigated by lobbying the Scottish and UK Governments for additional resources to replace ERDF funding. This risk will be managed by the Communities SMT.

4. Consultation

Internal

- 4.1 The Head of Finance and the Head of Legal and Governance have been consulted in the preparation of this report.

External

- 4.2 None

5. Communication

- 5.1 The recommendations from the report will be communicated to stakeholders and the press through the media team.

2. BACKGROUND PAPERS

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

- 3.1 Appendix 1 - Business Gateway geographies and delivery models
- 3.2 Appendix 2 - Business Gateway roles and responsibilities
- 3.3 Appendix 3 – Business Gateway Tayside service pipeline