

# hall aitken

*social and economic regeneration consultants*

## Business Support Service Review

March 2006



INVESTOR IN PEOPLE



Comhairle nan Eilean Siar



Europe and Scotland  
Making it **work together**

## hall aitken

|                |   |
|----------------|---|
| Client         | Comhairle nan Eilean Siar   |
| Client contact | Domhnall MacDonald / Norman MacLean   |
| Title          | Business Support Service Review   |
| Version        | Final   |
| Date           | March 2006  |
| HA contact     | Denis Donoghue / Kieran Kearney<br>Direct Line: +44 (0) 141 225 5506<br>Email:  |
| HA addresses   | Hall Aitken<br>3 <sup>rd</sup> Floor, 93 West George Street, Glasgow, G2 1PB, UK<br>Telephone: +44 (0) 141 204 3183<br>Fax: +44 (0) 141 221 2953<br>Email: <a href="mailto:haa@hallaitken.co.uk">haa@hallaitken.co.uk</a><br><br><i>Also in Newcastle upon Tyne and Manchester</i><br><br>Website: <a href="http://www.hallaitken.co.uk">www.hallaitken.co.uk</a> |
| File location  | F:\Projects\204 Western Isles Business Support Review\Reporting\Report\Report V3.doc  |

## Table of contents

|   |    |
|---|----|
| INTRODUCTION AND BACKGROUND.....                | 2  |
| BACKGROUND .....                                | 2  |
| BUSINESS ADVANTAGE.....                         | 2  |
| PROJECT AIMS .....                              | 3  |
| EVALUATION OBJECTIVES .....                     | 3  |
| APPROACH .....                                  | 3  |
| PROJECT PROGRESS .....                          | 4  |
| SPENDING PROGRESS .....                         | 4  |
| NUMBER AND SIZE OF INTERVENTIONS .....          | 5  |
| PROFILE OF SUPPORT .....                        | 5  |
| PROGRESS AGAINST TARGET OUTPUTS .....           | 7  |
| KEY CONCLUSIONS .....                           | 8  |
| PROJECT PROCESSES .....                         | 9  |
| MARKETING AND PROMOTION .....                   | 9  |
| APPLICATION PROCEDURES .....                    | 9  |
| DELIVERY .....                                  | 10 |
| INTERNAL PROCESSES.....                         | 11 |
| KEY CONCLUSIONS .....                           | 11 |
| OUTCOMES .....                                  | 12 |
| IMPACTS - PROGRESS AGAINST TARGET RESULTS ..... | 12 |
| OTHER IMPACTS .....                             | 16 |
| BUSINESS OUTLOOK.....                           | 17 |
| ADDITIONALITY .....                             | 17 |
| ADDITIONALITY ASSESSMENT .....                  | 20 |
| MULTIPLIER EFFECTS .....                        | 20 |
| VALUE FOR MONEY.....                            | 22 |
| KEY CONCLUSIONS .....                           | 23 |
| BUSINESS SUPPORT SERVICES REVIEW.....           | 25 |
| RATIONALE & STRATEGIC CONTEXT .....             | 25 |
| CURRENT ROLES .....                             | 26 |
| APPRAISAL OF EXISTING BUSINESS SUPPORT .....    | 28 |
| FUTURE SERVICES .....                           | 30 |

## Introduction and Background

*This section sets out the overall background to the Business Support Review and the evaluation of the European funded Business Advantage Phase 2 (BAP2) Project.*

### Background

Comhairle nan Eilean Siar delivers support services to small businesses through several complementary programmes and partnerships. Traditionally the Comhairle's business support measures have complemented those offered by Western Isles Enterprise (WIE) and the local banks by focusing on small local market sectors.

### Business Advantage

Since April 1st 2004, the BAP2 project has provided the principal strand of Comhairle business support, delivering:

- q Professional advice;
- q Practical Support; and
- q Financial Assistance.

It also manages loan guarantee schemes in partnership with WIE, the Royal Bank of Scotland (RBS) and the Western Isles Fisherman's Association (WIFA). It also manages and delivers the aims of the Princes Scottish Youth Business Trust (PSYBT) and Shell LiveWIRE locally. Business Advantage also provides services to the growing social economy sector in the Outer Hebrides.

The European funding for Business Advantage Phase 2 - through the Highlands & Islands Special Transitional Programme (HISTP) - runs until the end of June 2006. With the likely reduction in EU Structural Funds after 2006, the Comhairle is planning to review the existing business support services that the EU currently part-funds, in order to examine how best to deliver future services most effectively.

## Project Aims

The application for European funding sets out the overall purpose and aim of the BAP2 project. This states that it will:

'Continue to focus on developing commercial competitiveness through enabling existing businesses to grow, safeguarding employment and supporting new business start-ups in the wider local, national and international context. It would continue to focus particularly on the integration of business and marketing planning and on providing comprehensive 'pre-care' support, professional advice, financial assistance and a structured series of post-start and post-funding business aftercare visits in order to further enhance the sustainability of final-recipient businesses.'

The BAP2 Project also extended the original Business Advantage services to social economy organisations – defined as 'not for profit' commercial organisations. This assistance aimed to enable these organisations to maximise their potential revenue streams and to strengthen their longer term trading position by adopting a more professional and businesslike approach to their activities.

## Evaluation Objectives

To make sure the services it provides to businesses remain effective, the Comhairle wanted to:

- q Evaluate the impacts of the BAP2 project; and
- q Review the broader range of Business Support Services available in the Outer Hebrides.

The Comhairle wanted to explore its likely options - and their implications - for a successor to the scheme. As well as this, it wanted to take the opportunity to carry out a strategic review of the business support services that are available in the Outer Hebrides. Finally, it wanted to look at how future services could be targeted to best meet the needs of businesses and the Outer Hebrides economy in the context of the existing range of business support services available through various providers.

## Approach

Though we carried out this review over a short period of time, we have aimed to build on existing work that has been done previously - including the cross-agency 2004 Review and previous business surveys and evaluations carried out by Business Advantage.

In addition we have:

- q Analysed monitoring and evaluation data from Business Advantage;
- q Carried out face-to-face interviews with key stakeholders in the Comhairle, WIE, Local Economic Forum (LEF), Banks, the Chamber of Commerce; and
- q Supplemented these with additional telephone interviews with stakeholders.

2

## Project Progress

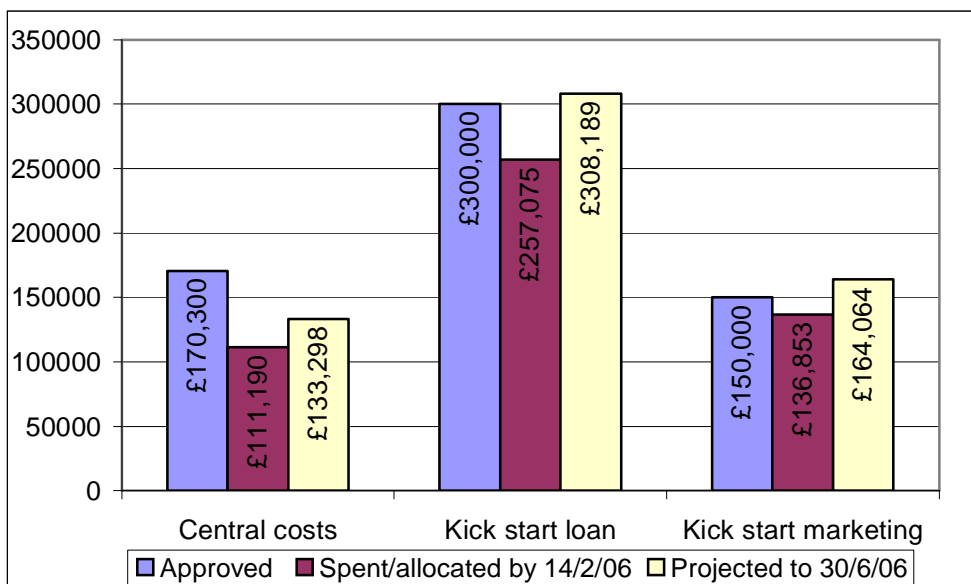
*This section sets out how the funding has been used, assesses progress on spend and looks at how well Business Advantage has made progress in achieving its targets.*

### Spending Progress

Progress against spending has been good. By Mid February 2006, £505,118 - or 81% of the total budget - has been allocated or spent. Figure 1 shows how the BAP2 programme is performing overall against its approved expenditure targets. These projections show that the programme will exceed its approved expenditure on Kick-start marketing grants and loans slightly, while less funding than anticipated will be spent on central costs.

While the HISTP programme will finish financially at the end of 2006, the BAP2 loans and grants schemes are already being wound down, as the project funding comes to an end in June.

Figure 1 Progress against spending targets



Source: Claim 7 Data (to 14 February 2006)

## Number and Size of Interventions

By February 2006, 18 individual organisations had been approved for Kick-start loans only and 32 for Kick-start marketing grant only. A further 12 organisations had been approved for both loans and grants. Therefore, 62 organisations are benefiting or have benefited through financial assistance in just over eighteen months. 10 of these had also had the confidence to apply more than once.

Figure 2 shows how many organisations benefited - according to the level of their Kick-start marketing grant or loan. Clearly, the majority of organisations benefiting from grants have received less than the maximum £5,000 allowed (76%). However, seven out of ten organisations receiving loans have accessed the £10,000 maximum amount (71%).

Figure 2 Size of allocation

|   | Kick-start Loans | Kick-start marketing grants |
|---|------------------|-----------------------------|
| Under £1,000                            | 1                | 7                           |
| £1,001-2,500                            | 4                | 20                          |
| £2,501-4,999                            | 0                | 14                          |
| £5,000                                  | 0                | 14                          |
| £5,001-7,500                            | 3                | 0                           |
| £7,501-9,999                            | 1                | 0                           |
| £10,000                                 | 22               | 0                           |
| Total number of recipient organisations | 31               | 55                          |

NOTE: Based on application data of each Kick-start marketing grant or loan client. Some organisations have been approved for both loan and grant assistance within one application or have made a subsequent application at a later date.

## Profile of Support

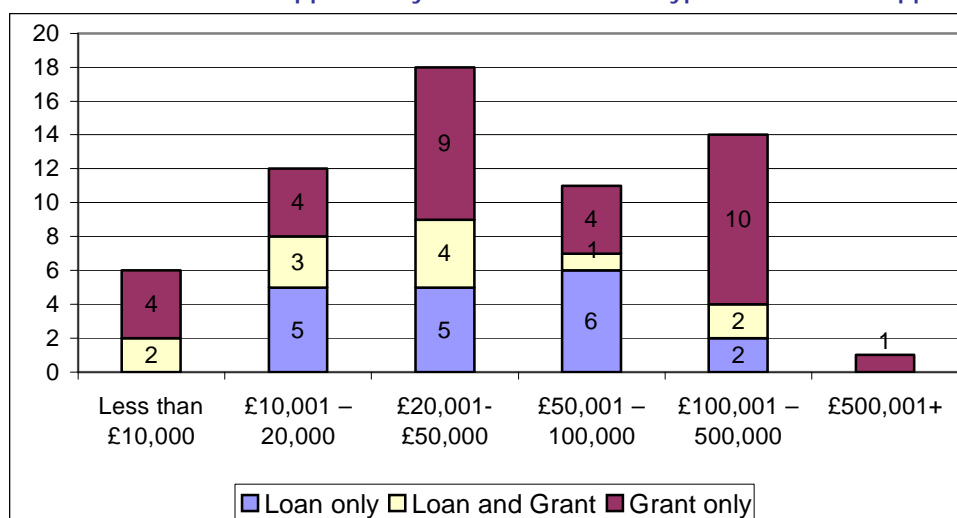
### Business size and type of assistance received

Figure 3 shows the number of businesses supported and the type of support by size of turnover. These interventions appear to be targeted more at smaller businesses, with 64% of recipient businesses turning over less than £60,000 (the current threshold for paying Value Added Tax). However, one business with a seven-figure turnover did also receive Kick-start marketing grant assistance.

Small and micro-businesses with turnovers between £20,001 and £50,000 made up the largest group of recipients - and smaller businesses were more likely to be taking advantage of the loan support than larger businesses. These businesses were more likely to have difficulties securing loans from the private sector, because they lack security or a strong financial track record.

In contrast three quarters of businesses with a turnover of £100,000 and over had sought only Kick-start marketing grant support. This suggests that they were more likely to be able to secure loan funds in the private sector and that grant assistance therefore better suits their needs. Banks are also likely to perceive these businesses as less of a financial risk, with a track-record of trading - and they are also more likely to have built up assets which they could use to secure lending.

Figure 3 Number of businesses supported by turnover - and the type of assistance approved

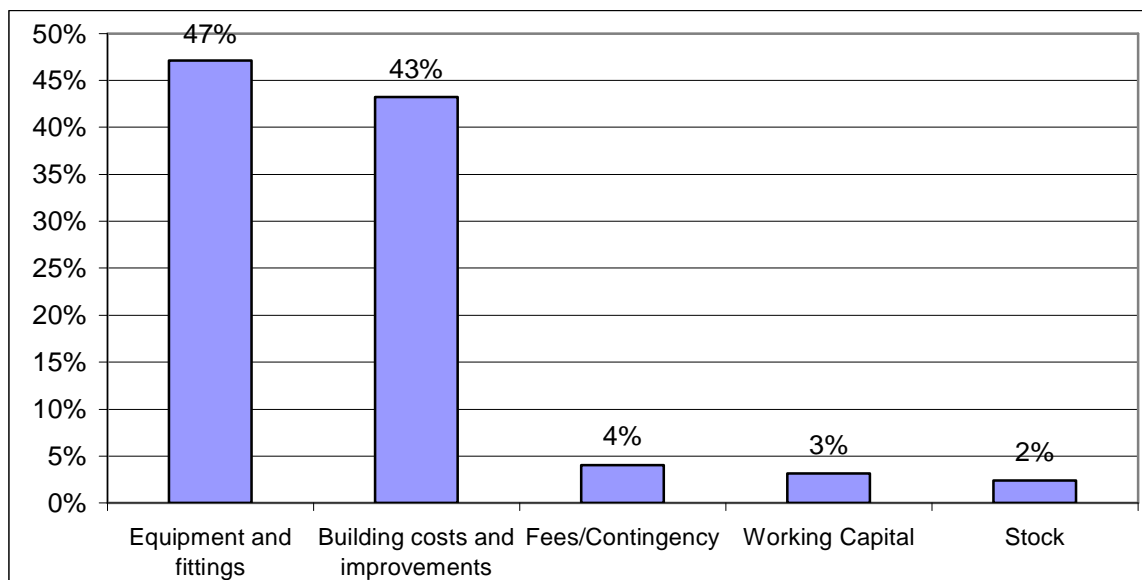


Source: BAP2 (February 2006)

### Business areas supported

While the Kick-start marketing grants were targeted towards one key aspect of business development, the Kick-start loans have supported several different areas. However, some 90% of the value of loans has gone towards equipment & fittings and building costs & improvements (Figure 4). More speculative areas such as fees, contingency and working capital made up only 7% of the total loan value.

Figure 4 Breakdown of areas of loan spending



Source: Business Advantage Phase 2 Data (to February 2006). NOTE: % is of total spend - which includes the beneficiaries own funding and leverage

## Progress Against Target Outputs

Progress against the approved output targets has been good with nearly all outputs likely to be achieved. The chief output targets of assisting new and existing businesses will be exceeded. Already, five outputs have been achieved and we project to be achieved by the end of the project.

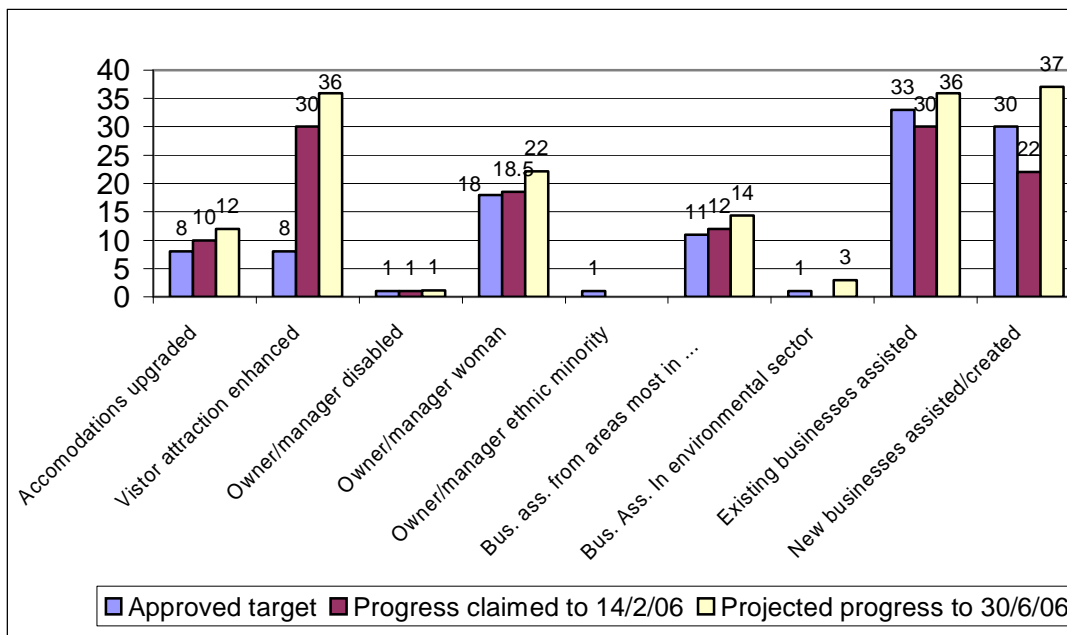
As Figure 5 shows, five of the nine target outputs have already been achieved and claimed for, with notable outputs including:

- ❑ The target for visitor attractions upgraded over-achieved by 240%;
- ❑ Targets for involving women in business ownership have been exceeded; and
- ❑ The number of businesses supported from areas most in need (11 in Iomairt aig an Oir areas) has also been exceeded.

Project data shows that the target for new businesses assisted will be exceeded by seven (23%) if all approvals and "pipeline cases" are accounted for. Also, three businesses (target of one) have been approved in the environmental sector but also have not yet claimed the funding.

The target of assisting an ethnic minority business is a difficult one, given the very small ethnic minority population in the Western Isles. However, greater effort and focus on this between now and the end of the project may see this achieved.

Figure 5 Progress against output targets



Source: Claim 7 to HIPP. NOTE: New Businesses assisted is number of claimants + approvals + "pipeline cases". Remaining projections are based on a calculation based on past performance projected to the end of the project.

## Key Conclusions

The programme is making good progress on spending its budget, with £505,118 already spent or allocated out of an available £620,300.

Some 62 organisations are benefiting or have benefited so far. Half of the grants awarded were less than £2,500 while seven out of ten loans offered were £10,000. Most of the loan fund has been spent on capital costs like equipment and building improvements.

Businesses that have benefited are generally smaller ones. Two thirds of Kick-start marketing grant and loan recipients have a turnover lower than the VAT threshold.

The project is likely to achieve and exceed output targets with over four months of EU funding to go. Greater effort on one numerically small output should see it achieved also.

Business Advantage is likely to exceed the targets for the number of existing and new businesses supported (around 73 businesses against a target of 63). Equality targets have already been achieved in terms of businesses supported, owned or managed by women - or located in a disadvantaged geographical area. Particular successes have been in the number of visitor accommodations and attractions upgraded or enhanced.

## Project Processes

*This section looks at the effectiveness of the Business Advantage Processes. It also looks at how businesses perceived the Business Advantage service - and which elements they considered to be most helpful.*

### Marketing and Promotion

The project has so far spent 66% of its £2,500 marketing budget on items such as:

- ❑ Producing brochures promoting the services;
- ❑ Local radio and newspaper advertising;
- ❑ Signage; and
- ❑ Various presentations, such as to FUSION - a group who aim to stimulate and encourage entrepreneurship and innovation in business.

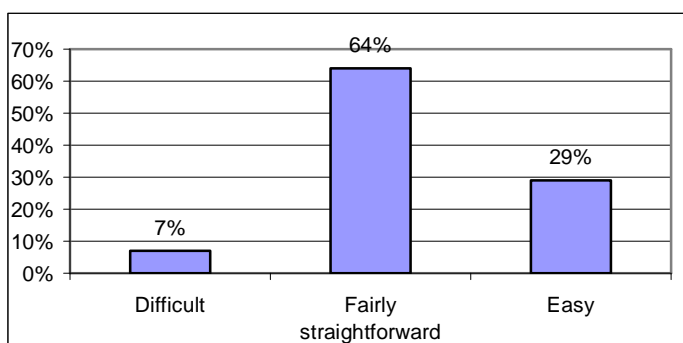
Only three businesses (12%) in the survey did feel that Business Advantage would benefit from carrying out greater marketing or providing better information.

In terms of the need to promote European Union input to the programme, claims reports indicate “all promotional materials have the relevant EU logo and make it clear how the project is being financed”.

### Application Procedures

Nearly all the businesses surveyed (93%) found the application process either straightforward or easy with just 7% of businesses finding it difficult.

Figure 6 How businesses rated the application process



#### What participating Businesses said....

*Forms are not complicated*

*A very straightforward application process*

*Comparatively simple application process compared to other agencies*

*Quick and efficient processing of applications*

*Prompt and transparent decision making*

Qualitative comments reflected these views with businesses praising how straightforward the application process was and also the quick turnaround. Some criticisms (2) were made of "red tape", but these would appear to be exceptions and perhaps reflect no prior experience of accessing public funds.

Three businesses (12%) did identify that the project would benefit from a closer working relationship with WIE when it came to the application process - and we have looked at this issue in our review of future services.

## Delivery

Two aspects of the service were particularly praised in the survey:

- q Staff approach and ethos; and
- q Expertise and knowledge.

### Staff Approaches

#### What participating businesses said....

*Friendly, approachable and genuinely concerned staff*

*Reassurance my project has potential*

*Forthcoming with advice and help (very rare nowadays)*

*Gives people confidence*

Respondents identified a number of staff approaches and attitudes, which they found helpful such as staff:

- q Working with people on a one-to-one basis;
- q Being approachable and genuinely interested; and
- q Offering encouragement and support to - and growing confidence in - the business and their owner or manager.

### Expertise

While interpersonal skills were particularly praised, the quality of advice and professionalism of the service was also singled out by respondents as being some of the best things about the service.

Quick turnarounds on applications and queries as well as the quality and accuracy of advice were also praised.

#### What participating businesses said....

*Efficient and accurate advice*

*Very flexible in attempting to meet the needs of the business*

*Good, speedy service*

## Internal Processes

The monitoring processes and information held by the project appear to be sufficient and hold much more detail than many others we have explored in similar projects.

For example, there is a central spreadsheet which tracks:

- ❑ Applications and progress including receipt of necessary legal documents;
- ❑ Spending and allocations - including leverage from and other agencies;
- ❑ Activity types and breakdowns such as women, fragile areas, people friendly policies;
- ❑ Priorities, outputs and results; and
- ❑ Date of last business aftercare meeting / date of next aftercare meeting.

The thoroughness of these internal processes has undoubtedly contributed to the level of confidence that businesses have in the Business Advantage service, and the successful achievement of its targets.

## Key Conclusions

The application process appears straightforward and businesses feel it compares favourably to other agency application processes. Businesses find staff approachable - and their ethos, positive nature and expertise/professionalism were particularly singled out for praise.

This professionalism is evident in the internal project processes, which hold more detail than held by many other similar projects we have explored. These internal processes have helped Business Advantage staff to meet targets and also foster business confidence in the service.

## Outcomes

*This section looks at some of the key outcomes from the BAP2 project funding. It looks at progress against target outcomes for jobs created, increase in turnover and other funds levered in. It concludes by assessing how additional the project outcomes have been overall.*

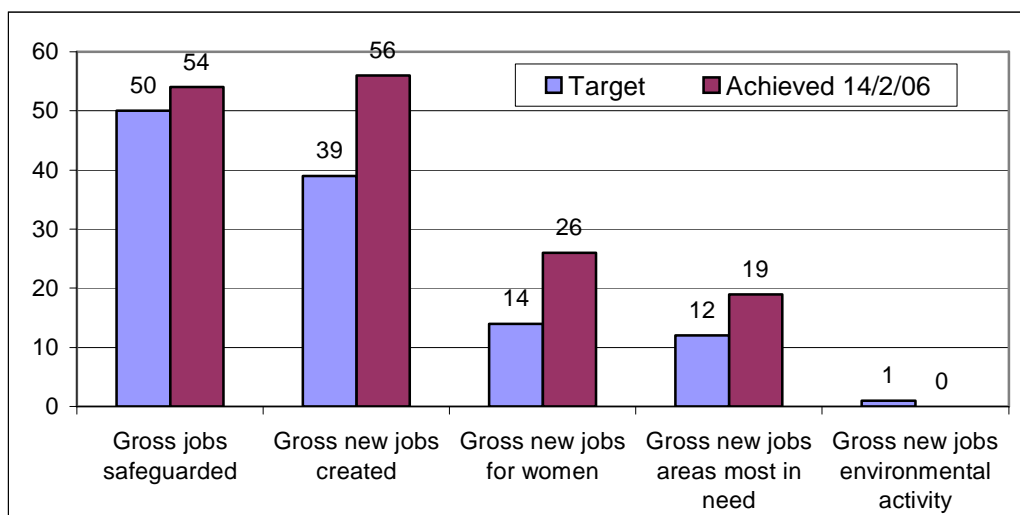
### Impacts - Progress Against Target Results

#### Jobs Created & Safeguarded

Figure 7 shows the good progress being made against targets for creating and safeguarding jobs. Supported businesses predicted that they would create 56 new jobs and safeguard 54. The number of new jobs predicted is 43% above the target set for the project (39).

Almost twice as many new jobs for women (26) are predicted to be created compared to the target (14). Areas most in need (i.e. Iomairt aig an Oir areas) will see 19 new jobs created - which is 72% ahead of target (11).

Figure 7 Jobs created, safeguarded and by priority



Source: Business Advantage (Phase Two) Applications.

NOTE: Job results are predicted at the application stage, although some are updated during Aftercare visits. As they are a mix of predictions and updates, it is not possible to offer projections to the end of the European funded period

There are also businesses which have been allocated funding but whose job outputs have yet to be claimed. Should these projects go ahead without a hitch, the totals - including these - will well-exceed the target, with 82 jobs created and 70 safeguarded. Three environmental businesses that have been approved will also make the “environmental activity” jobs likely to be achieved.

## Increase in Turnover

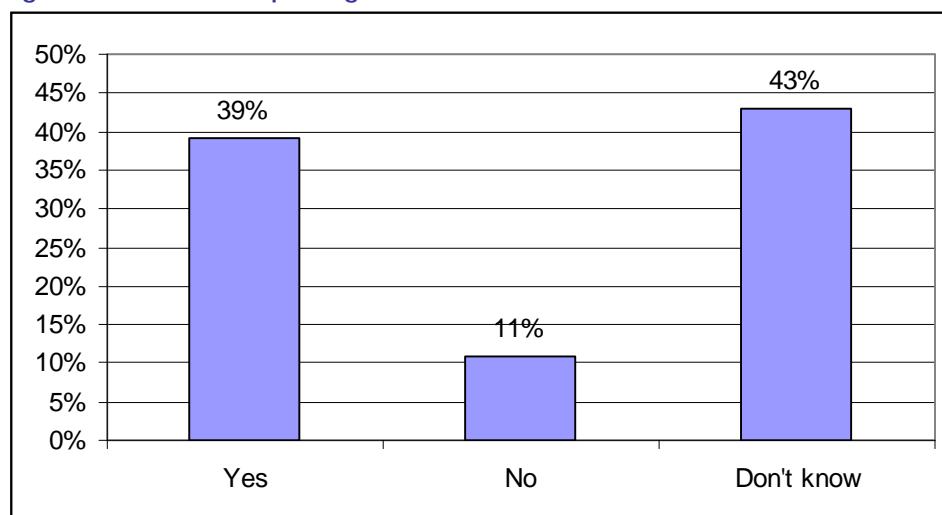
### Turnover effects

Excluding “don’t knows”, 72% of businesses said the assistance had increased turnover.

Figure 8 shows all the responses for whether turnover had increased because of the assistance. Overall, nearly four in ten businesses report a positive change in turnover while just a little over one in ten reported no increase. However a high number of businesses (43%) did not yet know what the effect of the assistance has been.

Although these do not report a positive change in turnover, they may well have been unable at the survey stage to identify such changes. It may simply be too early in the life of a new business to properly assess the impact of the intervention on turnover. Plus, it can take a while to see the effect of a new activity or piece of equipment on income – particularly if the business, like many businesses in the Western Isles, are seasonal in nature.

Figure 8 Businesses reporting whether turnover increased



Source: Feedback Survey 2005, n=26

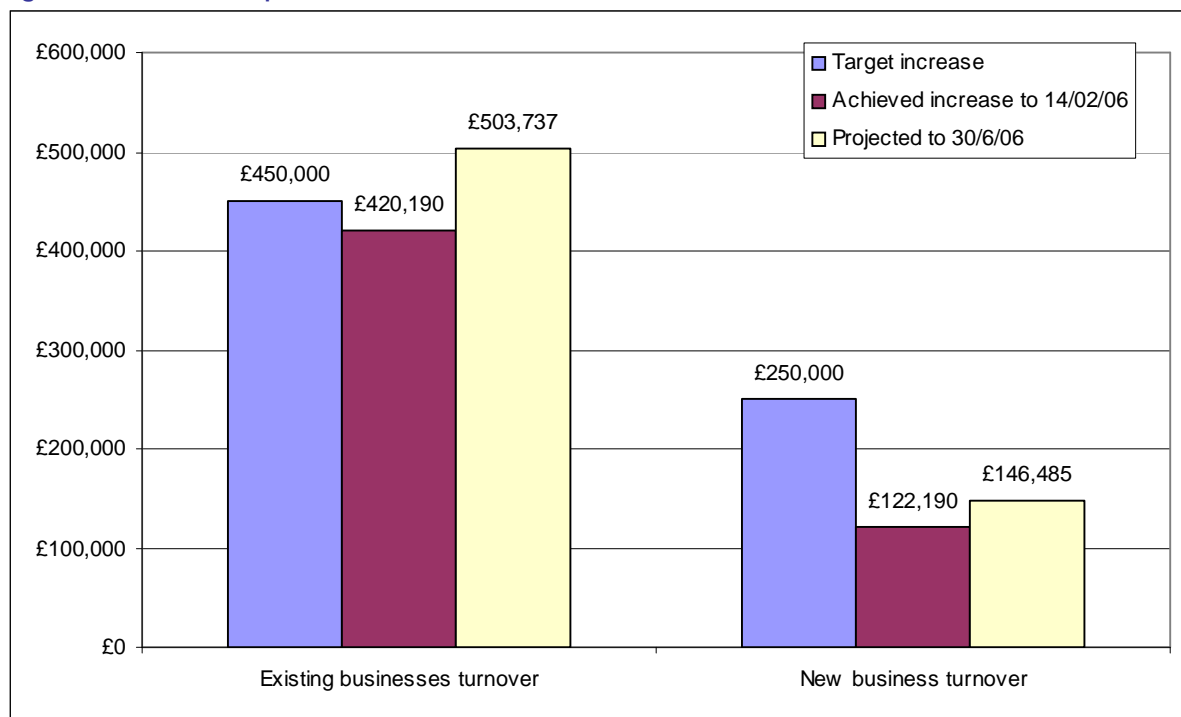
### Turnover levels

We estimate the project has helped to increase turnover by £650,000 among participating businesses. We would caution that our calculations on the level of turnover increases (Figure 9) are based on limited data and may underestimate the impacts on turnover. In particular, only 21% of new businesses responded to the survey compared to 48% of existing businesses. This has implications for the reliability of the new business turnover increase estimates.

A further factor may be that it is too early in the life of the project for a new business to properly assess the impact of marketing spend on turnover. It may take between one to two years, or more, before the benefits of marketing become obvious to businesses.

Figure 9 shows how the project is progressing against its target for increasing turnover among existing and new businesses. Targets for increasing turnover appear likely to be achieved among existing businesses and somewhat achieved among new businesses.

Figure 9 Estimated impacts on increased turnover



Source: Business Advantage Phase Two Progress Spreadsheet

NOTE: Calculations based on 21 answers.

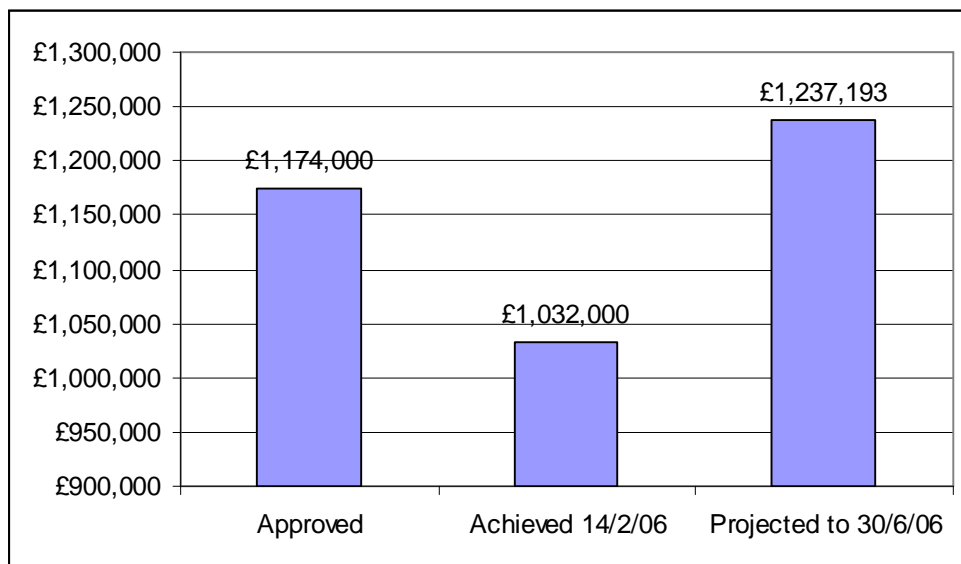
## Leverage

Private sector monies have been levered in at a level we project to be above target. Figure 10 shows the targets, current progress and projected leverage levels. By mid-February, the project had already met 88% of its target and by the end of the funding period is likely to over achieve by around 5%.

## Business Survival

The project has a target of 28 new businesses surviving for 18 months. As the funded project is only 18 months old - no meaningful data is therefore available for business survival rates after 18 months. However it is noticeable that the failure rate of funded businesses is extremely low, due in part to the level of aftercare provided – and also to the internal default-management systems employed by Business Advantage.

Figure 10 Private sector leverage - target, actual and projected

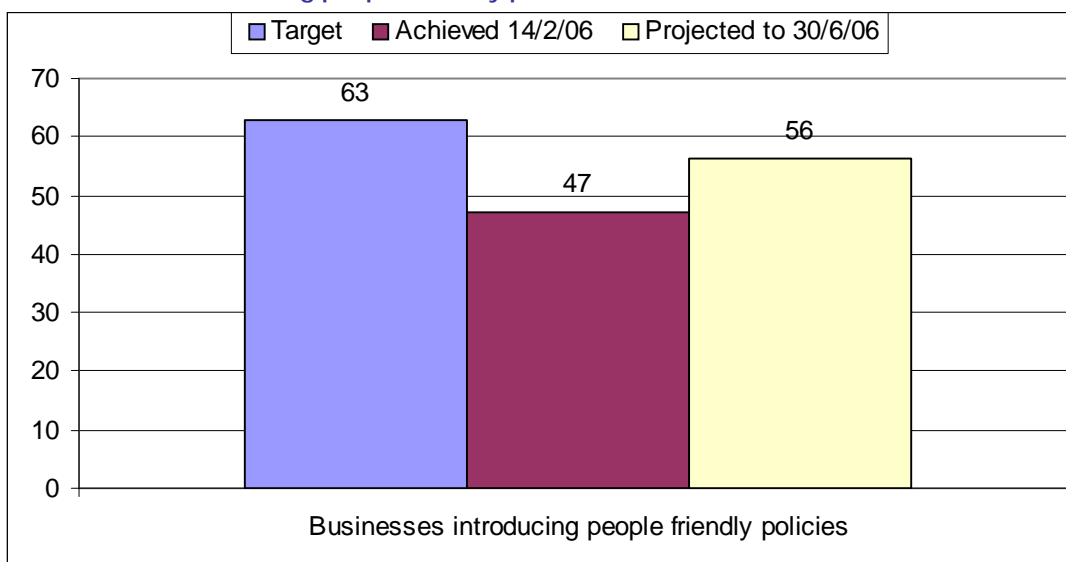


Source: Claim 7 to HIPP

### People-friendly Policies

Figure 11 shows the targets for the number of businesses introducing people-friendly policies. The targets for this are likely to be achieved by the end of the funding period.

Figure 11 Business introducing people friendly policies



Source: Business Advantage Phase (Two Progress) spreadsheet

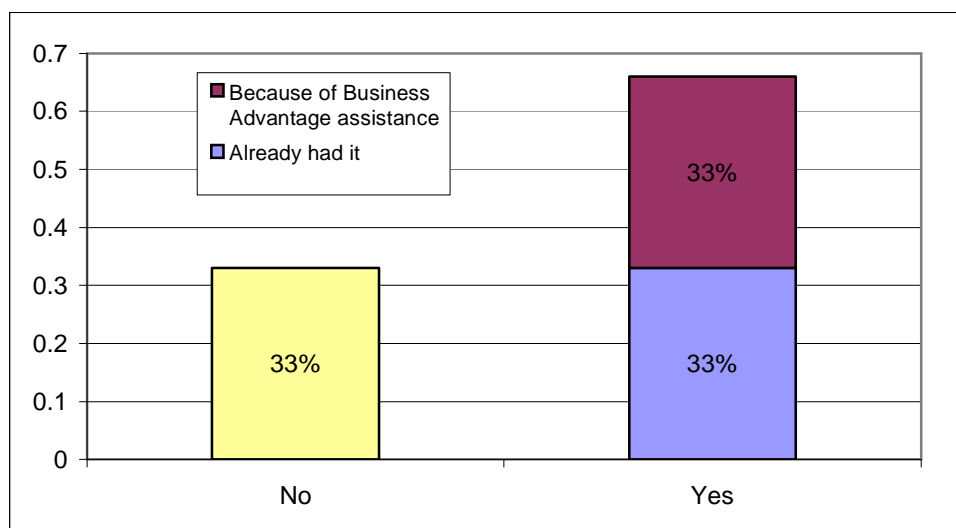
## Other Impacts

Businesses cannot always make a straightforward connection between the introduction of new equipment or ways of working with positive changes in turnover or employment. There is also often a time-lag before a new marketing strategy pays off, i.e. in terms of a business identifying that “improvement in working practices should facilitate an increase in sales across the board”. Also, it can sometimes be difficult for a business to attribute what exactly has led to improved turnover. However, we explore some other positive impacts that are likely to lead to growth in jobs and turnover.

### E-commerce

Business Advantage has made an impact on the uptake of e-commerce. Figure 12 shows while two thirds of businesses surveyed took up e-commerce trading (marketing and selling products via the internet); half of these did so as a result of Business Advantage assistance.

Figure 12 Whether businesses have taken up e-commerce



Source: Feedback Survey 2005, n=24

### New Products and Quality, Efficiency and Market Gains

Aside from those businesses that identified impacts on creating jobs and increasing turnover, businesses also highlighted several areas of impacts the assistance had on their business including:

- q Higher profile;
- q New markets;
- q New products;
- q Better efficiency;
- q Better facilities; and
- q General improved quality of service or product.

### What participating businesses said....

*I believe we have contacted more people through marketing with their help.*

*As a result of attending exhibitions and web site development, our turnover and profitability has been transformed*

*Better safer premises. More custom. More efficiency.*

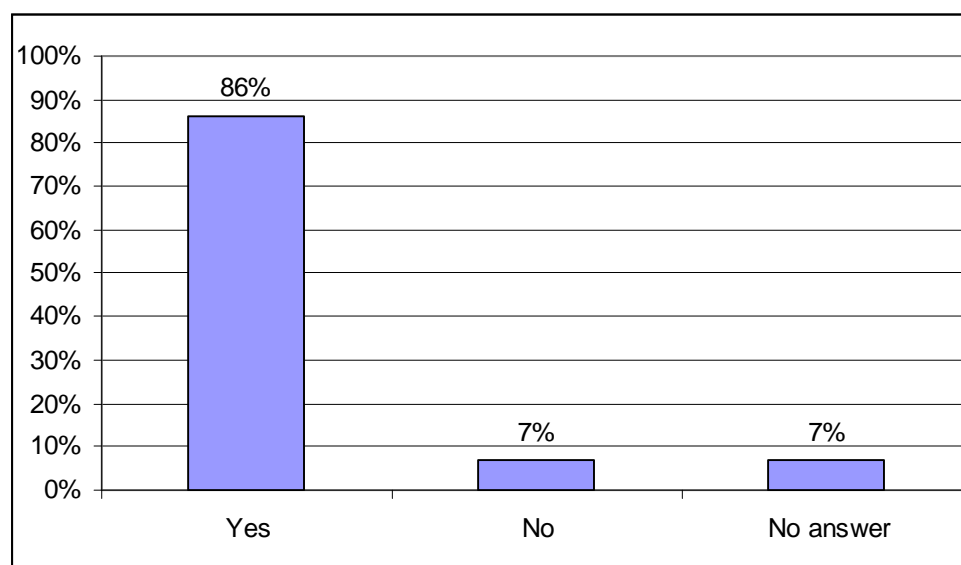
*A replacement machine has helped to carry work out more efficiently. Improved profitability with fewer breakdowns.*

## Business Outlook

Business outlook for the supported businesses is positive overall. Six out of every seven supported businesses intend to expand over the coming two or three years, as Figure 13 shows.

Qualitative comments indicated future optimism, ideas and plans such as changes in product design, expanded product offering, greater networking and penetrating new markets. This indicates that there may be a strong demand for the delivery of similar services by the Comhairle in future – and this is explored later in the report.

Figure 13 Proportion of businesses intending to expand



Source: Feedback Survey 2005

## Additionality

Additionality is the net impact of an intervention and makes allowances for what would have happened in the absence of the intervention. To identify what proportion of the funded activity was additional, then looking at the additional multiplier effects of the activities in terms of indirect and induced jobs, usually involves firstly assessing:

- q Beneficiary views of additionality;
- q Leakage;
- q Deadweight; and
- q Displacement and substitution.

This is a highly technical aspect of an evaluation that requires much more in-depth research and such tools as sensitivity analysis. However, in an evaluation of a programme of this scale it is impossible to justify resourcing an in-depth approach to assessing additionality. So our assessment of this is based on our review of project data, the business survey and interviews with stakeholders.

### Business views of additionality

Generally, businesses felt that the assistance given had helped them do things that they would not have been able to do. Figure 14 shows that nearly all businesses surveyed felt that the Kick-start loan or the Kick-start grant had allowed them to buy things or undertake marketing activity that, without the assistance, would not have happened. However it is unlikely that in every case 100% of what was supported would be considered additional.

Figure 14 - % of businesses feeling that the loan/grant allowed purchasing equipment or undertaking marketing activity that they would not otherwise have been able to do.

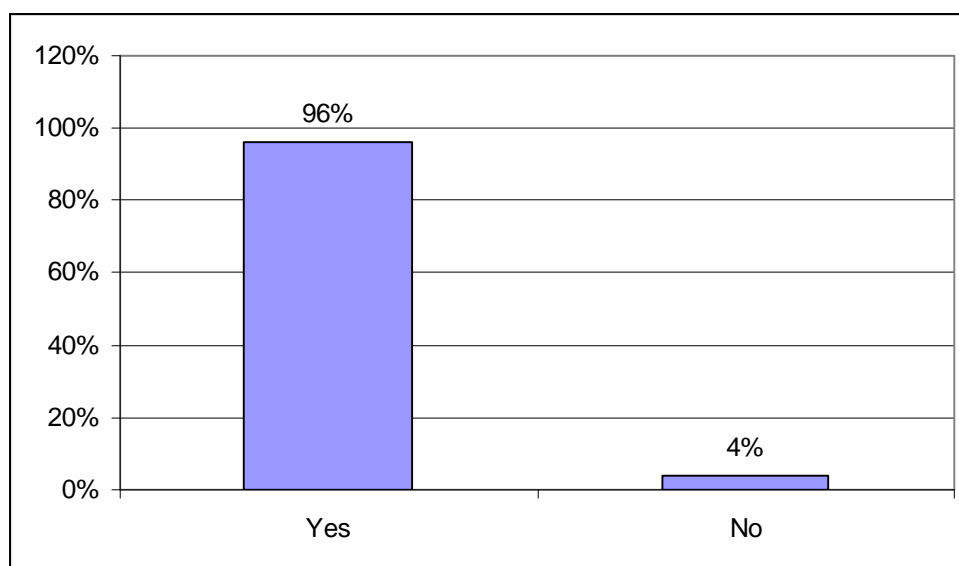


Figure 15 shows how businesses actually felt about the impacts of the assistance. The comments made allow us to analyse the levels and types of additionality. The additionality can be broken down into three types:

- q **Make or break** – where the assistance made sure the project or business started or remained trading (22% of comments);
- q **New activities** – where the assistance allowed businesses to carry out new activities that they would not have, for example marketing (30%); and
- q **Scale or quality of existing activities enhanced** – where businesses could improve their scale of marketing or quality of facilities (48% of comments).

Figure 15 Typology of additionality

| Make or break   | New activities  | Scale or quality of existing activities enhanced  |
|---|---|---|
| I would have struggled to get the project off the ground without this assistance.                               | Production of marketing material & activities would not have been possible otherwise following large cost outlay to set up the business.  | We did more marketing than what we would have originally done.  |
|   | Essentially the cost of a new bathroom, which I would not otherwise have afforded.  | I was able to go for a higher spec of website, business literature, etc with input from professional designers                                    |
| Loan helped to get started by paying professional fees.   | Assistance probably got us to do marketing that we otherwise not undertake  | Grant assistance has greatly assisted in developing the festival's marketing strategy & raising awareness of both festival & its unique location. |
|   |   | Had a much larger stand at trade fair than would have had.  |
| Without the financial assistance would not have been able to purchase all of the equipment which was necessary. | Critical loan assistance was received which enabled signage & brochure printing before we opened.   | Able to make marketing budget go further.   |
|   | Without the loan I would not have been able to purchase equipment.  | Website & leaflets would not have come so soon. Possibly might not have got going at all  |
|   | Money enabled me to commission specialist equipment which will revolutionise my business & allow me to compete on an equal footing with equivalent businesses in the Tourist & Retail market. | Were able to market our business in places that we would have found more difficult had we not received grant assistance.                          |
| Without the help we would not exist.  | The grant enabled us to publish two new publications & hold two annual lectures attracting large audiences.   | Allowed us to complete bedrooms etc to higher standard.   |
|   |   | Enabled to build bigger better premises.  |
| Would not have been able to keep business going without loan.   | The grant enabled us to publish two new publications & hold two annual lectures attracting large audiences.   | Enabled us to get the type of packaging required & helped us to achieve a higher standard.  |
|   |   | Broaden marketing.  |

Source: Feedback survey 2005 (n=28)

## Leakage

Leakage occurs where the impacts of the intervention go to groups, individuals or areas for whom they were not intended. Given that the funding was focused towards all SMEs and social enterprises there is no leakage in terms of the benefits going to businesses outwith these definitions. And we found no evidence of leakage of benefits to individuals or groups outside the Western Isles.

## Deadweight

Deadweight involves assessing what would have happened anyway without the intervention. Our view is that while some of the e-commerce outcomes and people-friendly policies may have come about without the intervention, the vast majority of the impacts would not have happened without some form of financial support.

## Displacement and Substitution

Displacement occurs when funded activity simply shifts benefits from one place to another. For example, where one retail outlet is funded, which leads to another closing down - meaning that any employment outcomes are simply displaced.

While it is probably too early to say that this has not happened, the requirement for applicants to provide a robust business plan demonstrating product or service demand should mean that this is minimised. In a competitive economy some displacement is inevitable - but the fact that Business Advantage support is available to all existing businesses suggests that it should not disadvantage one business over another.

Substitution occurs when an intervention simply replaces a similar activity elsewhere. With the Kick-start marketing grants, CnES and WIE have worked closely to ensure that these grants complement those available for other purposes by WIE. There is therefore likely to be no substitution of other public funds in terms of the grants.

With the loans however, there is a slightly greater likelihood that some of the funds used to under-write loans to businesses may in some cases have substituted loans from the banks. Some stakeholders feel that - in some cases - this lending may have simply diverted some of the risk from the banks to the Comhairle. However this is difficult to quantify - and Business Advantage has a policy of being a "lender of last resort " to the local business community.

## Additionality assessment

Our overall assessment is that somewhere in the region of 25% of the activities supported would have been funded by the businesses themselves (albeit at a lower level or at a later date) and that perhaps 10% of the activity may have been supported by the banks without being under-written by Business Advantage. **This means that around 65% of the activities funded are additional.**

## Multiplier Effects

When a business creates a new job, because of assistance, this is a **direct** impact. But one new job in a certain company has effects well beyond the business and the person it employs. We use "multipliers" to see what the overall effect of this new job is. These "multiplier" effects are categorised as:

- q Indirect effects; and
- q Induced effects.

Every time a job is created in a business, there are broader **indirect** economic implications. A business creating a new post is likely to increase turnover and buy more goods and services from their suppliers. These suppliers in turn will see demand rise with implications for their turnover and for the number of employees they need.

But when jobs are created, there is also more money in the pockets of consumers. Their disposable income is higher. They have greater purchasing power and may well have increased their spending on local services which may respond by increasing employment to cope with demand. This is known as the **induced effects** of job creation.

The Scottish Executive has "Input-Output Tables" which indicates the factors that should be used to gauge "multiplier effects" of job creation. We simply take the original jobs reported as being created (or safeguarded) directly by the assistance and apply these multiplier factors.

Figure 16 shows the multiplier effects (indirect and induced jobs) of the full and part-time jobs directly created and safeguarded. Overall in the wider economy:

- ❑ 101 gross jobs have been safeguarded; and
- ❑ 104 gross jobs have been created.

Figure 16 Multiplier effects of project

|                            | Actual     | Indirect  | Induced   | Total f/t  | Total p/t | Total jobs safeguarded/created |
|----------------------------|------------|-----------|-----------|------------|-----------|--------------------------------|
| Jobs safeguarded full-time | 44         | 22        | 16        | 82         | -         | 101                            |
| Jobs safeguarded part-time | 10         | 5         | 4         | -          | 19        |                                |
| Jobs created full time     | 30         | 15        | 11        | 56         | -         | 104                            |
| Jobs created part-time     | 26         | 13        | 9         | -          | 48        |                                |
| <b>Totals</b>              | <b>110</b> | <b>55</b> | <b>40</b> | <b>138</b> | <b>67</b> |                                |

Source: Business Advantage (Phase Two) Data - and 2002 Input Output tables for Scotland using an "average multiplier" of 1.508 for Indirect jobs created and 1.858 for induced jobs

## Value for money

### Business Advantage value for money

Figure 17 shows the gross outputs for the project and what each £100,000 of the funding has bought.

Figure 17 Value for money of selected interventions

| Output   | Achieved   | Each £100,000 buys an estimated... |
|--|------------|------------------------------------|
| Accommodations Upgraded                            | 10         | 2                                  |
| Visitor attractions enhanced                       | 30         | 6                                  |
| Existing business assisted                         | 30         | 6                                  |
| New businesses assisted or created                 | 22         | 4                                  |
| Leverage of private monies                         | £1,032,000 | £204,356                           |
| Organisations introducing people friendly policies | 47         | 9                                  |

It is important to bear in mind that not everything can be quantified and shown:

- ❑ much else has been achieved in relation to equality targets (gender, disability and disadvantaged areas);
- ❑ Money has been allocated but outputs and results have not been claimed for (around £95,000 or 19% of the total spending so far);
- ❑ Outputs in terms of quality of support and advice cannot be measured; and
- ❑ That much of the assistance (almost £51,000 out of every £100,000) has been given on a repayment basis.

Also, the benefits of running a repayment loan scheme that will become self-sustaining are likely to increase year-on-year while the costs decline. So, the value for money of the intervention will increase next year and year-on-year.

### About gross and net outcomes

Gross employment outcomes are the total number of jobs safeguarded and created before we take account of additionality issues such as leakage, substitution, deadweight and displacement. However for the net outcomes we take account of additionality issues and apply our additionality assessment (65%) to gross impacts.

For example, if a gross figure of 100 jobs were created the net figure would be 65 having applied the 65% additionality assessment figure. The gross and net sales and employment outcomes are outlined in Figure 18 below.

Figure 18 Net sales growth & employment outcomes

| Results  | Achieved (gross) | Additional Number at 65% additionality | Each £100,000 buys a gross estimated... | Each £100,000 buys a net estimated... |
|--|------------------|--|---|---------------------------------------|
| Increase in sales overall                          | £542,380         | £352,547                               | £107,402                                | £69,811                               |
| Jobs created, directly, indirectly and induced     | 104              | 68                                     | 21                                      | 13                                    |
| Jobs safeguarded, directly, indirectly and induced | 101              | 66                                     | 20                                      | 13                                    |

Source: Claim 7 data and calculations (see Figure 9). Note: Based on total spending and allocations to date (£505,118 as at 14/2/06). Businesses, "pipeline cases" or "not yet claimed" have not been included.

While £505,118 has already been spent or allocated, many jobs and activities (such as assisting new businesses) have yet to be claimed for. Should all projects go ahead without a hitch, they will create an extra 31 jobs and safeguard an further 19 jobs through existing spending. This is allowing for multiplier effects (see above) and additionality levels of 65%.

This would increase the net additional output for every £100,000 to:

- q 20 new jobs created; and
- q 17 jobs safeguarded.

The project appears to offer good value for money taking account of additionality, outputs yet to be claimed (or non-quantifiable) and that around half (51%) of the total assistance given is expected to be repaid to a revolving-loan fund.

## Key Conclusions

### Targets and gross impacts

The project has helped to directly create 56 new jobs and safeguard 54 so far - while we project it will result in increased across new and existing businesses of around £650,000. It has also already levered in over £1m in private monies.

It has done this while meeting equality needs – with 26 of the new jobs going to women and 19 to areas most in need. 47 businesses have introduced active people-friendly policies.

More has been achieved beyond this with a third of businesses worked with adopting e-commerce - but many reporting it as difficult to quantify gains such as increases in efficiency and a wider audience for their products.

The project has achieved twice its target of new jobs for women and well-exceeded its targets for new jobs in areas most in need. All job outcomes targets have been achieved already with only one minor outcome outstanding.

The target for leverage looks likely to be achieved, as well as that for turnover in existing businesses. It is anticipated that the target for introducing people-friendly policies will be achieved by the end of the EU funding period.

Excluding "don't knows", 72% of businesses said the assistance had increased turnover. Our estimates that the target for new business turnover may not be achieved is based on limited data. Also, the evidence for increased turnover may not be available to businesses yet as the effects of some activities can take years to be seen. Also, the project can do further work to meet this target between now and the end of June 2006.

Considering the positive outcomes of the programme, it is therefore not surprising that the businesses supported are also positive about growing in the next two or three years.

## **Additionality**

The majority of the activities funded by the project are additional and we could find little or no evidence for leakage, deadweight or displacement. There appears to have been a low level of substitution surrounding the loans and some of the marketing grants. Taking this into account - as well as that some activities would have happened anyway (but probably at a smaller scale, more slowly or of a lower quality) - we estimate the project has been additional by about 65%.

## **Net impacts**

Based on this additionality assessment, we estimate there are an additional 68 new jobs in the Outer Hebrides economy that would not exist without the programme. Also, 66 jobs have been safeguarded that we feel would otherwise have been lost.

## **Value for money**

Overall value for money appears good, especially considering that not all outputs have yet been claimed for or can be quantified - and that around half of the assistance is on a repayment basis.

## Business Support Services Review

*This section outlines some of the key issues for the future delivery of business support services in the Western Isles. This is based on consultations with several key agencies involved, both strategically and in the delivery of business support services. The timescales for this review have not allowed as wide an input as would be desirable - however there are several key messages that attract a sufficient degree of consensus to take things forward.*

### Rationale & Strategic Context

Nationally *A Smart, Successful Scotland* provides the strategic objectives for the national enterprise strategy along with the two cross-cutting themes of sustainable development and closing the opportunity gap. Growing businesses is one of the three key priorities that it identifies and the business support services provided locally will be essential to achieving this.

At the Highlands and Islands level, *A Smart, Successful Highlands and Islands* interprets the national strategy into five regional priorities of:

- q Population;
- q Place;
- q Productivity;
- q Pay; and
- q Prospects.

The overall aim of the HIE strategy is: 'to enable people living in the Highlands and Islands to realise their full potential on a long-term sustainable basis.' And it outlines four strategic objectives to achieve it:

- q Strengthening communities;
- q Developing skills;
- q Growing businesses; and
- q Making global connections.

These objectives establish the rationale within which the Local Enterprise Companies work and provide the basis for the local economic development strategy.

*Creating communities of the future* sets the local strategy framework for economic development in the Outer Hebrides. It is endorsed by all the key public, private and voluntary sector agencies working for economic growth in the Outer Hebrides and provides a shared vision for the Islands focusing on six key economic drivers. These six drivers are:

- ❑ Renewable Energy Innovation, especially the development of a sub-sea cable for exporting energy generated from renewable sources;
- ❑ Broadband Capacity for the Islands;
- ❑ Promotion and Development of Culture and Heritage, particularly Gaelic;
- ❑ Enhanced Business Support and Infrastructure;
- ❑ University of the Highlands and Islands Millennium Institute; and
- ❑ Jobs Dispersal.

The key agencies responsible for delivering this strategy work together through the Outer Hebrides Local Economic Forum (LEF). And while many of these economic drivers require concerted strategic action, supporting the local business base and helping to develop new business start-ups will underpin this strategy. So all partners are committed to providing a high quality business support service.

## Current Roles

### Western Isles Enterprise

Western Isles Enterprise is the agency with a statutory role for economic development in the Outer Hebrides.

WIE provides a range of business support services focusing on:

- ❑ Strategic support for high growth and high impact sectors;
- ❑ A range of grants for SMEs that meet its eligibility criteria;
- ❑ Contracted specialist business support services through its supply partners;
- ❑ Training and skill development; and
- ❑ Support for community and social enterprises.

This support encompasses advice, influence through partnership-working, and financial support through grant assistance. Over the past few years WIE and CnES have worked together closely through the LEF to develop a joint strategic approach to business support and have made significant advances in joining up the range of service they offer. Services such as grants schemes and business advice have been tailored to complement the services offered through Business Advantage.

Services in support of communities are being focused towards developing local services and facilities that contribute to the long-term sustainability of communities. Supporting well-planned proposals that have sustainable revenue streams are now the priority. WIE will also help to fund project managers for community sector projects on a time-limited basis to get projects off the ground.

## Comhairle nan Eilean Siar

Although economic development is not a statutory function for local authorities - at the strategic level the Comhairle has identified economic development as the most important priority for the Outer Hebrides. This was highlighted most recently through a Best Value review.

The Comhairle contributes towards the overall strategy in many ways. Its role as a locally accountable elected body allows it to “fight the corner” for the Outer Hebrides more explicitly and address more politically sensitive issues in a holistic way. The Comhairle can also align its wider statutory functions to support overall economic development objectives.

More specifically, the Comhairle acts as the coordinating agency for bringing in various funding sources to provide a coherent and responsive business support service.

## Business Advantage

As outlined previously, Business Advantage provides specific business support services focused primarily on the local small business community. Its services include:

- ❑ Interest-free Kick-start loans for business projects;
- ❑ Preferential rate loans for business growth through the Business Loans Scheme (In conjunction with WIE and the Royal Bank of Scotland);
- ❑ Fishery sector loans (in conjunction with WIE, the Western Isles Fishermen’s Association and the Royal Bank of Scotland);
- ❑ Marketing grants for businesses covering up to 50% of costs;
- ❑ Business planning advice and aftercare; and
- ❑ Practical support in starting up and developing a business or community enterprise.

The eligibility criteria for support through Business Advantage are slightly less strict than those of WIE. For example they can support businesses that may compete directly with existing businesses, if it can be justified that the market can support such activity. They can also provide support for sectors and purposes that are less of a strategic priority for WIE, such as the retail or building sectors - and the purchase of vehicles and mobile plant.

The services that Business Advantage provides are very well-regarded by all sectors and the skills and attitudes of its staff viewed as a key strength. In particular the level of one to one support provided to help entrepreneurs to develop their ideas and the support provided in business planning are highly valued. This is explored in greater depth in the Project Processes chapter (p9).

## Banks

The Royal Bank of Scotland and the Bank of Scotland are the two main business banks which operate in the Outer Hebrides; although Clydesdale and Lloyds TSB also have a presence. The Royal Bank of Scotland is currently involved in the partnership loan guarantee schemes administered through Business Advantage. Negotiations are currently under way with the Bank of Scotland, potentially to facilitate their ability to participate in the schemes. This is intended to foster a fair, open and transparent environment, where clients of one of the major business banks are not seen to be favoured over those of the other.

Banks also play a role in signposting customers to the various advice and support services available. The banks tend to refer clients to both WIE and Business Advantage, though they may well be inclined to visit Business Advantage first due to its Town Centre location.

## Chamber of Commerce

The Outer Hebrides Chamber of Commerce currently has a limited input to providing wider support services. Although its resources are limited, the Chamber is an important partner in delivering the economic development strategy - through coordinating the actions of the local business community. The Chamber could also tap into the wider national resources available through the national network of Chambers of Commerce.

## Appraisal of Existing Business Support

In general most stakeholders and businesses feel that the support provided is of a high quality and largely meets their needs. Business Advantage is viewed positively for its role in supporting new businesses and local micro-businesses. As outlined in previous sections, the level of support and the commitment of the staff are highly-rated by the business community.

Equally, the level of complementarity between the services provided by the partners is also seen to be good. And the two agencies have made significant improvements in information sharing and joint referral systems.

The main issues that have been highlighted through this review as perhaps needing greater focus are:

- ❑ Joining up the delivery of services more effectively between WIE and CnES;
- ❑ A more joined-up application process where both WIE and Business Advantage support are being sought;
- ❑ A small number of businesses identified that promotion of the services available could be improved;
- ❑ A more consistent and coordinated approach to aftercare services could be developed by both agencies; and
- ❑ A pooled information service could be provided where businesses can access all the information and contacts they need in an accessible location on each of the main Island Communities.

Business would like a more joined-up business support service so that they know exactly where to go to source advice or financial support. They would welcome the opportunity to access the information they need in one location rather than being referred to another service.

Several businesses have also identified that going through two application processes for WIE and Business Advantage is time-consuming - and that more information-sharing or a joint application approach would streamline the process.

Again, a small number of businesses identified the need for more communication of the services available to businesses. However the vast majority appeared to know where to access the advice and support that they needed.

Several businesses felt that greater use of the internet to provide online signposting of services would be useful.

While aftercare support was highlighted as a positive aspect of the Business Advantage service (see p9), several businesses and stakeholders considered that a more consistent and coordinated approach between WIE and Business Advantage would further improve aftercare delivery.

A one-stop-shop approach would also allow the agencies to develop a joint information resource which would assist businesses in finding out about wider resources and services. This was a service that WIE has provided in the past.

## Gaps in Services

As highlighted elsewhere, stakeholders and businesses are largely content with the range of support services that the agencies provide. However the business surveys and consultations did identify some areas which could be developed:

- ❑ Mentoring;
- ❑ Developing links between businesses; and
- ❑ Targeting graduates living on the mainland for business start-ups.

Mentoring has been highlighted in previous reports as an area that could be developed. There is a National Business Mentoring scheme which HIE have been involved in, however this may be an area which requires a more proactive role among the local business community. This would appear to be an area where business organisations such as the Chamber of Commerce might have a role.

Equally, in an economy dominated by micro-businesses - it is essential that businesses cooperate on aspects of marketing and business development that will be mutually beneficial. While this can be difficult across a dispersed population such as in the Outer Hebrides, it can also result in significant benefits through economies of scale and developing strategic partnerships. This could be an area where a business networking organisation such as FUSION might play a more active role.

The issue of greater targeting of graduates on the mainland is probably not within the direct scope of Business Advantage's services. However it is an issue which will be important in looking at population sustainability at a more strategic level. Notwithstanding this, the local Business Support services need to be as accessible and widely publicised as possible - and could make greater use of the internet to promote services.

## Future Services

From our brief review of the services currently provided by Business Advantage and the wider business support services available in the Outer Hebrides, we would suggest that future action should focus on:

- ❑ Maintaining existing Business Advantage services;
- ❑ Further integration of business support services between WIE and CnES;
- ❑ Improving information and communication systems as part of this;
- ❑ Addressing jointly the future provision of grants for marketing needs;
- ❑ Providing specific expertise to support social enterprises;
- ❑ Developing links with the developing Community Development Finance Institute project;
- ❑ Targeting the loans towards key strategic growth sectors;
- ❑ Greater targeting of the loans to ensure they are addressing market failure; and
- ❑ Assessing the demand for business centre facilities for Stornoway.

## Maintaining Business Advantage Service Levels

The evaluation has highlighted the very positive views among businesses and stakeholders of Business Advantage staff and their services. Businesses praised staff ethos and expertise and their genuine enthusiasm, rapid turnaround of queries and proactive approach.

Stakeholders and businesses also identify the range of skills and one to one nature of support as key strengths of the service. As the EU funding for two fixed term posts in Business Advantage will end in June 2006, it is essential that alternative funding is identified to allow the level of service to continue. Without these posts day-to-day management of the services in Stornoway and service representation in the Uists and Barra would cease.

It is difficult to see how existing service levels and business confidence in the service could be maintained in the absence of these posts and it would be very difficult to bring forward any of the recommended actions in this report, such as developing further services for social enterprises and greater links with the proposed CDFI.

## Integrating Services

The idea of integrating the business support services provided by different agencies through a one-stop shop-approach has been mooted for some time. Since the previous service review in 2004, several steps have been taken to improve joined-up working.

However all key stakeholders identify the advantages in a greater level of integration between the two main economic development agencies. In the context of more limited resources this is now becoming even more of a priority.

There are varying degrees of integration that the agencies can consider. These range from continuing to develop the 'no-wrong-door' approach - which is essentially the stage the services are currently at, to a more fully integrated co-location of all economic development / business support staff and services.

An interim stage would be a jointly staffed 'one-stop-shop' as a first point of contact and information for businesses - but which would not involve the full co-location of all business support staff. Figure 19 outlines the key components of these options.

Figure 19 Options for integrating business support services

| Level of integration | No wrong doors                                 | One-stop shop  | Co-location   |
|----------------------|--|--|---|
| Service element      |  |  |   |
| Referral             | Basic system of recording and referral         | All enquiries registered by jointly funded 'front desk' service.<br><br>Protocol on Data protection agreed | One shared enquiry logging system<br><br>Protocol on Data protection agreed       |
| Information sharing  | Online information service and signposting     | A central drop-in location with access to all relevant information for businesses                          | A central drop-in location with access to all relevant information for businesses |
| Branding             | Separate branding but joint marketing          | A distinctive joint branding adopted for all business support services                                     | A distinctive joint branding adopted for all business support services            |
| Accommodation        | No shared accommodation                        | A jointly funded unit with frontline staff co-located  | All business support staff co-located as part of the one-stop shop                |
| Aftercare            | Agreed protocol to coordinate aftercare visits | Agreed protocol to coordinate aftercare visits   | Move towards joint client management approach to aftercare                        |

While the practicalities of co-locating may take some time to address, the consensus among stakeholders is that the agencies should move towards this option at the earliest possible opportunity.

Co-location would have added advantages over the interim one-stop-shop option by providing the opportunity for fully complementary business support services - and would enable joint client management and aftercare systems to be developed.

Stakeholders feel that it brings a number of advantages:

- ❑ It reflects the growing policy ethos of joined-up working;
- ❑ It gives clients a single point of contact;
- ❑ It reduces the risk of overlaps in service provision;
- ❑ It promotes a culture of learning and information sharing; and
- ❑ It enables resources to be deployed more efficiently towards meeting strategic aims and objectives.

Clearly, the practicalities of achieving this need to be addressed and some aspects can be progressed more quickly than others. A central, accessible, client-friendly location is a key consideration for the main service facility in Stornoway.

## Marketing Grants

Although the loans are likely to be self-sustaining for the foreseeable future the reduction in European funding will mean that the marketing grants will no longer be available through Business Advantage.

The future provision of grants for marketing needs to be addressed jointly by WIE / CnES as part of the integrated business support package - particularly as the current Outer Hebrides Branding initiative is likely to drive up demand and expectations for marketing support.

## Targeting Loans to Address Market Failure

The low rate of write-off on the loans under-written by Business Advantage may suggest a somewhat risk-averse process, although it is perhaps too early to say this. However, this could also be as a direct result of the internal default-management system. Many similar schemes elsewhere in Scotland would expect to write-off between 10% and 20% of the loan amounts because they are addressing market failure in private sector lending practices.

However, given that few applicants are refused loans, this may reflect a more general risk-aversion among potential entrepreneurs in the Outer Hebrides, in addition to effective "filtering" within the process prior to clients submitting an application.

Perhaps a portion of the loans fund could be targeted more explicitly to address market failure by focusing on the sectors where banks are traditionally wary of lending. Such sectors might include those where there is a high risk of failure, those with little or no security, or where the individuals would find business planning difficult without help. These sectors would include:

- ❑ Information Technology;
- ❑ Building trades; and
- ❑ Knowledge & Creative Industries sectors.

A recent survey of the Creative Industries sector in the Outer Hebrides identifies that more than 80% of businesses need further support. Often this relates to marketing support or the need for capital to invest in equipment or premises.

The partners should also aim to target enterprise awareness, pre-start support and skills-development activity in these areas to foster more business start-ups in these sectors.

## Targeting in Support of Strategic Growth

With limited resources available it is important that the available funds are aligned as far as possible to addressing the strategy aims set out in *Creating Communities of the Future*. While this should not mean a move away from supporting local SMEs it may require a more proactive approach to targeting businesses that will support:

- ❑ The renewable energy sector;
- ❑ Information & Communications Technologies; and
- ❑ Gaelic Language and Culture sectors.

Renewable energy provides opportunities for sustainable long-term economic growth in the Outer Hebrides. The growth of the sector will create supply chain opportunities and will require a wide range of support and ancillary services. Business Support services are ideally placed to promote and support business start-up and growth to address these needs.

Similarly, the availability of broadband will facilitate growth in the use of the internet and promote opportunities for e-commerce. And the Gaelic language and culture sector provides a distinctive market that the Outer Hebrides is best placed to develop. Business Advantage should use its valuable range of skills to help promote business start-ups and growth to support these key sectors.

## Social Economy

The social economy is a strong feature of the Outer Hebrides, providing opportunities for jobs, sustainable services and promoting social cohesion. Initiatives such as Uig Co-operative provide good examples of how a well-managed social enterprise can bring in revenue from visitors and locals while providing vital local services and jobs in communities.

Social and community enterprises are likely to become increasingly important in delivering local services; particularly in the more remote parts of the Outer Hebrides. The increasing role of community enterprise is a key element of *Creating Communities of the Future* and is also a priority for the Scottish Executive and HIE.

Although social enterprises are not-for-profit organisations they share several common needs with businesses starting up, including:

- ❑ Pre-start and feasibility advice;
- ❑ Business planning;
- ❑ Legal and regulations advice; and
- ❑ Practical help with facilities - and so on.

Although the Comhairle's recently established network of Community Co-ordinators have a role in providing overall support and funding advice to community organisations - their role will be perhaps broader than the social enterprise support outlined above.

The majority of stakeholders support a role for the integrated business support service in addressing these needs as part of a holistic service. There is less consensus however as to whether this should be part of the overall remit of Business Support staff, or whether one or more individuals should develop specific expertise in this area.

We would suggest that it becomes a key aspect of the wider remit rather than the role of any one individual because:

- ❑ In a more integrated set-up good practice can be shared much more readily;
- ❑ There is less risk associated with spreading expertise across the team rather than vesting it within one or more persons; and
- ❑ A more holistic approach will enable the team to address the needs of communities across the dispersed geography of the Outer Hebrides.

## Links with the Community Development Finance Institution

Another area where the Business Advantage team can have an increasing role is in providing support to some of the services being developed as part of the Outer Hebrides Community Development Finance Institution (CDFI).

A CDFI would provide funding and expertise to support developing community sector organisations and enterprises. Its broader services would include a Credit Union which would provide banking and investment services for individuals, but it would also provide funding, advice and support for the wider community sector (both social enterprises and other community organisations).

The existing skills and expertise of the Business Advantage team in administering loans and providing financial and business planning advice to individuals and enterprises will be of value to the CDFI project. The possibility of integrating some of the services provided through this model with the Business Advantage team and of mutual signposting of services should be explored as part of the feasibility study into the CDFI.

## Business Centre Services

One area of business support that there may be a demand for is a drop-in facility providing basic infrastructure for local small businesses and visiting business people – though this type of function could also provide a service that would be useful to tourists. Ideally this facility would be part of the wider business support service and would provide an accessible and comfortable environment. However there would have to be a more thorough assessment of demand for this type of facility - as well as an appraisal of where else these types of service can be provided. Services could include:

- ❑ Broadband internet access;
- ❑ Hot-desk work stations;
- ❑ Telephone / fax access and basic secretarial support services.