PURPOSE OF REPORT
To inform the Comhairle of the outcome of the Business Gateway National Evaluation and Future Arrangements for the Delivery of Business Gateway report to the Business Gateway Operational Network.

COMPETENCE
1.1 There are no legal, financial or other constraints to the recommendations being implemented.

SUMMARY
2.1 The Business Gateway was introduced to the Highlands and Islands in September 2009, giving pan-Scotland coverage for the first time, though importantly with some flexibility within the delivery model allowed to take account of different geographic and economic conditions.

2.2 It also allowed the consideration of greater integration of other Local Authority services such as planning, property services, environmental services and trading standards – whilst taking advantage of co-location opportunities with the Enterprise Network - in a bid to deliver an improved overall joined-up service for Business Gateway customers and services, based more explicitly on local economic geographies.

2.3 In early 2011 a study was commissioned by the Business Gateway Operational Network (BGON) to evaluate the existing Business Gateway model and assist in recommendations for the future. This report details the findings of that study.

2.4 In summary, the review found that Business Gateway has achieved the transference to Local Authorities relatively smoothly, delivering a considerable volume of activity, which has increased year-on-year despite the economic challenges. There is little appetite for wholesale change - Business Gateway is generally fit for purpose and a recognised brand that should receive further investment, rather than any diminution of it. The next phase should be about making important modifications and increasing the quality and impact of support without reducing its reach. Copies of the full report to the BGON will be available in the Members’ Lounge.

RECOMMENDATIONS
3.1 It is recommended that the Comhairle:
(a) note the outcomes of the Business Gateway National Evaluation and Future Arrangements for the Delivery of Business Gateway and the successful development and delivery of the Comhairle’s Outer Hebrides Business Gateway services to date; and

(b) continue to assess all further options for closer integration of related Comhairle business and community development services, with a view to co-locating these with Highlands and Islands Enterprise (HIE) as far as practicable across the Outer Hebrides.
BACKGROUND

4.1 In a fairly radical departure to the provision of economic services the Scottish Government announced (in September 2007) a series of changes to be implemented following a review of the Enterprise Networks in Scotland. These included the transfer of local Business Gateway service delivery from Scottish Enterprise (SE) to Local Authorities, taking effect from 1st April 2008. In September 2009 the Business Gateway was also introduced to the Highlands and Islands area giving pan Scotland coverage for the first time, though importantly some flexibility within the delivery model allowed Highlands & Islands Local Authorities to take account of quite different geographic and economic conditions.

4.2 This represented a step change from the previous arrangements with Local Authorities now playing a pivotal role in economic development, helping to deliver services closer to users, develop genuine business engagement and achieve better local accountability. Members will recall the update report and presentation to the March series of Committees, which outlined the successful development and delivery of the Outer Hebrides Business Gateway service in its first two years of operation.

4.3 It also allowed consideration of the opportunities to develop greater integration with other Local Authority services such as planning, property services, environmental services and trading standards – whilst taking advantage of co-location opportunities with the Enterprise Network - in a bid to deliver an improved service for Business Gateway customers and services, based more explicitly on local economic geographies.

4.4 The Business Gateway delivery model is an important component of the Scottish Government's objectives of growing the economy and is a joint objective of local government and the Scottish Government reflected in Community Planning Partnerships' Single Outcome Agreements (SOAs). The model was designed to help raise rates of new business formation in Scotland and encourage growth within existing businesses. It also enables Local Authorities to identify emerging businesses with growth potential for referral to the Enterprise Networks and other business support agencies for further specialist support.

4.5 The Business Gateway was originally introduced in the Scottish Enterprise area at a time of strong economic growth - a situation that turned to recession almost immediately. The current arrangements are coming to an end and, against the backdrop of changing economic conditions, there was a requirement to consider whether the current model remains realistic and appropriate at a national and local level. An Inquiry into the Reforms of the Enterprise Networks has been completed – the outcomes of which were reported to the June series of Comhairle committees. As a result, a series of transformational government actions are being developed which may consequently impact on the Business Gateway. Current contracts for the delivery of the service expire at the end of March 2012 in the Highlands and Islands.

4.6 It is recognised that the transfer of functions to Local Authorities represented a major shift in Enterprise delivery. As conditions are continually changing Local Authorities need to adapt and anticipate (as far as is feasible) to what might occur at the end of the current contract rounds and beyond. Local Authorities, the Business Gateway Operations Network (BGON) and stakeholders were therefore keen to learn lessons and best practice since the transfer to Local Authority delivery to inform the next tranche of delivery. In early 2011 a study was commissioned by the BGON to evaluate the existing Business Gateway model and assist in recommendations for the future. This report details the findings of that study.

4.7 The Comhairle considered a report in March 2011 on the activities and progress of the Comhairle’s Outer Hebrides Business Gateway service. The development and delivery of the service has been successful and performance targets are being achieved.

THE BUSINESS GATEWAY DELIVERY MODEL

5.1 There is limited appetite for a wholesale change to the model; the transfer has been a major undertaking and achieved without too much disruption for businesses. Local Authorities have embraced Business Gateway and started to make it work for their local areas.
5.2 There is value in the national brand. This needs to be reinforced and reinvested (through the emerging UK portal), rather than diluted or abandoned. The website and, to a lesser extent, the Enquiry Fulfillment and Research Service (EFRS), are regarded positively and part of the delivery model and important resources. There is a strong case for them to stay where they are to avoid the costs of re-creating national support infrastructure and their future should be guaranteed.

5.3 Local discretion and flexibility should be retained, and increased, but within a national framework. A core service should be locally tendered through lead Local Authorities in lowland Scotland and directly delivered “in-house” across the Highlands and Islands - with funding guaranteed and based on population or deprivation, or both. The use of local addenda has been effective and could usefully be extended and further exploited.

THE BUSINESS GATEWAY PRODUCT

6.1 The Business Gateway product is well regarded for start-up businesses, and is developing as a service for existing businesses. Basic market segmentation, whilst not perfect, allows for some form of necessary prioritisation. The operation of both one-to-one and one-to-many services is regarded as necessary and beneficial. Greater clarity is required though in the communication of the overall offer – as the product could be communicated more clearly. The introduction of the “sub-growth pipeline” was overdue, and the focus on growth (both high and more modest) should be retained.

6.2 Sub-growth pipeline businesses should have access to a greater range of support. The offer is less clearly defined, and perhaps less effective, for existing businesses, and more recognition of locally significant businesses could be made. Better communication between Scottish Enterprise and Highlands and Islands Enterprise (HIE) and Local Authorities should certainly occur - notably in connection to companies progressing to account management, and this process has started.

6.3 Generally the lack of formal aftercare potentially risks reducing the overall effectiveness of the service, which could helpfully be linked to an increased focus on start-up survivability. The move to the Local Authorities provides an opportunity to reach more businesses at little additional cost.

BUSINESS GATEWAY SERVICE PERFORMANCE

7.1 The reach of Business Gateway is illustrated by the sheer scale of activity brought forward (29,000 volume start-ups, almost 3,000 VAT start-ups and more than 5,500 existing businesses engaged through events and 1,000 entering the growth pipeline). The website has generated more than 28,000 enquiries and in the nine months to December 2010, more than 20,000 online tools had been completed, with traffic averaging 20,000 hits per month. Business Gateway has found it more straightforward to meet the volume start-up targets than VAT start-ups and existing businesses, particularly those capable of meeting the criteria for account management and start-ups trading above the VAT threshold.

7.2 Much of this relates to the changing economic conditions, hence the introduction of the sub-growth pipeline where demand has been strong. The balance has generally shifted to more local rather than national enquiries handled, as local marketing activity has increased, although EFRS remains an important national resource for the Business Gateway which Local Authorities could help reinvigorate. Whilst year on year growth in volumes has been evident, there is arguably scope for an even greater throughput of businesses.

CUSTOMER BENEFITS AND SERVICE IMPACT

8.1 The Business Gateway service succeeds in progressing businesses that it comes into contact with. The service is most commonly sought for support to start a business, although more than four in ten are also seeking the service for financial or access to finance advice and support, reflecting its importance to business growth and development. The service is rated highly, both for its first impressions and the quality and relevance of its support. Six in ten regard the support from the advisor as additional to other forms of support; this is positive and a general endorsement of the Business Gateway service, although there remains room to reduce areas of overlap with other advice.
8.2 Almost 40% of website users rated their first impressions as excellent, and almost half have used the event’s calendar and more than a third links to other sites. Almost one in three of the one-to-many Business Gateway customers had used the national helpline; overall users were satisfied with this service and the relevance of the advice given. The survey found somewhat less referrals to other forms of support than expected, an area which could be explored. Almost 70% of Growth Pipeline and VAT+ businesses would welcome on-going infrequent light touch support. It is clear that some form of public subsidy will still be required as few businesses were prepared to pay full market rate for services.

NET IMPACT AND COST ANALYSIS

9.1 The total cost of delivering Business Gateway between 2008/09 and 2010/11 is estimated at £44.2m including central administration. There was considerable variation in unit costs at a local level and population density was a stronger driver of unit costs than scale of delivery. That said, the average cost per user of delivering the helpline and the website and per business started compared favourably against benchmark ranges across England suggesting Business Gateway in general has been procured or delivered cost-effectively. However, indicators of cost-effectiveness in terms of the overall GVA impacts of the service tended to be at the lower end. Additional analysis shows that one-to-one advice accounts for a large share of service impacts of the service (over 80%) though, on average, the light touch forms of support tend to deliver greater GVA impacts per £1 of spending, with events delivering the lowest.

9.2 The value for money assessment found considerable variation in unit costs but an overall reasonable cost of delivery (it would be difficult to drive these down significantly without damaging the service). A simple return on investment or economic impact ratio, based on local costs, provides a minimum return on investment for the Business Gateway service of 1:7.2 (the £44.2m generates some £301m in Gross Value Added to date and anticipated). For a volume business support service this is within acceptable limits (particularly given the conservative assessment taken).

OPTIONS APPRAISAL

10.1 The “Business As Usual” option (i.e. continuing with a similar balance of one-to-one and one-to-many support) delivered the highest Net Present Value (NPV), and one of the highest Benefit Cost Ratios (BCRs) of the options considered suggesting overall; the service is operating close to optimal effectiveness in its current configuration of services.

10.2 Retrenchment to a Website or a Website & Helpline-based approach would result in a negative NPV and are not deemed cost effective. Reducing the levels of one-to-one support delivered is the most effective approach of reducing costs. However, as one-to-one support tends to deliver the greatest share of overall impacts, adjustments here will have more than proportionate effect on the GVA. Options excluding one-to-one support tend to exhibit negative NPVs, and efforts to charge users will likely reduce demand to the point at which it is no longer cost-effective.

10.3 Events delivered the lowest GVA impacts per £1 of spending, and it may be possible to optimise impact by reducing the level of events based activity (or charging users). However they account for a small share of overall costs, such adjustments do not involve substantial increases in BCRs or significant reductions of costs to the public sector.

GOVERNANCE AND DECISION-MAKING

11.1 The current governance arrangements are arguably more complicated than is desirable, in part reflecting that the resources are accountable to elected members through COSLA. The network should also have a stronger voice. The Business Gateway Scotland Board should have the authority to approve strategic decisions informed by operational observations from BGON - the vehicle for operational development, performance monitoring and operational decisions. Other stakeholders should feed into this process where appropriate.
MAIN CONCLUSIONS AND RECOMMENDATIONS

12.1 Overall there are 29 recommendations arising from the review. In relation to the delivery model measures should be put in place for local tendering in lowland Scotland (and delivery arrangements in the Highlands and Islands) which are informed by national guidance (e.g. around unit costs and value for money).

12.2 The current arrangements in the Highlands and Islands should be extended by 6 months to bring them into line with lowland Scotland. Funding allocations should be related to population, deprivation or both, and within the core offer, targets should be sensibly varied to reflect socio-economic targets.

12.3 The use of the sub-growth pipeline should be continued and encouraged and the VAT+ and VAT pipeline segmentation retained. The use of local discretion, to reflect local circumstances and local gaps in provision, should be encouraged.

12.4 The existing event/workshop programme should be reviewed to see how improvements can be made and ‘non resource intensive’ aftercare should be included on a formal basis to enhance quality and impact.

12.5 New and innovative forms of advice provision are encouraged and also close alignment between the enterprise awareness agenda and Business Gateway. The main positive features of the current website should be retained under the new business portal and consideration given to making the website easier to navigate. The EFRS as a base resource, augmented locally, makes sense.

12.6 In terms of alignment, Business Gateway should continue to engage with partners nationally via Memoranda of Associations and/or service agreements with key partners. Measures to improve co-ordination and communication across the Business Gateway service between Local Authorities and Scottish Enterprise/Highlands and Islands Enterprise should be put in place, particularly in relation to the growth pipeline and acceptance into Account Management. Consideration should be given to increasing the range of services available for sub-growth pipeline businesses. There should also be contractual requirements for engaging with the private sector/intermediaries.

12.7 The National Unit function should be further developed and resourced and its location reconsidered. Partners may wish to consider streamlining governance structures. Wide dissemination of the communication plan is required to increase the profile, visibility and strength of the service and a series of meetings should be sought with new government ministers to brief them about service activities and achievements.

12.8 Finally, a more sophisticated range of monitoring measures needs to be developed that reflects the quality, impact and longevity of activities more readily. Attention should be given to further increasing the additionality of the support provided.

12.9 Copies of the full report to the BGON will be available in the Members’ Lounge.