



Your Moray - Your Prosperity

**REPORT TO: WEALTHIER AND FAIRER STRATEGIC GROUP ON
13 NOVEMBER 2008**

SUBJECT: BUSINESS GATEWAY TRANSFER

BY: DIRECTOR OF ENVIRONMENTAL SERVICES

1. REASON FOR REPORT

1.1 To report progress made in the transfer of Business Gateway functions.

2. RECOMMENDATION

2.1 It is recommended that the Group note the content of this report

3. BACKGROUND

3.1 As part of the restructuring of the Enterprise Network, the Cabinet Secretary John Swinney announced in September 2007:

- The removal and dissolution of the Local Enterprise Companies.
- The transfer of responsibility for the provision of local business support through Business Gateway to local authorities.
- An agenda for co-location of local enterprise staff alongside relevant local authority colleagues.

3.2 Business Gateway was introduced in 2003 to act as the first point of contact for all publicly funded services to business in the Scottish Enterprise area. It provides mainly information and advice to business including start up businesses through one to one advisory sessions; a dedicated web site, a call centre and regular workshops.

3.3 In the Highland and Islands area, HIE delivers a Business Advisory Service through Development Partners, these are consultants who deal with clients on a one to one basis. It does not provide a number of services and activities which Ministers want to be available in the Highlands and Islands area to be consistent with Gateway services in the rest of Scotland. For example HIE does not do national marketing and branding of the Business Gateway nor does it have drop-in offices for business enquiries, or make use of a call centre.

3.4 In Moray during the period November 06 to October 07, 809 enquiries were referred to the supply partners for advice, resulting in 504 days of one to one advice (business start up (290 days) IT and E-Commerce (125 days), finance and grants (28 days), business growth (38 days) and sales and marketing (28 days).

HIE has estimated the average yearly direct spend in Moray for the Gateway service delivery is £202,000; to this should be added a share of the £690,000 HIE core costs, such as management, and administration overheads.

3.5 Following the Government announcement, a working group, the Business Gateway Liaison Group, was established with the 7 Local Authorities within the Highland and Islands area, HIE, COSLA and the Scottish Government.

3.6 Three options on the way forward were presented to Local Authorities in December 2007. These options were 1) a regional delivery based on the present arrangements, (2) a new contracted-out delivery arrangement and (3) the "in-house" delivery option. In January 2008, all 7 Local Authorities indicated the "in-house" option would best serve the interests of the business and wider community in the Highland and Islands, and in a letter to COSLA, dated 30 May 2008 the Cabinet Secretary agreed to that model provided there was agreement on minimum standards for national consistency of the service.

3.7 Business Gateway Delivery in Moray

3.7.1 Currently all enquiries go to the HIE Forres staff, via either e-mail or telephone, where they are assessed for referral to the appropriate Development Partner consultants who can provide the advice either at the client's home/business or from their own base. In the case of business start ups, the client may be offered the chance to attend a start up course.

3.7.2 Under the new Business Gateway arrangements clients can log requests on line to bgateway.com; by telephone to either the national call centre or the Moray Business Gateway office; or by visiting or e-mailing the Local Gateway office, or e-mailing the local office. A meeting with the appropriate advisor will then be offered to clients.

3.7.3 Three options have been considered for the delivery of Business Gateway in Moray:

- i) Contract out the provision of all advice. From figures provided by HIE the average value of outsourcing the service is around £200,000. A contract to outsource the service would require to follow the EU procurement rule, if tendered as a whole, and would be a lengthy option, and is likely to be more expensive than an "in-house" delivery. It would also require a person in the Council taking calls, assessing, referring and monitoring enquiries to the contractor.
- ii) A complete "in-house" delivery would not be cost effective as the range and amount of specialist services required would not warrant employing full time staff. A breakdown of the type and volume of advice provided during 2006/07 is attached (Annexe 1).
- iii) It would be possible to deliver 'in-house' some of the advice such as the business start up which forms the bulk of the advice provided and contract out or share with other Councils the more specialised advice such as IT

and E-commerce. This option will provide financial benefit as it cuts out subcontractors. It will also provide the opportunity to offer a more co-ordinated approach to business needs, not only providing business advice but also being able to provide the relevant Council service such as Planning, Trading Standards, Estates. All staff providing the service will also be trained to national Business Gateway Premier Advisor standard.

iv) Highland Opportunities Ltd (HOL) is the Enterprise Trust owned by Highland Council. Highland Council is proposing to use HOL to provide Business Gateway in the Highland Council area. Highland Council has offered Moray Council the opportunity for HOL to also deliver Business Gateway in Moray, to a specification required by the Scottish Government but taking account of the Moray Council's local needs. This option is also being investigated further.

3.8 In order to provide a service similar to Business Gateway in the Scottish Enterprise (SE) area, the service delivery would most likely be from office space based in Elgin, accessible to the public, and suitable accommodation is currently being investigated. Rural areas might make use of the Council's libraries and access points, which have internet and other sources of information.

3.9 The question of transfer of the national support functions such as IT, the Customer Relation Management (CRM system), national marketing and the telephone enquiry service has been remitted to a Transitional Steering Group chaired by Scottish Government officials. It is not yet known if those services currently operated by SE can be extended, in their present form, to the Highlands and Islands.

3.10 The Scottish Government expect the transfer of Business Gateway functions to be completed by April 2009. It is anticipated that Business Gateway in Moray will go live earlier in 2009, with the services being provided under the present arrangement by the Development Partner system until the end of March 2009, thus providing a transitional period.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Development Plan/Community Plan/Service Improvement Plan

The Council is committed to the support and promotion of Economic Development.

(b) Policy and Legal

It is a legal requirement that the Council provides for a Business Gateway service in Moray.

(c) Resources (Financial, Risks, Staffing and Property)

Financial

The agreement between COSLA and the Scottish Government was that the transfer of functions should be cost neutral to local authorities. £200,000 plus a share of the £690,000 overhead should therefore transfer from HIE to the Council for 2009/10 fiscal year in addition it is expected that setting up costs will be covered. The transfer of budget for the delivery of the national services is still to be agreed. It is therefore vital that all financial information is made available to the Council and that the Government's objectives of a 'cost neutral' transfer is achieved.

Staffing

While the transfer arrangements can be accommodated under the present staffing levels, the delivery of Business Gateway will have staffing implications and will be reported to a later Committee of the Council.

(d) Consultations

- Discussion with the other 6 Highlands and Islands Local Authorities, HIE and Scottish Government is ongoing. All Local Authorities are following a similar in-house model.
- Discussions have taken place between the Scottish Government, COSLA and the Highlands and Islands Local Authorities' Convenors, where agreement to an in-house delivery was reached.

5. CONCLUSION

- 5.1 The Business Gateway transfer has prove to be a complex matter not only in trying to achieve the Government's aim of parity with SE, in the HIE area, but in reaching a consensus with the 6 other authorities in HIE as to how a cost-effective, but local, service can be provided.
- 5.2 The division of HIE's budget for Business Gateway into seven local authority areas means a hybrid delivery is likely to be the most viable, using a mix of national, regional-partnership and local support services.
- 5.3 While it may be possible to achieve transfer by 1 April 2009, much more negotiation is still needed, to ensure the transfer is "cost neutral" to the Council. However, the present service is being maintained by HIE with an anticipated transition period in early 2009.

ITEM:

PAGE: 5

Author of Report: Stewart Halkett, Head of Development Services

Background Papers:

Ref: SH/MS