

ABERDEEN CITY COUNCIL

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COMMITTEE Enterprise, Planning and Infrastructure

DATE 13 Nov 2011

DIRECTOR Gordon McIntosh

TITLE OF REPORT **BUSINESS GATEWAY - NEW CONTRACT**

REPORT NUMBER: EPI/11/305

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1. PURPOSE OF REPORT

This report

The report advises on proposals (and suggestions for amendment to these proposals) for future delivery of the Business Gateway in Scotland to be incorporated into new contracts due to begin in September 2012.

The report advises that the current contract for delivery expires in September 2012, with tendering for the replacement contracts due for completion in June 2012 allowing for a three month transition period.

2. RECOMMENDATION(S)

That the Committee:

1. Notes the success of the Business Gateway arrangements over recent years
2. Continues to devolve business start-up activity to the Business Gateway
3. Continues to use Aberdeenshire as the management agent for Aberdeen City and Shire Business Gateway funding
4. Agrees with the proposed new contract arrangements (and suggested local amendments), outlined in Aberdeenshire's paper.
5. Nominates two ACC Councillors to participate in the Invitation to Tender (ITT) process. Subject to advice from legal services.

3. FINANCIAL IMPLICATIONS

There are no financial implications for Aberdeen City Council. Funding for the Business Gateway contract is provided by the Scottish Government and held within the accounts of Aberdeenshire Council.

#### 4. OTHER IMPLICATIONS

Members and officers from Aberdeen City Council will be involved alongside the Central Procurement Unit and members and officers from Aberdeenshire Council in finalising the detailed ITT, assessing the tender bids and awarding the new Business Gateway contract.

Officers from Aberdeen City Council will engage with officers from Aberdeenshire Council and the delivery agent in setting and monitoring of targets set within the contract and identifying areas of local flexibility for additional actions.

It is anticipated that there will be an increased level of officer time committed to ensuring that the maximum benefit is achieved from the award and delivery of the new Business Gateway contract. This increased officer engagement time can be achieved within the current workload of Economic and Business Development service staff.

#### 5. BACKGROUND/MAIN ISSUES

An independent evaluation of the Business Gateway service was conducted in early 2011 by independent Economic Development and Regeneration consultants EKOSGEN. This evaluation concluded that the service provided was fit for purpose and delivering benefits for customers (key findings are attached as appendix 1 to the report to Aberdeenshire Council Infrastructure Services Committee, 6<sup>th</sup> October 2011). The evaluation also made a number of recommendations for the improvement of the service focused on maximizing the impact whilst ensuring value for money. A summary of proposed changes and the response of the local Business Gateway group is attached as Appendix 2 to the report to Aberdeenshire Council Infrastructure Services Committee, 6<sup>th</sup> October 2011.

Aberdeenshire Council Infrastructure Services Committee of the 6<sup>th</sup> October 2011 approved the response of local officers to the proposals for a revised Business Gateway contract to operate from September 2012 (attached here as Appendix A)

In addition to the recommendations contained in the officers report the committee, through an amendment brought at the meeting, also agreed to two members of the committee participating in the local group to be established to finalise the detailed ITT, assess tender bids and award the new Business Gateway contract.

In addition the Business Gateway service is also currently the subject of an inquiry by the Scottish Parliament's Economy, Energy and Tourism Committee. Service users and providers will be asked about the strengths and weaknesses of the service as well as how successful previous contracts have been in securing business support services.

The inquiry will also consider whether service targets should be based entirely on the Scottish Government's economic strategy or consider the opportunity for increased local flexibility.

### **Existing Delivery Model and Contract**

#### Original Business Gateway Delivery Model:

The Business Gateway business support programme was introduced by Scottish Enterprise in July 2003 and provided a range of services including business information, business start-up support and services to existing businesses.

Local Enterprise Companies managed the delivery of these services through a variety of local arrangements including external subcontracts.

#### New Business Gateway Delivery Model:

During 2007 Scottish Enterprise undertook a national tender process for delivery of Business Gateway services across the country. Enterprise North East Trust (ENET) Ltd won the contract to deliver these services in the Aberdeen City & Shire area from 1 October 2007 for a period of five years.

During the national tender process, Scottish Enterprise took the opportunity to re-focus resources on those businesses that would offer the highest potential return in terms of growth. The new model limits access to one-to-one advisory support to those businesses where the potential return in terms of impact on the economy is greatest. The emphasis is on assisting;

- a) start-up businesses that can reach the VAT threshold of £68,000 turnover within a year (referred to as VAT+ starts) and
- b) start-up and existing businesses that can increase turnover by £400,000 within 3 years. These businesses, referred to as Growth Pipeline businesses, can then access services provided by Scottish Enterprise.

The new model contains two elements which are operated and managed on a national basis by Scottish Enterprise with a view to enhancing the marketing of the service;

- a) The web service (bgateway.com) to deliver increased functionality, including an increased number of interactive services, such as diagnostic tools. The site holds Business Plan templates and the facility for individuals to book onto local courses.
- b) A new centralised Enquiry Service to provide call-handling facilities for the main 0845 609 6611 Business Gateway number and manage the research function for business information.

The other key element of the model is the **Business Gateway local contracts** which provide the following services;

- a) Local delivery of one-to-many workshops and events as part of a coordinated catalogue of workshops.
- b) Assisting businesses to start up, particularly moving businesses to VAT+ status which is a priority of the new Business Gateway model.
- c) Identifying both start-up and existing businesses with growth potential and helping them move through the “Growth Pipeline” into the enhanced service provided by Scottish Enterprise.

On 31 March 2008, following a ministerial announcement, these Local Contracts were assigned from Scottish Enterprise to Local Authorities. In Aberdeen City & Shire, with the management of the local contract assigned to Aberdeenshire Council.

### **Local Delivery**

In April 2009 a Business Gateway pilot project entitled “**Survive and Thrive**” was introduced to assist businesses struggling in the difficult economic climate. There were 29 businesses assisted via the project with 14 of these businesses receiving 3 or more days of intensive support. The pilot programme evaluation produced positive feedback from a sample of clients and an estimated 150 jobs were safeguarded. As a result, the programme has been extended into 2010/11 with 56 businesses receiving support to the end of the 2010 calendar year.

Following a 6-month review in October 2010 and meetings with the ENET management team, the VAT+ Starts target was reduced and support diverted to achieving over the 2010/11 period - 25 additional workshops 5 additional Growth Pipeline starts, 36 new Website Reviews for existing businesses and a Business Booster pilot programme for 8 businesses with growth aspirations that currently fall beneath the Growth Pipeline criteria.

**First Employee Grant Scheme** – £300,000 of unallocated Business Gateway funds were approved for utilisation in the establishment of the First Employee Grant Scheme. This three year scheme which was launched in April 2011 will offer a £1,000 grant and advice to businesses to assist in taking on (and maintaining employment of) their first employee.

<b>2010/2011</b>	Annual target	Actual	Percentage Achieved
Volume Start Up	1000	1000	100
VAT + Pipeline	240	184	77
VAT+ Start Up	150	132	88
Events Start Up	285	292	102
Events existing business	134	135	100
Start ups into growth pipeline	26	26	100
Existing business into growth pipeline	60	52	87
Start ups into SE account Management	7	8	114
Existing into SE Account Management	15	13	87
<b>Other activities</b>			
Survive and Thrive	68 businesses assisted. On budget £80,000		
<b>Overall Expenditure</b>	Expenditure for the year was £46k behind profile. This shortfall is within 3% of the total contract, and an acceptable result given the ongoing issue in attracting VAT+ businesses to seek assistance.		

As shown in the table above the local contract exceeded or matched target in volume starts, starts into growth pipeline and SE account management. The target number of events was also met within budget. The figures also show a better than national average performance (see table below) in delivering contract to target.

There remain challenges in achieving target growth for companies in the current economic environment. This is highlighted in below target returns for VAT+ figures and moving existing companies into growth pipeline or SE account management.

## National Delivery 2010/2011

	Annual Target 10/11	Actual at year end March 2011	Percentage of annual target achieved
Volume start up	10,469	<b>11,242</b>	<b>107</b>
VAT + pipeline	1,215	<b>930</b>	<b>77</b>
VAT + start up	1,580	<b>1,270</b>	<b>80</b>
Events – starts ups	3,614	<b>4,836</b>	<b>134</b>
Events – existing business	2,523	<b>2,470</b>	<b>98</b>
Start ups into Sub Growth Pipeline	75	<b>101</b>	<b>135</b>
Existing businesses into Sub Growth Pipeline	410	<b>340</b>	<b>83</b>
Start ups into Growth Pipeline	238	<b>240</b>	<b>101</b>
Existing businesses into Growth Pipeline	527	<b>371</b>	<b>70</b>
Start ups into SE/HIE Account Management	56	<b>36</b>	<b>64</b>
Existing businesses into SE/HIE Account Management	174	<b>105</b>	<b>60</b>

Nationally the Business Gateway exceeded target for start up businesses, start ups into growth pipeline and start up business events.

This suggests that whilst entrepreneurial activity is strong with regards start up activity the speed of growth of companies is below target due to continuing difficult economic conditions.

### 6. IMPACT

Business Gateway forms an integral part of the business development services offered within the region.

As such it assists in the delivery of the aims of Vibrant, Dynamic and Forward Looking in that:

“The future prosperity of our city depends on ensuring that Aberdeen becomes an even more attractive place in which to do business and so ensure that high quality employment opportunities exist for citizens”.

The Business Gateway delivers advice and support for start up businesses within the region and as such a review and continuation of the service will be of interest to the general public as the primary mechanism for business start up.

7. BACKGROUND PAPERS

Aberdeenshire Council Infrastructure Services Committee - 6 October 2011, *Business Gateway - New Contract* – Attached as Appendix A

Key Findings Ekosgen Evaluation – Attached to Aberdeenshire Council report as Appendix 1

Summary of proposed changes – Attached to Aberdeenshire Council report as Appendix 2

8. REPORT AUTHOR DETAILS

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**Aberdeenshire Council**

**REPORT TO INFRASTRUCTURE SERVICES COMMITTEE - 6 OCTOBER 2011**

**BUSINESS GATEWAY - NEW CONTRACT**

**1 Recommendations**

**That the Committee:**

- 1.1 Approves the response given on the proposed changes to the new Business Gateway contract post September 2012 in Appendix 2.**
- 1.2 Authorise the Chair to work with officers to attain reassurances on the issues outlined in 2.7.**
- 1.3 Instruct officers to come back to Infrastructure Services Committee with a report after receipt of tenders.**

**2. Discussion**

- 2.1 Aberdeenshire Council has been managing the local Business Gateway Contract for Aberdeen City Council and Aberdeenshire Council since April 2008. The local contract is delivered by Enterprise North East Trust Ltd (ENET). The Business Gateway Business Support Programme provides a range of services including business information, business start up and growth business support.
- 2.2 At Infrastructure Services Committee on 17 March 2011 (Item 19) members were given an update on the progress of the Business Gateway evaluation undertaken by consultants EKOSGEN in preparation for the new five-year Business Gateway contracts commencing on 1 October 2012. The key findings of the evaluation are given in Appendix 1.
- 2.3 The current contract ends in September 2012 and the complexity involved in retendering the service prompted sub-groups of the Business Gateway Operational Network (a Scotland-wide group of Business Gateway Managers) to be established to specify the content of the new tender. Aberdeenshire Council have had significant input to these groups over the last few months.
- 2.4 The outputs from these sub-groups are being collated by EKOSGEN and translated into a draft Invitation to Tender which has now been circulated to



local authorities for consultation. The main changes proposed for the new contract, together with a proposed response on behalf of the Aberdeen City & Shire area are summarised in Appendix 2.

- 2.5 The finalised Invitation to Tender will be taken to the Business Gateway Scotland Board in November 2011 for approval and will then be presented to the COSLA Regeneration and Sustainable Development Executive Group for their endorsement. The final Invitation to Tender will then be used by lead authorities to undertake the tender process for their area, culminating in an award of tender by June 2012 to allow, where necessary, a three month handover period.
- 2.6 Aberdeen City Council officers are in agreement with the above views and agree that Aberdeenshire Council will continue to be the lead local authority for the Aberdeen City & Shire area. Officers from both local authorities will continue to work together to set local targets and the allocation of budget across the various service areas. Aberdeen City Council will be submitting a similar paper to this one to their Enterprise, Planning and Infrastructure Committee on 15 November 2011.
- 2.7 Both Councils' officers believe it necessary that the Councils get reassurance from the Scottish Government on the following issues before a tender brief is issued for the new contracts:
  - a) continued access to the Customer Relationship Management computer system currently used by both Business Gateway and Scottish Enterprise.
  - b) a guarantee of funding for the next 5 year contract and notification of the agreed annual allocation for Aberdeen City & Shire in writing.
  - c) continued access to Scottish Enterprise products for Business Gateway growth businesses and acceptance, where appropriate, to the Scottish Enterprise Account Management service.
- 2.8 The Head of Finance and the Monitoring Officer within Corporate Services have been consulted and have agreed the report.

### **3. Financial and Staffing Implications**

- 3.1 The staffing implications for this paper are that the Head of Economic Development, the Business and Community Support Manager and the Business Gateway Manager, together with officers from Aberdeen City Council and the Central Procurement Unit will be involved in finalising the detailed ITT, assessing the tender bids and awarding the new Business Gateway contract.
- 3.2 The funding for Business Gateway comes from the Economic Development revenue budget, line 19, "Other Bodies and Organisations" (P93).

**Stephen Archer**

## **Director of Infrastructure Services**

Report prepared by, Sally Collinson, Business Gateway Manager  
7 September, 2011

## **APPENDIX 1**

### **EKOSGEN Evaluation – Key Findings**

- There was found to be no appetite for wholesale change in the delivery of Business Gateway. The considerable effort and success achieved by local authorities in integrating Business Gateway into their network was recognised. The evaluation recommends that the next contract continues with a core service coupled to local flexibility.
- The Business Gateway service is well regarded for start-up businesses and is developing its presence as a service for existing businesses. There is value in the national brand which needs to be reinforced and reinvested in. Supporting services such as the web-site and the Enquiry, Fulfilment and Research Service, managed by SE on behalf of local authorities, are regarded positively and are recognised as being integral and important parts of the delivery model.
- Having considered all aspects of management of the Business Gateway, including the Business Gateway National Unit, the evaluation advocates a “business as usual” approach, recognising that the current model represents good value for money. However, Scottish Government are keen to see further integration and alignment and therefore the expectation is that there will be, at most, the same number of contracts being tendered as previously. Some local authority areas are considering bringing the Business Gateway service in-house.

## **APPENDIX 2**

### **Business Gateway Contract – Summary of Proposed Changes**

<b>Proposed Change</b>	<b>Response</b>
A widening of the VAT segment to include PAYE registered clients	Agreed
Introduction of a centralised contact management service aimed at improving impact and encouraging re-engagement	Agreed
No longer requirement of £400k turnover increase over 3 years for growth businesses – criteria to be determined locally	Prefer to continue with current criteria so businesses are able to access SE products
Targets and payments for businesses accepted into SE Account Management based on referrals rather than SE acceptance	Agreed subject to referrals assessed as being of suitable quality
Up to 20% of the budget to be allocated to “Local Services” which are determined locally	Agreed
Increased allocation of budget towards growth services as opposed to start-up services	Prefer to maintain a minimum of 50% of budget towards entrepreneurship and start-up services