

North Lanarkshire Council Report

Enterprise & Growth Committee

approval noting

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The Future Delivery of the Lanarkshire Business Gateway Service

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Executive Summary

The Lanarkshire Business Gateway Service delivers business advisory services and workshops to both start-up and existing businesses across Lanarkshire on behalf of North and South Lanarkshire Councils. The service which is a nationally branded service is delivered locally across Scotland. In Lanarkshire, the service is currently delivered through a contract with Lanarkshire Enterprise Services Ltd (LESL). Service delivery within the current contract commenced on 1 March 2017 for a 25-month period with the option to extend for a further 12-months and then a final 11-months. The contract is split over two Lots: Lot 1 delivers business start-up services and Lot 2 delivers growth services. By supporting the growth and sustainability of local business and sectors, the service aligns with both the Plan for North Lanarkshire and the Council's Economic Regeneration Delivery Plan.

The service continues to perform well supporting 1,000 new business starts and over 500 existing business per annum. This report provides an update to the Enterprise and Growth Committee on current service delivery and the proposed extension of the final 11-months of the contract to 28 February 2021.

In preparation for service delivery from 1 March 2021, an options appraisal has been undertaken to determine the most appropriate delivery model for the future provision of the service with the recommendation, in principle, to continue service delivery through a contracted model with a revised and updated service specification. Further discussions require to take place within South Lanarkshire Council on the outcome of the process to date and any subsequent amendments to the recommendation will be brought back to the Committee.

Whilst full funding for the Business Gateway service is in place from the Scottish Government through the Council's Revenue Support Grant, the council has been able to provide additional services to support business growth utilising funding from the European Regional Development Fund. The Council has been awarded a further £1,017,251 on behalf of both North and South Lanarkshire Councils to continue the delivery of these additional services to March 2023.

Recommendations

It is recommended that committee:

- 1) Consider and note the contents of this report.
- 2) Note the decision of the Business Gateway Steering Group to extend the current Business Gateway contract with the current contractor for a further 11 months to 28 February 2021.
- 3) Approve the proposal in principle, to commence a tender process for the continued delivery of the Lanarkshire Business Gateway Service from 1 March 2021, subject to confirmation from South Lanarkshire Council following their further discussions.
- 4) Note the successful bid for additional ERDF funding of £1,017,251 to further support Small and Medium sized enterprises (SMEs) with the delivery mechanism to be considered and agreed by the Lanarkshire Business Gateway Steering Group

The Plan for North Lanarkshire

Priority Improve economic opportunities and outcomes

Ambition statement (5) Grow and improve the sustainability and diversity of North Lanarkshire's economy

1. Background

- 1.1 Business Gateway is a publically funded service that provides free business support and impartial advice for start-up and existing businesses based in Scotland. Following changes to the delivery of local economic regeneration agreed in 2007, the delivery of the Business Gateway service across Scotland was transferred to local government on 1st April 2008 in order to align more closely with local priorities and economic development.
- 1.2 Since then the local authorities have been responsible for the delivery of the service in local areas with eighteen Lead Local Authorities (LLAs) coordinating the delivery on behalf of the local authorities in their respective Business Gateway region. In Lanarkshire the LLA is North Lanarkshire Council, who manage the delivery across North Lanarkshire and South Lanarkshire.
- 1.3 In Lanarkshire, the Business Gateway Service is outsourced and delivered by a third party contractor. The current contractor is Lanarkshire Enterprise Services Limited (LESL). In March 2017, following a competitive procurement process LESL were awarded the current contract for the provision of the Business Gateway services in Lanarkshire. The contract was for an initial 25 months to 31st March 2019, with the option to extend the contract for a further two periods of twelve months and eleven months respectively. In November 2018 the Business Gateway Lanarkshire Steering group agreed to extend the contract into the current period to the 31st March 2020. There is the option to extend the contract for a final period to the 28th February 2021.

- 1.4 A Lanarkshire Business Gateway Steering Group is in place to oversee the strategic direction and performance of the service in Lanarkshire. The group consist of 4 elected members and senior members from both North and South Lanarkshire Councils supported by operational staff who have responsibly for contract management. The group is chaired by an elected member from South Lanarkshire Council and meets on a quarterly basis.
 - 1.5 At a national level, the Business Gateway National Unit based within COSLA provide local services with marketing, branding, PR, and quality assurance support.
 - 1.6 The total value of the current 4 year contract is £5,528,821 of which £4,738,126 is funded by the Scottish Government and paid through North Lanarkshire Council's Revenue Support Grant (RSG) and £790,695 from ERDF funding. ERDF funding was due to expire in December 2018 but following Committee approval in September 2018 to submit an extension request, the bid successfully secured an extension to the ERDF programme of £1,017,251 to March 2023.
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2. Report

Performance of the current Business Gateway Contract

- 2.1 The current Business Gateway contract continues to perform well. In relation to the Lot 1 start-up service, from 1 March 2017 to 30 November 2019, there have been 2,757 businesses supported to start trading in the Lanarkshire area of which 1,431 were within North Lanarkshire. For the last full financial year to 31 March 2019, there were 1,000 businesses supported to start trading of which 512 were in North Lanarkshire.
- 2.2 Within the Lot 2 growth service, each business receiving business growth support is allocated a Business Gateway advisor who operates as a single point of contact for Business Gateway services. Where needed, advisors can offer to carry out a business development review and develop action plans to help enterprises identify, structure and progress their growth plans. The target is to support over 500 growth businesses per year. For the financial year April 2018 to March 2019 527 growth businesses were supported.
- 2.3 A unique service delivered in Lanarkshire has been the innovative SMART Accelerator programme. This is a programme that runs in cohorts of up to 14 entrepreneurs to help them scale their business through a unique blend of business growth support. Since the beginning of the current contract 7 Accelerator programmes have been run, supporting over 100 high growth businesses
- 2.4 The service also provides an expert help programme which has been supported through the European Regional Development Fund. This allows growth businesses to access up to 3 days of fully funded consultancy support to provide additional specialist skills which are not available within some SME's, such as marketing or finance. This service has provided businesses to access over 800 days of specialist support since the beginning of the current contract.
- 2.5 The quality of the service delivered by Business Gateway Lanarkshire is measured at a National level. For the 12 months to 31st March 2019 the Lanarkshire service continued to exceed its key quality assurance targets:

Service	Target	North Lanarkshire	South Lanarkshire
Overall Satisfaction	80%	90%	89%
Service Delivered met expectations	75%	88%	85%
Benefit the business will gain from the service received	75%	88%	85%
Would recommend Business Gateway	75%	88%	92%

Source: Business Gateway National Unit

Extension of the Business Gateway Contract and Next Steps

- 2.6 The contract with LESL is for 4 years; for an initial 25 months to 31st March 2019, with the option to extend for a further two periods of 12 months and 11 months respectively. In November 2018, the Lanarkshire Business Gateway Steering Group agreed to extend the contract into the current period. This was following analysis of the practicalities of the available options for delivery and the contract performance.
- 2.7 At the May 2019 Lanarkshire Business Gateway Steering Group it was agreed to undertake an Options Appraisal to consider how to best manage and deliver the Business Gateway Lanarkshire service when the current contract comes to an end. Nominated Officers from North Lanarkshire Council and South Lanarkshire Council commenced an options appraisal on the Business Gateway Service. This exercise has now been completed. Should Committee approve the recommendation in principle, the mobilisation and implementation of the model will be progressed over the next 12 months to enable the new contract to commence on the 1st of March 2021.
- 2.8 Due to the current successful performance of the contract and the timescale to make an informed decision on the future delivery and implement said model, the Lanarkshire Business Gateway Steering Group agreed on 30th May 2019 to support extending the current contract into the final period from the 1st of April 2020 to the 28th of February 2021.

Overview of the Options Appraisal and Implementation of the New Service Delivery

- 2.9 The options appraisal has been a useful exercise in reviewing options in relation to the Business Gateway Lanarkshire Service. The options appraisal has allowed a number of different delivery models to be explored and evaluated against the economic objectives and strategic priorities of both Councils. It has helped to ensure that an informed recommendation is made by providing a process that requires; identifying the key objectives to be achieved, the different ways of achieving these objectives and the pros and cons of each.
- 2.10 The following strategic objectives and outcomes for the service moving forward have been identified as:
- Encourage businesses to invest in Lanarkshire
 - Provide support to start-up businesses in Lanarkshire
 - Support Lanarkshire businesses to grow
 - Attract new businesses to the service

- Focus on key sectors, including but not limited to – tourism, construction, food and drink, life sciences, and the social economy.
- Support inclusive growth
- Support impacts of BREXIT and businesses impacted
- Encourage a positive business centric eco-system to encourage business activity.
- Providing a cost effective service that joins seamlessly with other local authority and partner services
- Develop an effective and nimble structure that enables the service to be responsive to customer needs and changes in the economic environment

2.11 The potential delivery options were discussed and 8 possible delivery options were identified:

- 1) Tender a new contract with an external supplier based on a new and updated draft specification for the Business Gateway Service;
- 2) Retender the existing contract and continue to deliver the current services externally;
- 3) Deliver the service in-house by bringing the Business Gateway Service into the Councils to be delivered;
- 4) Set up a new company that is wholly owned by the Councils to deliver the service;
- 5) Deliver the service as a regional model through the Glasgow City Region to ensure consistency of service and economies of scale;
- 6) Deliver the service locally with a regionally branded Business Gateway;
- 7) Set up individual contracts for certain services;
- 8) Do nothing and pull out of delivering Business Gateway provision across Lanarkshire

2.12 Following consultation and engagement with key stakeholders, including local businesses, the options appraisal exercise was completed.

2.13 Based on the outcome of the options appraisal, in principle it is recommended that the most appropriate mode of delivery for the future Business Gateway Service is to tender a new contract with an external supplier and develop a new and updated service specification that meet the needs of the strategic objectives and align to the economic plans for both Councils. This recommendation has been agreed in principle by the Business Gateway Steering Group. Further discussion within South Lanarkshire Council is required to confirm the recommendation. Details and any implications of further discussions with South Lanarkshire Council and impact on the proposed course of action will be reported to Committee to be actioned accordingly.

2.14 Subject to approval at this committee to progress the procurement, a service specification shall be designed and finalised to reflect the objectives and outcomes to be achieved. The feedback obtained from local businesses, business support partners, other suppliers of the Business Gateway Service and Business Gateway advisors shall be utilised to ensure the service specification promotes business start-ups and business growth in the Lanarkshire area.

2.15 The tendering process is anticipated to take place between April 2020 and October 2020, with the outcome of the tender report to November 2020 Committee to enable the new contract to commence on 1st March 2021.

Extension of European Regional Development Support

- 2.16 In 2014 North Lanarkshire Council on behalf of North Lanarkshire Council and South Lanarkshire Council successfully secured a Lanarkshire-wide bid for ERDF funding to augment business support services available to eligible SMEs across Lanarkshire. The total funding secured was £1,796,010 for activities during the period 1st October 2015 to 31st December 2018 of which £1,214,048 was for business growth support through the Business Gateway Service. A portion of this was drawn down on the previous Business Gateway contract. The remaining funding secured was for the grant programme and a small amount of staffing costs.
- 2.17 The ERDF funds to augment Business Gateway business growth services were used to design a programme of support to meet the needs of the Lanarkshire SME market, as well as fit the funding model and thematic priorities for ERDF funds in Scotland. The key aims of the support were to accelerate business growth, help businesses access markets, increase productivity and ultimately drive sustainable economic growth and job creation in the region. Support in Lanarkshire has been concentrated through the following two strategic streams plus a small amount of additional funding for staff monitoring the funding:
- 1) Business Competitiveness Grant Support – Lanarkshire
 - 2) Business Advisory, Expert Help and Workshop Support through Business Gateway Lanarkshire
- 2.18 Further to Committee approval on the 5th September 2018, an extension request was submitted to continue the support. Confirmation has now been received from Scottish Government that our bid has been successful. An offer of grant has been made until March 2023. In relation the Business Gateway strategic stream £1,017,251.48 has been secured for the programme with the aim of supporting over 900 unique businesses. Officers are currently in discussion on how best to utilise this funding, with the key objectives of:
- Providing support, advise and expertise to help increase turnover
 - Providing assistance for product and process innovation
 - Helping businesses to improve productivity and efficiencies
 - Helping businesses to access new domestic and International markets
 - Providing support to accelerate business growth
- 2.19 As noted at Committee on 5th September 2018, the Council are required to commit annually to a level of match funding from the Lanarkshire Business Gateway contract funds. Therefore, while the offer of grant has been made until March 2023 the Council, together with partners South Lanarkshire Council, would have an annual opportunity to review the financial commitment. The Councils would also have the opportunity to modify the support and activities in response to economic changes throughout the funding period.
- 2.20 The mechanism for delivery of the of the additional business support is currently being considered and approval will be sought from the Lanarkshire Business Gateway Steering Group, to determine how funding secured through the ERDF programme shall be utilised to augment business growth services available to Lanarkshire SME's. An update on decisions made in relation to Business Gateway ERDF strategic funding shall be provided at a future Enterprise and Growth Committee.

3. Equality and Diversity

3.1 Fairer Scotland Duty

We monitor the impact of equalities and socio-economic disadvantage as part of the Business Gateway contract

3.2 Equality Impact Assessment

An Equality Impact Assessment is not required for the purposes of this report.

4. Implications

4.1 Financial Impact

The provision of the service is fully funded by the Scottish Government through the Council's Revenue Support Grant (RSG). In addition, following successful bids in 2014 and 2019, business growth services available to SME's through Lanarkshire Business Gateway is also supplemented by ERDF funding. The Council are required to commit annually to a level of match funding from the Lanarkshire Business Gateway contract funds. Therefore, while the offer of grant has been made until March 2023 both Councils would have an annual opportunity to review the financial commitment.

4.2 HR/Policy/Legislative Impact

There may be TUPE implications for the successful contractor

4.3 Environmental Impact

There are no negative environmental impacts recognised. As a result of some of the types of support given through the Business Gateway Service; it is expected that the service has a positive environmental impact.

4.4 Risk Impact

Risk related to the Business Gateway Service are closely monitored as part of the contract management and all business support delivered by the contractor is agreed by the Council prior to funds being remitted for the provision of the service.

5. Measures of success

5.1 North Lanarkshire Council continues to play a leading role in supporting local SMEs and aiding their growth and prosperity. The new service delivery will measure performance indicators from North Lanarkshire Council's Performance Framework:

- Number of new start businesses that have accessed support through the Lanarkshire Business Gateway Service
- Number of existing businesses that have accessed support through the Lanarkshire Business Gateway Service

- Jobs projected to be created as a result of the support provided
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