To: Jobs and Economy Thematic Board

On: **5 September 2016**

Report by:
Director of Development and Housing Services, Renfrewshire Council

Business Gateway / Business Birth and Death Rates

1. Summary

1.1 Renfrewshire Council manage the delivery of the Business Gateway contract across the wider Renfrewshire area (incorporating East Renfrewshire and Inverclyde). A steering group comprising of senior officers from each local authority is in place to oversee the delivery of the contract.

1.2 Over the past two years a significant number of local authorities have moved to an in-house delivery model for Business Gateway and at the 2nd September 2015 Economy and Jobs Policy Board it was agreed that the Director of Development and Housing Services undertake an options appraisal to consider the most appropriate delivery model for the future Business Gateway services and that the existing Business Gateway contract would continue for up to a further 1−year period to 30 September 2016.

1.3 This report seeks to inform of the recommendations of the appraisal and to outline the proposed model for the future delivery of the local Business Gateway services beyond the current contract.

1.4 The paper also provides the most recent annual figures for the Business Birth and Death rates for Renfrewshire and Scotland.

2. Recommendations

2.1 It is recommended that the Board:

- Note the recommendations of the report that the Business Gateway Service will be delivered separately and in-house by the 3 local authorities from 1st October 2016.
- Note the annual figures for the Business Birth and Death rates.

3. Background

3.1 The Business Gateway service provides information and support to individuals setting up a new business or growing an existing business. Business Gateway is a national brand and is delivered at a local level across Scotland alongside a range of council services which also support business start up and growth.

3.2 Renfrewshire Council manage the delivery of the Business Gateway contract across the wider Renfrewshire area (incorporating East Renfrewshire and Inverclyde). A steering group comprising of senior officers from each local authority is in place to oversee the delivery of the contract.

3.3 The delivery of Business Gateway services in the Greater Renfrewshire and Inverclyde are is contracted out to Lanarkshire Enterprise Services Limited (LESL), based at Hillington Park. They won the contract through a tender process and commenced delivery on 1st October 2012, on a three-year contract, with options to renew for a further two individual years.

3.4 Over the past two years a significant number of local authorities have moved to an in-house delivery model for Business Gateway (BG). Following the Economy and Jobs Policy Board of 2nd September Renfrewshire Council, acting as lead local authority on behalf of Renfrewshire, East Renfrewshire and Inverclyde Council commissioned a research study to identify the most appropriate and effective approach for delivering future Business Gateway (BG) services across the region.

4. Business Gateway Delivery Models across Scotland

4.1 While each local authority in Scotland has its own BG services, the service is structured into **19 BG areas**, eight of which comprise small groups of neighbouring authorities. In each of these eight areas, there is a Lead local Authority which acts as the lead contracting partner, receives the funding from the Scottish Government and distributes this across its partner authorities. The lead authority is also responsible for reporting performance measures into the BG National Unit hosted at COSLA.

4.2 In terms of service delivery, there is a patchwork of different structures across the country, with some authorities contracting delivery to third party providers and others delivering in house. Some also operate a more hybrid approach with third parties delivering some but not all aspects of the service. A table of current models is attached as Appendix 1.

4.3 Crucially, there is (to date) no consensus on which approach works best (is the most effective and efficient), and it is more likely that different approaches will suit different authorities depending on contractor and stakeholder relationships, track records and the resources within authorities.

4.4 While there is a mix of different approaches the trend in recent years has been for Local Authorities to bring delivery in-house, albeit there are some who strongly content that external delivery is still the optimum approach.

5. Research and Options Appraisal

5.1 A research and options appraisal report was commissioned to support the 3 Councils in establishing the most appropriate model for the future delivery of the local BG services. The report was asked to consider:

- potential to achieve financial savings and other benefits; and
- Opportunity to improve the future service delivery and outcomes.

5.2 The brief was to consider various options for delivering and achieving the future objectives of the local Business Gateway services which included:

- Status quo (ie continue to contract in full);
- Tender some elements of the programme; or
- Bring delivery in house

The brief also identified a range of tasks relating to the option appraisal, including:

- assess the costs and benefits of the different options – both quantifiable and non-quantifiable;
- identify all the pros and cons of the options - quantifying and valuing them wherever possible;
- consider any risks and sensitivities; and
- consider the most appropriate and best value use of resources, not just focussing on the lowest initial costs but also the actual returns, and make a recommendation for future delivery.

6. Delivering Businesses Gateway in future Years – Preferred Model

6.1 The appraisal process assessed the various options for delivery against a set of criteria. The final report indicated that the in-house versus out-sourced model were unlikely to deliver significantly different outputs as there is no evidence that either model (in-house or out-sourced) delivers superior activity.

6.2 The option which offered the greatest potential for future savings and flexibility was the in-house option and this was the option preferred by the Steering group. For that reason for preferred option is to bring the contract in-house with each of the three local authorities operating their own local service and where there is potential to deliver savings in a number of ways:

- the internal delivery options would not include a contractors management fee or contribution to overheads;
- there may be less need for internal contract management and reporting time requirements;
- an internal approach is not tied to a formal contract and associated fee and offers more flexibility to individual LAs.

The in-house model would also offer more flexibility and allow the LA to move or realign resources towards developing priorities.

6.2 It is proposed therefore that the Business Gateway delivery is managed and delivered locally by each of the 3 local authorities, for their own area, from 1st October 2016.

7. In-House Delivery Model at Renfrewshire Council

7.1 The Economic Development team at Renfrewshire Council already has a wide range of business supports on offer – staff expertise, grants, loans, business incubator, etc.

7.2 The service is currently undertaking a review and potential restructure to best incorporate the requirements of delivering Business Gateway services to provide a seamless and effective service to local companies from 1st October 2016. It is likely that 2 distinct teams will be developed to incorporate:

1. Business start up, self employment and enterprise services (operating from InCube)

2. Business growth and development services (operating from Renfrewshire House)

7.3 Additional staff will be required to support the delivery of the services and this will be met from the Business Gateway budget. Any additional staff posts will be temporary and, during the recruitment period, short term contracts will be used to fill any service gaps.

8. Business Birth and Death Rates

8.1 The report provides the most recently published Business Birth and Death statistics from ONS for all Scottish Local Authority areas as at November 2014. The main figures are presented in Appendix 2 of this report. The number of business births is defined as new VAT/PAYE registrations during the year.

8.2 Business deaths are defined as the number of businesses de-registering during the year although not necessarily ceasing to trade.

Business Demography				
Enterprise Births and Deaths				
		2013	**2014**	**% inc/dec**
Scotland	Births	21540	21235	-1.4%
	Deaths	14865	15565	4.7%
Net new births		**6675**	**5670**	- 15%
Renfrewshire	Births	610	605	-0.8%

	Deaths	445	465	4.5%
Net new births		**165**	**140**	- 12%

8.3 Renfrewshire sustained a slight fall of 0.8% (a reduction of 5 businesses) in business births in the period 2013 to 2014. Scotland sustained an average fall of 1.4% in business births over the same period.

8.4 Renfrewshire Business Death rate increased slightly over the 2013-14 period by 4.5%, representing an increase of 20 additional business deaths than the previous year. This rate was slightly lower that the Scottish overall rate of 4.7%.

8.5 Appendix 2 identifies the business birth and death rate per 10,000 working age population and shows that while business births fell in Renfrewshire, the business birth rate per 10,000 population remained unchanged at 42.

8.6 The birth rate per 10,000 population ranges from 32 to 67 across Scotland with 17 unique rates shared by the 32 local authorities.

8.7 The business death rate in Renfrewshire has increased slightly from 31 to 32 de-registrations per 10,000 working age population. Scotland faced a similar point increase in rate from 34 to 35 in the period.

8.8 Overall the Renfrewshire position is positive with more business births, than deaths, in every year 2009 -2014. The Scottish average saw two years over this period (2009 and 2011) where there was a net loss of businesses.

APPENDIX 1:

Business Gateway Delivery Models

Lead Authority	Local Authorities	Delivery
Aberdeenshire	Aberdeen City Aberdeenshire	External contract
Dundee	Angus Dundee City Perth and Kinross	External contract
Fife	Fife	ALEO
North Ayrshire	South Ayrshire East Ayrshire North Ayrshire	Recently brought in-house Largely internal
North Lanarkshire	South Lanarkshire North Lanarkshire	External contract
Glasgow	Glasgow	Internal
Renfrewshire	Inverclyde East Renfrewshire Renfrewshire	External contract currently – propose in-house model
Falkirk	Clackmannan Stirling Falkirk	One authority internal two external
West Dunbartonshire	East Dunbartonshire West Dunbartonshire	Largely internal
West Lothian	Edinburgh East Lothian Mid Lothian West Lothian	Largely internal but some service delivered under contract
Highland	Highland Moray	External contract
Scottish Borders	Scottish Borders	Internal
Dumfries & Galloway	Dumfries and Galloway	Internal
Argyll and Bute	Argyll and Bute	Internal
Orkney	Orkney	TBC
Shetland	Shetland	TBC
Outer Hebrides	Western Isles	TBC

Business Births and Deaths 2014

Appendix 2

	Business Births		Business Deaths		Net Births		Birth Rates per 10,000 population		Death Rates per 10,000 population	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
SCOTLAND	**21,540**	**21,235**	**14,865**	**15,565**	**6,675**	**5,670**	**49**	**48**	**34**	**35**
Aberdeen City	1,445	1,315	885	875	560	440	74	67	46	45
Aberdeenshire	1,395	1,220	815	890	580	330	67	58	39	42
Angus	405	400	290	270	115	130	42	41	30	28
Argyll & Bute	320	295	295	255	25	40	43	40	40	34
Clackmannanshire	150	165	115	120	35	45	36	39	27	29
Dumfries & Galloway	435	425	315	365	120	60	35	34	25	29
Dundee City	515	500	345	375	170	125	41	40	28	30
East Ayrshire	350	390	250	270	100	120	35	39	25	27
East Dunbarton	400	395	255	310	145	85	46	45	29	35
East Lothian	350	315	260	260	90	55	42	38	31	31
East Renfrewshire	360	340	240	245	120	95	49	46	33	33
Edinburgh City	2,730	2,765	1,790	1,865	940	900	66	66	43	45
Eilean Siar	95	105	70	65	25	40	43	40	28	27
Falkirk	550	520	365	350	185	170	40	39	26	28
Fife	1,210	1,170	795	855	415	315	57	57	43	46
Glasgow City	2,830	2,880	2,165	2,290	665	590	50	50	36	38
Highland	970	960	695	735	275	225	34	32	25	24
Inverclyde	225	215	170	160	55	55	45	39	26	29
Midlothian	310	270	180	200	130	70	37	40	28	27
Moray	285	315	220	215	65	100	41	46	31	29
North Ayrshire	415	425	280	295	135	130	37	38	25	26
North Lanarks	1,090	1,120	725	780	365	340	40	41	26	28
Orkney Islands	85	70	40	50	45	20	47	39	22	28
Perth & Kinross	615	625	475	495	140	130	50	50	39	40
Renfrewshire	**610**	**605**	**445**	**465**	**165**	**140**	**42**	**42**	**31**	**32**
Scottish Borders	395	450	325	345	70	105	42	47	34	36
Shetland Islands	85	100	70	65	15	35	45	53	37	34
South Ayrshire	385	380	300	305	85	75	41	40	32	32
South Lanarkshire	1,225	1,160	845	840	380	320	47	45	33	32
Stirling	420	430	285	315	135	115	56	57	38	41
West Dunbarton	250	265	160	200	90	65	34	36	22	27
West Lothian	635	645	400	440	235	205	45	45	28	31

Source: Business Demography ONS