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**REPORT TO: POLICY AND RESOURCES COMMITTEE ON 29 OCTOBER 2019**

**SUBJECT: BUSINESS GATEWAY SERVICE LEVEL AGREEMENT REVIEW**

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

**1. REASON FOR REPORT**

1.1 To inform the Committee of the review of the Business Gateway Service Level Agreement (SLA) with Highland Council and to seek approval for the recommendations.

1.2 This report is submitted to Committee in terms of Section III (B) (44) of the Council's Scheme of Administration relating to partnerships, co-operating and liaising with other Authorities

**2. RECOMMENDATION**

**2.1 It is recommended that the Committee:-**

(i) **note the outcomes of the annual review of the Business Gateway SLA with Highland Council;**

(ii) **approve the required 3 months' notice for terminating the SLA by the end of this financial year; and**

(iii) **note a further report to Committee will be provided concerning future Local Growth Accelerator Programme arrangements and staffing requirements.**

**3. BACKGROUND**

3.1 In 2009 the Business Gateway (BG) support service for small and medium sized enterprises (SME) was transferred with budget from the Scottish Government (Scottish Enterprise and Highlands and Islands Enterprise (HIE) respectively) to local authorities. Moray Council entered a Service Level Agreement (SLA) with Highland Council to provide a shared service for the Highlands and Moray, delivered through Highland Opportunity Ltd (HOL) an arm's length organisation of Highland Council.

3.2 In 2016 as part of its budget setting process, Highland Council decided to close HOL and take the BG service in-house. As part of this process Moray

Council received the transfer of three members of staff and retained the SLA for oversight of the shared parts of the service.

- 3.3 A report to extend the Business Gateway SLA was presented to Economic Development and Infrastructure Services Committee on 23 January 2018 (paragraph 10 of the minute refers) and following discussions surrounding the renewal of the Business Gateway SLA 2018 to 2021, it was queried whether it was within the Council's best financial interest to share this service with Highland Council or whether it should be taken in house. It was agreed to review the SLA on an annual basis to ensure best value.
- 3.4 As part of the SLA the service currently consists of a core service of advice and workshops and a Local Growth Accelerator Programme (LGAP). The latter is a growth programme for small business which draws down European funding. In summary Highland Council undertakes the following:
- Represents the Council's interests with Business Gateway National on operational and management groups.
  - Ensures compliance with national standards and provides remediation
  - Provides monitoring and evaluation of activities/results
  - Oversees the customer records management system.
  - Procures workshops and call off specialist advice
  - Manages the out-sourced workshop providers including the booking and management of venues
  - Co-ordinates performance reporting
  - Identifies funding and design initiatives to provide additional and added value activity to enhance the core and LGAP Business Gateway service in Moray.
  - Oversees planning and delivery of Business Gateway marketing and PR activity to raise awareness of and promote the Service
  - Delivers the LGAP for Highland and Moray to complement the core Business Gateway service. Is responsible for the application and claiming of ERDF funding and for the organisation and delivery of this activity.
- 3.5 Following on from the Economic Development and Planning section change management plan and Council's recent budget review in 2019 and consequently the reduction of one post in the Business Gateway team; a review of the current SLA with Highland Council was initiated. The charge for the SLA with Highland Council has increased since the originally negotiated cost of £44,100 in January 2018. It is expected that by the end of the financial year it will have increased to approximately £48,000, which will be met from the Business Gateway allocated budget
- 3.6 The financial details of the SLA, enclosed as **APPENDIX I** of this report, highlight that most of the costs are linked to individual Highland Council staff salaries and percentages spent on Moray Business Gateway Services. With the recent increase in salaries awards the cost of the present SLA has increased.
- 3.7 The combined core services and LGAP provided by the Business Gateway Manager, Co-ordinator and Administrator it equates to 4.5 days per week. In

addition there is an overall management fee and charges for EU applications, compliance and claim management.

- 3.8 On reviewing evidence of services provided by Highland Council in conjunction with Moray Business Gateway staff, there was an overall lack of reporting on any of the services provided. This includes any feedback from the National Business Gateway Board and Operational meetings, making it difficult to relate SLA outputs to the charges associated with staff time. It was concluded that the SLA does not currently provide best value for money as little evidence has been provided of direct work activity associated with the SLA. Better value would be achieved by giving the required 3 months' notice for terminating the SLA by the end of this financial year and providing staffing resources within the Economic Growth and Regeneration team. However, there is still a desire to continue working in partnership with Highland Council in terms of sharing best practice and once officers have received full details including monies due to the Council with regards to phase I of the European funded LGAP project, a further report will be presented to this Committee about a potential partnership agreement for LGAP phase II.
- 3.9 As the Economic Growth and Regeneration section, which includes Business Gateway, does not have the resources to absorb the additional workload, it is proposed that additional staffing resource is provided through utilising the saving on the SLA. This will require to be the subject of consultation and job evaluation with HR, and the service will consider how best to deliver the duties within the SLA and how to maximise the use of the resource in the service.
- 3.10 A report covering future arrangements for LGAP and staffing requirements with the Economic Growth and Regeneration team will be presented to a future committee to allow the service to move in house prior to termination of the SLA.

#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

The proposal will contribute to achieve the Corporate Plan priority to promote economic development and growth, also the LOIP priority of a growing and sustainable economy.

**(b) Policy and Legal**

The Council considers support for economic development issues on their merits, against the objective to facilitate sustainable economic growth and the desired outcomes of the Ten Year Plan and Corporate Plan

**(c) Financial implications**

The originally agreed SLA with Highland Council has increased since the originally negotiated cost of £44,100 in January 2018. As it is linked to Highland Council staff salaries it has increased since the recent pay award including back payment. It is expected that by the end of the financial year it will have increased into the region of £48,000, which is met out of the Business Gateway allocated budget. This SLA budget needs to be utilised to continue the service through in house provision

but there still needs to be further information provided on the future of LGAP phase II.

**(d) Risk Implications**

Moray Council has invested funding into the Highland Council's led LGAP European funding application & delivery of the project and so far has spent money but not received any details in terms of overall profile for Moray's Business Gateway activities in the project and funding due to date.

**(e) Staffing Implications**

As outlined in para 3.8 of this report the Economic Growth and Regeneration section, which includes Business Gateway does not have the resources to absorb the additional workload, it is proposed that the funding saved on the SLA will be used to address the resource need. It will be subject to consultation and job evaluation with HR and needs to be considered in the context of any future arrangements for LGAP II.

**(f) Property**

There are no property implications.

**(g) Equalities/Socio Economic Impact**

There are no equalities impacts arising from this report

**(h) Consultations**

The Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, Principal Accountant, P Connor, Legal Services Manager, Equal Opportunities Officer, Head of Housing and Property and Tracey Sutherland, Committee Services Officer have been consulted and comments received have been incorporated into the report

**5. CONCLUSION**

**5.1 Since the transfer of Business Gateway from Highlands and Islands Enterprise to Local Authorities in 2009, it has been an evolving process. At the time it was the obvious route of action to continue the shared services through a Service Level Agreement (SLA) with Highland Council and their arms lengths delivery company of Highland Opportunities Ltd.**

**5.2 As latterly budget reviews by Highland and Moray Councils further reduced the resources, a recent review of the SLA concluded to recommend the services be delivered in-house by Moray Council.**

**5.3 However it is hoped that the services will still work in close partnership to maximise the benefits to small and medium sized enterprises.**

Author of Report: Reni Milburn, Economic Growth & Regeneration Manager  
Background Papers: Proposals, correspondence and documents on file in Environmental Services, Economic Growth & Regeneration Section