Business Gateway National Evaluation and Future Arrangements for the Delivery of Business Gateway

Final Report for the Business Gateway Operational Network
### Table of Contents

**EXECUTIVE SUMMARY** ........................................................................................................... 5

**1 INTRODUCTION** .................................................................................................................... 9

- The Need for a Review ........................................................................................................... 9
- Scope of the Review ................................................................................................................. 10
- Structure of the Report ............................................................................................................ 10

**2 THE EVOLUTION OF BUSINESS GATEWAY** .................................................................... 12

- Summary Overview .................................................................................................................. 12
- Rationale, Mission and Objectives .......................................................................................... 12
- The Business Gateway Service Pre-2007 Enterprise Network Review .................................... 13
- Post 2007 Review of Enterprise Networks: The Current Arrangements ................................. 14
- The Changing Economic Context ......................................................................................... 19
- Summary .................................................................................................................................. 22

**3 SERVICE-WIDE PERFORMANCE REVIEW** ......................................................................... 24

- Output Performance ............................................................................................................... 24
- Wider Research Review ........................................................................................................ 31
- Summary and Conclusion ...................................................................................................... 37

**4 CUSTOMER VIEWS** ............................................................................................................... 38

- Profile of Respondents ........................................................................................................... 38
- Awareness and Motivation ..................................................................................................... 40

**5 STRATEGY AND DELIVERY REVIEW** .................................................................................. 58

- The Delivery Model ................................................................................................................ 58
- The Mix of Activities and the ‘Offer’ .................................................................................... 60
- Reach and Targeting ............................................................................................................... 62
- Alignment and Linkages ........................................................................................................ 64
- Governance ............................................................................................................................ 66
- The National Unit .................................................................................................................... 67
- Impact and Value for Money .................................................................................................... 68
- Summary and Conclusions ...................................................................................................... 70

**6 NET IMPACT AND UNIT COST ASSESSMENT** ................................................................. 71

- The Approach to the Impact Assessment ............................................................................. 71
- Gross Attributable Benefits .................................................................................................... 72
- Deadweight .............................................................................................................................. 74
- Leakage ..................................................................................................................................... 75
- Displacement ............................................................................................................................ 76
- Substitution ............................................................................................................................... 77
Executive Summary

Introduction
The Executive Summary summarises the findings from a study commissioned by the Business Gateway Operations Network (BGON) to evaluate the existing Business Gateway model and assist in recommendations for the future (current lowland contracts run out at the end of September 2012 and at the end of March 2012 in the Highlands and Islands). The transfer of function to Local Authorities represents a major shift in Enterprise delivery. If Business Gateway is to continue along similar lines, as the report recommends, albeit with modifications, the process for developing new contracts will need to start almost immediately.

The Delivery Model
There is limited appetite for a wholesale change to the model; the transfer has been a major undertaking and achieved without too much disruption for businesses. Local Authorities have embraced Business Gateway and started to make it work for their local areas. There is value in the national brand. This needs to be reinforced and reinvested (through the emerging UK portal), rather than diluted or abandoned. The website and, to a lesser extent, the Enquiry Fulfilment and Research Service (EFRS), are regarded positively and part of the delivery model and important resources. There is a strong case for them to stay where they are to avoid the costs of re-creating national support infrastructure and their future should be guaranteed. Local discretion and flexibility should be retained, and increased, but within a national framework. A core service should be locally tendered through lead Local Authorities in lowland Scotland and delivered in the Highlands and Islands, with funding guaranteed and based on population or deprivation, or both. The use of local addenda has been effective and could usefully be extended and further exploited.

The Product
The Business Gateway product is well regarded for start-up businesses, and is developing as a service for existing businesses. The basic market segmentation, whilst not perfect, allows for some form of necessary prioritisation. The operation of both one-to-one and one-to-many services is regarded as necessary and beneficial. There could be a general sharpening of the offer which could be communicated more clearly. The introduction of the sub-growth pipeline was overdue, and the focus on growth (both high and more modest) should be retained. Sub-growth pipeline businesses should have access to a greater range of support. The offer is less clearly defined, and perhaps less effective, for existing businesses, and more recognition of locally significant businesses could be made. Better communication between Scottish Enterprise and Highlands and Islands Enterprise and Local Authorities should certainly occur, notably in connection to companies progressing to account management, and this process has started. Generally the lack of formal aftercare potentially risks reducing the overall effectiveness of the service, which could helpfully be linked to an increased focus on start-up survivability. The move to the Local Authorities provides an opportunity to reach more businesses at little additional cost.

Service Performance
The reach of Business Gateway is illustrated by the sheer scale of activity brought forward (29,000 volume start-ups, almost 3,000 VAT start-ups and more than 5,500 existing businesses engaged through events and 1,000 entering the growth pipeline). The website has generated more than 28,000 enquiries and in the nine months to December 2010, more than 20,000 online tools had been completed, with traffic averaging 20,000 hits per month.
Business Gateway has found it more straightforward to meet the volume start-up targets than VAT start-ups and existing businesses, particularly those capable of meeting the criteria for account management and start-ups trading above the VAT threshold. Much of this relates to the changing economic conditions, hence the introduction of the sub-growth pipeline where demand has been strong. The balance has generally shifted to more local rather than national enquiries handled, as local marketing activity has increased, although EFRS remains an important national resource for the Business Gateway which Local Authorities could help reinvigorate. Whilst year on year growth in volumes has been evident, there is arguably scope for an even greater throughput of businesses.

Customer Benefits and Service Impact

The Business Gateway service succeeds in progressing businesses that it comes into contact with. The service is most commonly sought for support to start a business, although more than four in ten are also seeking the service for financial or access to finance advice and support, reflecting its importance to business growth and development. The service is rated highly, both for its first impressions and the quality and relevance of its support. Six in ten regard the support from the advisor as additional to other forms of support; this is positive and a general endorsement of the Business Gateway service, although there remains room to reduce areas of overlap with other advice.

Almost 40% of website users rated their first impressions as excellent, and almost half have used the event's calendar and more than a third links to other sites. Almost one in three of the one-to-many Business Gateway customers had used the national helpline; overall users were satisfied with this service and the relevance of the advice given. The survey found somewhat less referrals to other forms of support than expected, an area which could be explored. Almost 70% of Growth Pipeline and VAT+ businesses would welcome on-going infrequent light touch support. It is clear that some form of public subsidy will still be required as few businesses were prepared to pay full market rate for services.

Net Impact and Cost Analysis

The value for money assessment found considerable variation in unit costs but an overall reasonable cost of delivery (it would be difficult to drive these down significantly without damaging the service). A simple return on investment or economic impact ratio, based on local costs, provides a minimum return on investment for the Business Gateway service of 1:7.2 (the £42m generates some £301m in Gross Value Added to date and anticipated). For a volume business support service this is within acceptable limits (particularly given the conservative assessment taken).

The total cost of delivering Business Gateway between 2008/09 and 2010/11 is estimated at £44.2m including central administration. There was considerable variation in unit costs at a local level and population density was a stronger driver of unit costs than scale of delivery. That said, the average cost per user of delivering the helpline and the website and per business started compared favourably against benchmark ranges across England suggesting Business Gateway in general has been procured or delivered cost-effectively. However, indicators of cost-effectiveness in terms of the overall GVA impacts of the service tended to be at the lower end. Additional analysis shows that one-to-one advice accounts for a large

\[1\] Business Gateway is delivered ‘in-house’ by the Local Authority in Argyll and Bute, Orkney, Shetland, Western Isles and in part by North Ayrshire.
share of service impacts of the service (over 80%) though, on average, the light touch forms of support tend to deliver greater GVA impacts per £1 of spending, with events delivering the lowest.

Options Appraisal

The Business As Usual option (i.e. continuing with a similar balance of one-to-one and one-to-many support) delivered the highest Net Present Value (NPV), and one of the highest Benefit Cost Ratios (BCRs) of the options considered suggesting overall; the service is operating close to optimal effectiveness in its current configuration of services. Retrenchment to a website or a website and helpline based approach would result in a negative NPVs and are not deemed cost effective. Reducing the levels of one-to-one support delivered is the most effective approach of reducing costs. However, as one-to-one support tends to deliver the greatest share of overall impacts, adjustments here will have more than proportionate effect on the GVA. Options excluding one-to-one support tend to exhibit negative NPVs, and efforts to charge users will likely reduce demand to the point at which it is no longer cost-effective. Events delivered the lowest GVA impacts per £1 of spending, and it may be possible to optimise impact by reducing the level of events based activity (or charging users). However they account for a small share of overall costs, such adjustments do not involve substantial increases in BCRs or significant reductions of costs to the public sector.

Governance and Decision-Making

The current governance arrangements are arguably more complicated than is desirable, in part reflecting that the resources are accountable to elected members through COSLA. The network should also have a stronger voice. The Business Gateway Scotland Board should have the authority to approve strategic decisions informed by operational observations from BGON - the vehicle for operational development, performance monitoring and operational decisions. Other stakeholders should feed into this process where appropriate.

Summary

The Business Gateway has achieved the transference to the Local Authorities relatively smoothly, delivering a considerable volume of activity, which has increased year-on-year despite the economic challenges. There is little appetite for wholesale change - Business Gateway is generally fit for purpose and a well recognised brand that should receive further investment in it, rather than any diminution of it. The next phase should be about making important modifications and increasing the quality and impact of support without reducing its reach.

Recommendations

There are 29 recommendations arising from the review. In relation to the delivery model measures should be put in place for local tendering in lowland Scotland (and delivery arrangements in the Highlands and Islands) which are informed by national guidance (e.g. around unit costs and value for money). The current arrangements in the Highlands and Islands should be extended by 6 months to bring them into line with lowland Scotland. Funding allocations should be related to population, deprivation or both, and within the core offer, targets should be sensibly varied to reflect socio-economic targets.

The use of the sub-growth pipeline should be continued and encouraged and the VAT+ and VAT pipeline segmentation retained. The use of local discretion, to reflect local circumstances and local gaps in provision, should be encouraged. The existing event/workshop programme should be reviewed to see how improvements can be made and ‘non resource intensive’ aftercare should be included on a formal basis to enhance quality
and impact. New and innovative forms of advice provision are encouraged and also close alignment between the enterprise awareness agenda and Business Gateway. The main positive features of the current website should be retained under the new business portal and consideration given to making the website easier to navigate. The EFRS as a base resource, augmented locally, makes sense.

In terms of alignment, Business Gateway should continue to engage with partners nationally via Memoranda of Associations and/or service agreements with key partners. Measures to improve co-ordination and communication across the Business Gateway service between Local Authorities and Scottish Enterprise/Highlands and Islands Enterprise should be put in place, particularly in relation to the growth pipeline and acceptance into Account Management. Consideration should be given to increasing the range of services available for sub-growth pipeline businesses. There should also be contractual requirements for engaging with the private sector/intermediaries. The National Unit function should be further developed and resourced and its location reconsidered. Partners may wish to consider streamlining governance structures. Wide dissemination of the communication plan is required to increase the profile, visibility and strength of the service and a series of meetings should be sought with new government ministers to brief them about service activities and achievements. Finally, a more sophisticated range of monitoring measures needs to be developed that reflects the quality, impact and longevity of activities more readily. Attention should be given to further increasing the additionality of the support provided.

The main report presents the recommendations in full.
1 Introduction

1.1 In a fairly radical departure to the provision of economic services the new Scottish Government announced (September 2007) a series of changes to be implemented following a review of the Enterprise Networks in Scotland. These included the transfer of local Business Gateway service delivery from Scottish Enterprise (SE) to Local Authorities, taking effect from 1st April 2008. This represented a step change from the previous arrangements with Local Authorities now playing a pivotal role in economic development, helping to deliver services closer to users, develop genuine business engagement and achieve better local accountability. It also allowed greater integration with other services such as planning, property services, environmental services, trading standards, education and skills inclusion, in a bid to deliver an improved service for Business Gateway customers and services, based more explicitly on local economic geographies.

1.2 In September 2009 the Business Gateway was also introduced to the Highlands and Islands area giving pan Scotland coverage for the first time, though importantly with some flexibility within the delivery model allowed to take account of quite different geographic and economic conditions.

1.3 The Business Gateway delivery model is an important component of the Scottish Government’s objectives of growing the economy and is a joint objective of local government and the Scottish Government reflected in Community Planning Partnerships’ Single Outcome Agreements. The model was designed to help raise rates of new business formation in Scotland and encourage growth within existing businesses. It also enables Local Authorities to identify emerging businesses with growth potential for referral to SE and other business support agencies for further specialist support.

The Need for a Review

1.4 The service was introduced at a time of strong economic growth, a situation that turned to recession almost immediately. The current arrangements are coming to an end and, against the backdrop of changing economic conditions, this means there is a requirement to consider whether the current model remains realistic and appropriate at a national and local level. A new government may be in place in May 2011 and the country is very much in recovery mode. “The Scottish economy, in common with that of other developed countries, has not been immune to the stresses of a major recession, with falls in output and increased pressures on employment”\(^2\).

1.5 An Inquiry into the Reforms of the Enterprise Networks has been completed and a series of transformation government actions are being developed which may impact on the Business Gateway. Current contracts for the delivery of the service in lowland Scotland expire at the end of September 2012 (and at the end of March 2012 in the Highlands and Islands). As conditions are continually changing Local Authorities need to adapt and anticipate (as far as is feasible) to what might occur at the end of the current contract rounds and beyond.

Local Authority, BGON and stakeholders are therefore keen to learn lessons and best practice since the transfer to Local Authority delivery to inform the next tranche of delivery.

**Scope of the Review**

1.6 The study aims to evaluate the existing Business Gateway delivery model\(^3\) and assist BGON in making recommendations for the future development of the service. In doing so the study assesses:

- The effectiveness of support provided by Business Gateway – in terms of the ability of the current delivery model to address market failure and support government policy; and
- The cost effectiveness of the service – including the overall costs and benefits of the service, considering the value for money delivered by the current model.

1.7 Within these aims, key elements assessed include whether (a) the current model is meeting the policy goals set for it and (b) the current segmentation of support adequately address market failures in the provision of information and support to new and growing businesses. The evaluation aims to elicit whether the service generates added value for its customers and the current management structures are appropriate and cost effective.

1.8 Service integration with its partners/stakeholders is a key theme of the study, as well as the degree to which Local Authority management has helped or hindered this process. The level of the core service consistency delivered across Scotland is considered as well as the cost and effectiveness of the service between regions/types of provider. This includes consideration of differences in contract value and provider type and how this impacts on the quality and cost effectiveness of the service. The economic impact and cost effectiveness of the service compared to other comparable services is also reviewed.

**Structure of the Report**

1.9 The report is structured as follows:

- Chapter 2 traces the evolution of the service and the changing political and economic context, including the service description and governance arrangements;
- Chapter 3 focuses on contractual performance including finance, outputs and wider measures where they are available (for instance on business survival and customer satisfaction);
- The customer perspective is covered in chapter 4 including their awareness of the service/offer, the motivation for seeking support, the quality of the diagnosis and the business impacts and benefits realised or anticipated;

\(^3\) Covering all aspects of the service including the BG website, the Enquiry, Fulfilment and Referral Service (EFRS), one to many and one to one services and growth support
• A strategy and delivery review is presented in chapter 5, drawing on a wide range of consultations from Business Gateway managers, contractors, Board Members, wider stakeholders and others involved in economic development locally;

• The net impact assessment is presented in chapter 6, relating the businesses benefits of the service to the costs of delivery;

• Chapter 7 presents options for the future delivery of the service under a range of scenarios; and

• Conclusions and recommendations are set out in Chapter 8.

1.10 A separate Technical Annex has been produced which includes the list of consultees, the approach to the net impact assessment and more detail on the cost benefit analysis and service option appraisal. An accompanying Methodology Paper for the net impact analysis is also available.
2 The Evolution of Business Gateway

Summary Overview

2.1 Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) were formed in 1991, tasked with developing Scotland’s economy and maintaining and safeguarding employment. They acted as the Scottish Executive’s enterprise, skills, innovation and investment agencies, responsible for a range of publicly funded services across Scotland. Within the Scottish Enterprise portfolio of services, Business Gateway was first introduced in July 2003, as an extension to the Small Business Gateway.

2.2 In September 2007, the Scottish Government carried out a review of the Enterprise Networks, which resulted in a number of changes to SE’s governance and remit in lowland Scotland, including the transfer of SE’s skills activity and Careers Scotland to a new body, Skills Development Scotland (SDS), and responsibility for Business Gateway and local regeneration transferring to Local Authorities. These changes came into effect in lowland Scotland in April 2008. Business Gateway as a new service was introduced to the Highlands and Islands a year later, in 2009.

2.3 Business Gateway was first introduced as a first point-of-contact for all publicly funded services provided to business and, consequently, a key delivery channel for economic development. This continues to be its primary purpose although there have been changes to the delivery mechanisms and primary target markets which have been more discretely segmented. This chapter outlines the way in which Business Gateway has evolved, beginning with its aims and objectives and including a description of services and governance arrangements. The final section provides a brief overview of the macro-economic context, which has changed considerably since the development of the Business Gateway tender process in 2006/7. The subsequent, then unforeseen, severe downturn in the Scottish economy and recession has had a bearing on the delivery and performance of the Gateway service since its transfer to the Local Authorities.

Rationale, Mission and Objectives

2.4 Initially emerging from work undertaken by the Local Economic Forums, there was a recognised need to streamline publicly funded services provided to businesses in the Scottish Enterprise area. The 2003 Business Gateway was established in response to this, acting as a “shop window” brand identity and the first point of call for business support services. More broadly, it was designed to address market failure with regards to the lack of commercial provision of business support. In the markets served by Business Gateway, the level of commercially-provided advisory support from the private-sector was (and remains) insufficient to address Scotland’s low business birth-rate and its aim to accelerate business growth.

2.5 Following a review of Business Gateway in 2006, a new strategy was drafted and put in place. For the first time, this set out the aims, purpose and objectives of Business Gateway.
Gateway, providing a strategic framework for its delivery covering the period 2007–2012. The Business Gateway’s mission was identified as:

.. make[ing] a real and substantial contribution to the pipeline of start-ups and growth businesses for SE and its partners, by acting as a service provider in the Volume Start and Business Base market segments; and providing a single point of access to all publicly-funded services to business in the SE Network area.\(^8\)

2.6 The Partnership Agreement between Scottish Local Government, HIE/SE and the (then) Scottish Executive for the provision of Business Gateway National Services set three key objectives for Business Gateway to achieve its mission. These were:

- Delivering effective information and advisory services to start-ups and small businesses throughout Scotland;
- Increasing the number of new businesses created, including a proportion of those more likely to produce economic impact, that is, those achieving turnover above the VAT threshold and those that deemed capable of high growth quickly;
- Identifying existing businesses with potential for high growth and signposting them to access support from Scottish Enterprise and Highlands and Islands Enterprise.\(^9\)

2.7 The above objectives were also in line with the changes announced by the Scottish Government in 2007 (see below) where responsibility for the Business Gateway local contracts was transferred from Scottish Enterprise to Local Authorities.

The Business Gateway Service Pre-2007 Enterprise Network Review

The Original Delivery Arrangements

2.8 When Business Gateway was first launched, it was led by SE. Service delivery was undertaken by Local Enterprise Companies (LECs) of which there were 12 in lowland Scotland, each with its own board and governance structure. The LECs delivered services from local, branded outlets, which acted as the first contact-point, providing a range of core services, including Inquiry-Handling/ Referrals, Business Information, Business Start-up and services to small business.\(^10\)

The 2006 Review of Business Gateway

2.9 In 2006, a major review\(^11\) was undertaken of Business Gateway and this examined the impact and cost-effectiveness of its four core services: Business Information, Business Start-up, After-Care and Business Growth (for existing businesses). One of the key findings from the Review was that the economic impact of the Business Gateway’s services could be increased by targeting resources where (a) additionality is greatest, that is, on businesses with the most growth potential; and (b) where displacement is the lowest, that is in locations where the market failures in business start-up and growth are greatest. Following on from

---

\(^8\) Developing the Business Gateway: Towards a National Tender Process, 2006  
\(^9\) Partnership Agreement for the Provision of Business Gateway national Services, 2007  
\(^10\) Developing the Business Gateway: Towards a National Tender Process, 2006  
this, the Review suggested Business Gateway should segment its target markets into key groups with the intensity, cost and type of support linked to their economic impact potential. This suggestion was made in response to the following findings:

- Volume starts generate economic impact, although the net economic impact arising from many of the Gateway’s smallest clients (up to that point) had been low and little additional impact was being obtained from providing more expensive (advisory) resources;
- Business growth is achieved by a comparatively small number of companies. Therefore, a key task is to increase the flow of growing businesses from successful interventions at earlier stages of development ("the growth pipeline");
- Interventions in the broader “Business Base” had produced little impact. Hence, future interventions should focus on developing the “growth pipeline”.12

2.10 The other conclusions arising from the Review were as follows:13

- There was potential to generate significant efficiencies by adopting a more consistent approach to delivering the Business Gateway sub-contracts. In particular, it was highlighted that there was scope to secure efficiencies by managing the delivery of the Business Information service; and
- The costs of managing the Business Gateway service varied considerably between LECs. A more consistent approach to contracting, with a reduction in the number of contractors, would have a significant effect on cost-effectiveness.

2.11 The findings from the Review and the subsequently developed Strategic Development Plan led to a series of recommendations to reform the delivery of Business Gateway services.

Post 2007 Review of Enterprise Networks: the Current Arrangements

The 2007 Review of Enterprise Networks

2.12 On the 26th September 2007, the Cabinet Secretary for Finance and Sustainable Growth John Swinney announced that re-energised enterprise networks would be the firm foundation on which increased, sustainable economic growth would be built in Scotland14. The announcement made provision for “the transfer of responsibility for the provision of local business support through Business Gateway operations and local regeneration functions to Local Authorities”.

2.13 The transfer of responsibilities came after the suggested development of the Business Gateway arising from the 2006 Review, the subsequent Strategic Development Plan and the proposals to develop the Gateway towards a national tender process. A national transition steering group was established to help oversee the move to the Local Authorities, and prior to this, tender documentation for the contracting of Business Gateway services with lead Local Authorities was developed.

---

12 Developing the Business Gateway: Towards a National Tender Process, 2006
13 Developing the Business Gateway: Towards a National Tender Process, 2006
14 Enterprise Network speech, 26/09/2007
2.14 Arising from the review of Business Gateway and the Enterprise Network Review which instigated that transfer to Local Authorities, five major developments in the delivery of Business Gateway resulted (these are discussed in the following sections). These were designed to achieve two objectives. Firstly, the Scottish Government was keen to ensure that enterprise agencies focus attention only on their core purpose of assisting economic development in Scotland. Secondly, a greater cohesion in the provision of local economic and enterprise development services was desired. 

Market Segmentation

2.15 One of the key findings from the 2006 Review was that it should focus activity on where it has the greatest economic impact. It was suggested that to achieve this, Business Gateway should segment its target markets into key groups with the intensity, cost and type of support linked to their economic impact potential. Thus, it was suggested that Business Gateway provide services to four segments within the market, which are identified in Table 2.1. The Growth Pipeline market was to be a new area for Business Gateway. Initial proposals relating to pre-start activity did not form part of the final Gateway contracts.

<table>
<thead>
<tr>
<th>Table 2.1: Business Gateway Market Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume Starts</strong></td>
</tr>
<tr>
<td>Conventional start-ups and self-employed with little prospect of achieving VAT registration status (sales of £60k+). The needs of clients in this group are largely addressed via web and one-to-many events, with limited one-to-one support.</td>
</tr>
<tr>
<td><strong>VAT+ Starts</strong></td>
</tr>
<tr>
<td>Start ups with aspirations to grow, will achieve VAT status (sales of £60k+) within 12 months and who satisfy general criteria in terms of additionality. As well as access to web and events, this group can also access one-to-one advisory support.</td>
</tr>
<tr>
<td><strong>Business Base</strong></td>
</tr>
<tr>
<td>Existing small businesses with no clear growth prospects. This group can access services via the web and one-to-many events. They may be referred to relevant partner products.</td>
</tr>
<tr>
<td><strong>Growth Pipeline</strong></td>
</tr>
<tr>
<td>Both start-up and existing businesses showing the aspiration and potential to grow will be offered an online diagnostic. Following this, the company may be selected for ‘Growth Pipeline’ support where selected companies are prepared for achieving a turnover/increase turnover of £400,000k-£800,00 within three years and for acceleration to Account Management services within 12 months.</td>
</tr>
</tbody>
</table>

2.16 There were two principles underlying Business Gateway’s segmentation:

- The provision of the ‘one-to-one’ business advice is resource intensive to deliver and is to be directed at those individuals and businesses with the potential to grow and capable of achieving the greatest economic impact;
- Greater emphasis to be given to ‘self-service’ support, that is business directly accessing services through the website, as well as ‘one to many products’ such as events. Both self service and one to many approach is a relatively cost effective way of reaching a high volume of businesses, especially those with limited growth potential.

15 Enterprise Network speech, 26/09/2007
16 Invitation to Tender for the Provision of Business Gateway Services, SE Tender Ref NPS-0001
Transfer of Responsibility to Local Authorities

2.17 A core part of the 2007 Reforms involved the responsibility for local contracts being transferred from Scottish Enterprise to Local Authorities. In addition, the service has been extended to the Highlands and Islands. There is variation in local delivery arrangements between Lowland Scotland and the Highlands and Islands. In the former, contracts with outsourced suppliers are managed by 12 Lead Local Authorities, while in the latter, the seven Local Authorities are delivering the service either in-house or via an outsourced supplier. Each Local Authority provides a set of generic services and can then add to these in response to local need and demand, as well as changing economic condition. The generic services provided by Local Authorities are detailed in Table 2.2.

<table>
<thead>
<tr>
<th>Table 2.2: Business Gateway Core Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provision of a local Business Gateway office, which is able to deal with locally generated services and enquires;</td>
</tr>
<tr>
<td>• Local delivery of one to many workshops and events as part of a coordinated catalogue of workshops;</td>
</tr>
<tr>
<td>• Working with individuals to assist start up;</td>
</tr>
<tr>
<td>• Identifying both start up and existing business that have growth potential and helping them move through the Business Gateway Growth Pipeline into the enhanced Account Management service provided by Scottish Enterprise and Highlands and Islands Enterprise.</td>
</tr>
</tbody>
</table>

2.18 Two main reasons underpinned the transfer of responsibility of Business Gateway local contracts from Scottish Enterprise to Local Authorities. First, it enables the two enterprise networks to focus their support on the areas where they can have the most economic impact, most notably on investment and innovation by companies and sectors that have growth potential and are of national or regional significance. Second, it enables businesses to access a package of services as conveniently as possible from a single point of access. Hence, as well as enterprise support, businesses can access advice on planning, licensing, environmental health services, consumer and trading services, avoiding the ‘pillar-to-post’ experience.

Extension to Highlands and Islands

2.19 The Business Gateway service was extended to the Highlands and Islands with effect from April 2009. Previous to this, Highlands and Islands Enterprise offered a similar service to local businesses but it was not branded as Business Gateway. Also, a different service model was used comprising a mixture of direct and contracted out service provision. Primarily, the external contractor provided general business support (as opposed to specialist advice), including advice to start ups. The payment model in the contract did not incentivise the contractor to use specialist advisors. Therefore, in the interests of efficiency and maximising economic impact, the Business Gateway service was extended to the Highlands and Islands.

2.20 The arrangements were formalised in a Partnership Agreement for the Provision of Business Gateway National Services and were developed and agreed between Scottish Local Government, HIE and SE.

17 BG Draft Policy paper
2.21 Given that geography, economic circumstance and need is a major factor influencing service type and delivery model in the Highlands and Islands, it was agreed that an identical service need not be provided as that in Lowland Scotland. The Highlands and Islands councils were not tied in to contracts and therefore had the choice how they would work locally. However, in the interests of achieving a nationally consistent service, COSLA and Scottish Government officials working with local government agreed upon provision of a core service and a set of minimum standards. Local Authorities are able to take forward the approach they think is most appropriate in their local area, which may include in-house delivery, subject to those national standards.

**Transfer of National Functions to COSLA**

2.22 The Business Gateway National Unit, which used to be hosted by Scottish Enterprise, has been transferred to COSLA. The National Unit continues to be responsible for three core national functions, which include Marketing, Performance Reporting and Quality Assurance. Further details of each are given in Table 2.3.

<table>
<thead>
<tr>
<th>Table 2.3 Business Gateway National Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing</strong></td>
</tr>
<tr>
<td><strong>Reporting</strong></td>
</tr>
<tr>
<td><strong>Quality Assurance</strong></td>
</tr>
</tbody>
</table>


**Scottish Enterprise Control of Website and the Enquiry Service**

2.23 Two service areas remain under the management of Scottish Enterprise and have not been transferred elsewhere. These are the Business Gateway website (www.bgateway.com) and the Enquiry Fulfilment and Research Service (EFRS), located in Clydebank, and hosting the national 0845 Business Gateway helpline. The Transition Steering Group at the time agreed that these two areas would be too difficult to disentangle from Scottish Enterprise. The website builds upon an arrangement with the UK Business Link team and is the main source for information and self help diagnostic tools. The Business Gateway Enquiry Service

---

18 COSLA – the Convention of Scottish Local Authorities – is the representative body for all 32 Scottish Councils and also acts as the employers’ association on behalf of all Scottish Councils. It is a membership organisation, whose main priority is to foster good relationships with member Councils and the stakeholders they engage with on a national level, as well as promote a set of eight principles that underpin its activities.
handles campaign responses and manages the ‘information’ provision function, and the flow of referrals from the enterprise networks to local providers and vice versa.

2.24 The EFRS was subject to a full options appraisal that identified that locating the service within SE represented the best value for money and had advantages over alternative models such as an outsourced function. The SE located EFRS for example allowed consistency and integration with the Customer Relationship Management system being used by Local Authorities and their Business Gateway contractors.

2.25 The UK Government’s transformational government initiative will radically change the UK Business Links website, which hosts the Business Gateway website. Retaining the service under the management of Scottish Enterprise would have the advantage of minimising its disruption when the initiative is implemented.

The Wider Reform Agenda – Eliminating Duplication and Securing Efficiencies

2.26 The changes made to the delivery of Business Gateway formed part of a wider reform agenda regarding the delivery of local economic development. In instigating these, the Scottish Government has been seeking to eliminate duplication and unnecessary bureaucracy, as well as improve the efficiency and effectiveness of enterprise networks and other structures of government.

Governance and Decision-Making

2.27 As mentioned earlier, whilst responsibility for Business Gateway local contracts has been transferred to the Local Authorities, some national functions have been passed to COSLA, with the exception of the Bgateway.com and EFRS. COSLA, however, is established as a member-based organisation rather than an operational/service delivery entity. As a result it does not have the legal standing to influence the actions of its Local Authorities but must instead rely on building relationships and encourage joined up approach.

2.28 COSLA houses the Business Gateway National Unit, and the four person team there is employed by COSLA, including the three national core functions. Through the Partnership Agreement with SE and HIE, (on behalf of the Scottish Local Government) COSLA and the two partners are responsible for the delivery of the overall Business Gateway national model. The Partnership Agreement states that the Scottish Government provides strategic direction.

2.29 There are various groups and structures through which the Business Gateway is governed and operates. These are:

- The Business Gateway Scotland Board – which provides strategic leadership for the Business Gateway and has the power to make recommendations on the direction of Business Gateway. The Board, for example, recommended to the Regeneration and Sustainable Development Executive Group the introduction of a new sub-growth pipeline as a response to the fact that fewer businesses were able to enter the growth pipeline as a result of the economic downturn. Membership of the Board is principally drawn from the three parties to the Partnership agreement, namely SE, HIE, local government with COSLA and SLAED, along with Scottish Government. BGNU staff are present as the secretariat.
• Business Gateway External Stakeholders Group – this is a wider group which includes various members of the Business Gateway Scotland Board along with partner organisations such as the Scottish Chambers, the Federation of Small Businesses, Business Enterprise Scotland and Scottish Development International.

• The BGON group – these are the 12 lowland Scotland Lead Local Authorities and the six Highland authorities. The group meets monthly and is a key forum for Managers to get together to discuss operational matters, encourage development opportunities and respond to market demands. Recommendations and Issues arising are raised with the Business Gateway Scotland Board.

• The Business Gateway contractors’ forum – this has existed throughout the contract period and provides an opportunity for contractors to share experiences and best practice.

• Business Gateway National Unit, located in COSLA, which in effect provides a Secretariat style resource for the Business Gateway Scotland Board and a support resource for both Local Authority Business Gateway managers and local contractors. This is in addition to the marketing, reporting and quality assurance functions.

• SLAED – the Scottish Local Authority Economic Development (SLAED) officers’ network is the professional body recognised by COSLA in the context of the Business Gateway/SE/HIE/Scottish Local Government Partnership Agreement, which also states that SLAED have responsibility for assisting and supporting COSLA at an operational and practitioner level.

2.30 Finally, there are the political groups that have a role in the governance arrangements as a result of the Business Gateway being located within COSLA. These include Regeneration and Sustainable Development Executive Group and the COSLA Leaders’ Group. The membership of the latter comprises the Leaders of all Scottish Councils and are the political structures to which the local government side of Business Gateway has been accountable.

The Changing Economic Context

2.31 Contracts for the delivery of Business Gateway services were put in place from 1st October 2007 in Lowland Scotland and delivery arrangements were put in place from 1st April 2009 in the Highlands and Islands. Contractors were set a series of targets to achieve for each service offering which are set out in the following chapter. These targets were set at a time when the economy was buoyant. However, the UK economic downturn started almost as soon as the Lowland Scotland contracts became operational making most of the original targets unrealistic and out of step with the economic environment. Chapter 3 provides a detailed assessment of performance against targets to date, illustrating that the targets set for growth business have been particularly challenging to meet because of the downturn,

19 Business Gateway (2010) Managing Business Growth for Economic Recovery, although it should be noted that the service was ‘soft launched’ in the Highlands and Islands without formal marketing and promotion until the service was officially opened in September 2009.
although greater progress has been made with respect to start up services. This section provides a brief overview of the impact that the downturn has had on the Scottish economy.

**Employment and Economic Activity**

2.32 Between the mid 1990s and 2007, there was a steady increase in Scotland’s employment rate. In the 1998 April-June quarter, the employment rate was 72% and this peaked to 74.9% in 2007 in the same quarter. Since that time, in line with the rest of the UK, Scotland’s employment rate has been decreasing. Latest figures show that Scotland has an employment rate of 70.7%, a fairly significant decline from the 2007 peak and the second quarter of 2009. Figure 2.1 illustrates the trend in employment across the UK.

![Figure 2.1: Employment rates in the four UK countries](source: Labour Force Survey, Seasonally Adjusted Dataset, ONS)

2.33 The employment rate in Scotland varies considerably by Local Authority. In general, the difference between the three best performing and the three worst performing Local Authority areas reduced over the last 10 years. However, the difference between them increased by 5.8 percentage points between 2008 and 2009.20

2.34 As the employment rate declined during the downturn period, there has been an increase in the number of people claiming workless benefits. The unemployment rate in December 2010 for Scotland was 5.0%, virtually double that of December 2007.

---

Scotland Claimant rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Unemployment rate: % of the workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 December</td>
<td>85,800</td>
<td>4.3</td>
</tr>
<tr>
<td>2005 December</td>
<td>64,700</td>
<td>3.1</td>
</tr>
<tr>
<td>2006 December</td>
<td>63,600</td>
<td>3.0</td>
</tr>
<tr>
<td>2007 December</td>
<td>53,300</td>
<td>2.6</td>
</tr>
<tr>
<td>2008 December</td>
<td>75,500</td>
<td>3.6</td>
</tr>
<tr>
<td>2009 December</td>
<td>102,000</td>
<td>4.9</td>
</tr>
<tr>
<td>2010 December</td>
<td>100,100</td>
<td>5.0</td>
</tr>
</tbody>
</table>


2.35 The number of 16–19 year olds Not in Employment, Education or Training was approximately 36,000 in 2009, representing an increase of 2 percentage points from the previous year. This reversed the trend that had been occurring over the previous four years when the NEET group was declining.

Business and Enterprise

2.36 A total of 15,440 businesses closed in Scotland in 2009, equating to a failure rate of 10.2%. These figures become more startling when comparing them against business births. In 2009, business closures and the death rate exceeded new business formation and the birth rate. Hence, in 2009, there were 14,725 business births in Scotland, a rate of 10.8%. This compares with a high of 18,165 new start-ups in 2007 and a birth rate of 12.6%.

<table>
<thead>
<tr>
<th>Year</th>
<th>No of Births</th>
<th>Birth Rate</th>
<th>No of closures</th>
<th>Death rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>14,725</td>
<td>10.8%</td>
<td>15,440</td>
<td>10.2%</td>
</tr>
<tr>
<td>2008</td>
<td>16,225</td>
<td>10.9%</td>
<td>13,025</td>
<td>8.7%</td>
</tr>
<tr>
<td>2007</td>
<td>18,165</td>
<td>12.6%</td>
<td>12,020</td>
<td>8.3%</td>
</tr>
<tr>
<td>2006</td>
<td>15,070</td>
<td>10.9%</td>
<td>12,595</td>
<td>9.1%</td>
</tr>
<tr>
<td>2005</td>
<td>16,935</td>
<td>12.4%</td>
<td>13,660</td>
<td>10.0%</td>
</tr>
<tr>
<td>2004</td>
<td>14,375</td>
<td>10.6%</td>
<td>14,720</td>
<td>10.9%</td>
</tr>
</tbody>
</table>


Gross Domestic Product

2.37 Annual Gross Domestic Product (GDP) for Scotland and the UK are calculated on a rolling four quarters basis and reported quarterly. Over the year to 2009 Quarter 4, Scottish GDP contracted by 4.7%. The latest data shows that over the year to 2010 Quarter 1, GDP fell by 3.5% in Scotland. This was 0.1 percentage points greater than for UK GDP which fell by 3.4%. Overall, between 2009 Quarter 4 and 2010 Quarter 1, the gap in annual GDP growth rates widened by 0.3 percentage points between Scotland and the UK.

Gross Value Added

2.38 The latest data shows that both total GVA and GVA per head at current basic prices declined in 2009 across the UK. In Scotland, total GVA at £102.5 billion in 2009 represented a decline of 0.9 percentage points from the previous year. On a positive note, this was the lowest level with all other UK regions experiencing higher levels of decline. Scotland also experienced the smallest decline in the GVA per head of population. Nonetheless, the decline of 1.4% from £20,031 in 2008 to £19,744 was the first time that GVA per head of population had fallen since 1989.22

Summary

2.39 The Business Gateway was first introduced in 2003 and available to businesses located in the area covered by Scottish Enterprise. It was established to address the failure of the market to provide the quality and level of business support that would accelerate Scotland’s business birth rate and the growth of its existing businesses. Business Gateway became the first point of call for all publicly funded business support services.

2.40 In 2006, a major review was undertaken of Business Gateway and this examined the impact and cost-effectiveness of its four core services: Business Information, Business Start-up, After-Care and Business Growth (for existing businesses). A key finding from the Review was that the economic impact of Business Gateway’s services could be increased by targeting resources where (a) additionality is greatest, that is, on businesses with the most growth potential; and (b) where displacement is the lowest, that is in locations where the market failures in business start-up and growth are greatest. Following on from this, the Review suggested the Business Gateway should segment its target markets into key groups with the intensity, cost and type of support linked to their economic impact potential.

2.41 The findings from the Review led to a number of recommended changes regarding Business Gateway services. Around the same time, the Scottish Government announced a major change in the institutional landscape, with Business Gateway transferring to the Local Authorities. COSLA, SE and HIE entered a Partnership Agreement for the delivery of the Business Gateway model. The Scottish Government was both keen to ensure that enterprise agencies focus attention only on their core purpose of assisting economic development in Scotland and secondly it was determined to create greater cohesion in the provision of local economic and enterprise development services.

2.42 As a result the Business Gateway model had the following features:

- To ensure Business Gateway focused activity on where it had the greatest impact, its target markets were segmented into four key groups. The intensity and type of support they have been given is linked to their economic potential. High growth businesses have received one to one direct support from a business advisor; a service that is fairly resource intensive. By contrast, the needs of start-up companies and existing business with limited growth potential have primarily been addressed through one-to-many type services such as events or the website.

- Business Gateway services have been delivered by a number of local suppliers, through 12 Lead Local Authorities in lowland Scotland based on the former LEC areas, each with its own contract, and through six Highland areas (of which two areas, Highland and Moray, are delivered through a contract). Responsibility for managing these contracts was transferred from Scottish Enterprise to Local Authorities. The Business Gateway service was extended to the Highlands and Island with effect from April 2009.

- The three core national functions, which include Marketing, Reporting and Quality Assurance now form the Business Gateway National Unit, which is a part of COSLA and used to be with SE.

- Scottish Enterprise retains management of the Business Gateway website, and the Enquiry Fulfilment and Research service.

2.43 Contracts/arrangements for the delivery of Business Gateway services were put in place in October 2007 and 2009 for Lowland and Highland Scotland respectively. Contractors were set a series of targets to achieve for each service offering, but these targets were set at a time when the economy was buoyant. As the UK downturn occurred virtually at the same time as the targets became operational in 2007, they became incompatible with the economic environment. As outlined in the next chapter, the targets set for growth business have been particularly challenging to meet because of the downturn, although greater progress has been made with respect to start up services. Employment, business demography and GDP statistics all show the impact that the downturn has had on the Scottish economy and, within this context, the need to revise Business Gateway targets.
3 **Service-Wide Performance Review**

3.1 This chapter provides an overview of the performance of the Business Gateway service, covering the 12 Lead Authorities in Lowland Scotland and the 7 Highland and Islands authorities\(^{23}\). Its objectives are threefold: first, it reports on the overall performance of Business Gateway for the period April to December 2010\(^{24}\), including performance against new target groups introduced during 2010. Second, it identifies key variations in the performance between the local areas.

3.2 Finally, the chapter briefly discusses the performance of complementary business support services, namely the marketing campaigns, reporting services, the Business Gateway website and the Enquiry, Research and Fulfilment service. A brief analysis of costs will also be presented here in the final version, and this will also be further expanded upon in relation to impact.

### Output Performance

3.3 The contracts awarded for the delivery of Business Gateway in Lowland Scotland set targets for contractors to achieve. Similarly, performance in the Highlands and Islands is assessed against targets. These are output (or activity) targets, with the intention to set out the agreed number of businesses, including start-ups and existing businesses that the Business Gateway service was designed to support. The achievement of targets is dependent upon a number of factors, including the effectiveness of national and local marketing activities, which play a role in attracting and directing potential customers to Business Gateway.

3.4 Local contactors/authorities have specific targets based on the nature of their contracts. These targets cover the core customer segments outlined in chapter 2:

- **Volume start ups:** these are conventional start-ups and self-employed with little prospects of achieving the VAT registration status;
- **VAT + pipeline:** businesses that have the potential to achieve VAT + start up status but require more than 12 months support to achieve this;
- **VAT + start ups:** these are start-ups with clear growth aspirations, capable of achieving VAT status (sales of £60k+) within 12 months;
- **Business Base:** Existing businesses with no clear growth prospects; and
- **Growth pipeline:** Businesses that are working towards account management and may be existing businesses or start-ups.

\(^{23}\) Note, Highland and Moray authorities are presented as separate areas although they have a joined shared service agreement for the delivery of Business Gateway services. North Ayrshire, the Arran and Cumbrae have their own officer delivering Business Gateway across this area, separate from the rest of Ayrshire.

\(^{24}\) Note, data for the 6 months prior to the 1\(^{st}\) April 2008 has not been included
3.5 Alongside the above, local partners have targets for the number of workshops or events delivered for start up and existing businesses. For example, ‘Meet the Advisor’ events have been used to support businesses that do not meet the criteria for Business Advisor support (for instance businesses trading below the current VAT threshold).

3.6 During 2010 the Business Gateway Operational Network (BGON) proposed changes to the original contracts and the process for their review with approval sought from Business Gateway Scotland Board and for agreement by the Regeneration and Sustainable Development Executive Group on behalf of the Scottish Councils. These were introduced to reflect the changed economic circumstances and the need to review and monitor performance. These changes include:

- Introduction of a more effective approach to delivering VAT+ services to ensure business advisers focussed on the growth of the business rather than allowing the VAT threshold as the main driver;

- The introduction of a new customer segment entitled ‘sub-growth pipeline’ for businesses that are projected to achieve turnover growth of between £200,000 and £400,000 over a three year period. Seven Local Authorities have introduced an output target associated with this segment during 2010/2011, with current numbers ranging from between 12 customers to 250 customers;

- A reduction in contract targets for businesses into SE account management; and

- The introduction of six monthly performance review by the Business Gateway Scotland Board.

- A version of the above for the Highlands and Islands approved by the Business Gateway Scotland Board, 11th February 2011.

Programme Performance

3.7 A summary of the overall performance of Business Gateway for the period April to December 2010 is provided in the Table 3.1. It should be noted that there are three months remaining in the target period and outputs against each measure are likely to increase.

<table>
<thead>
<tr>
<th>Output Target</th>
<th>Actual 08/09</th>
<th>Actual 09/10</th>
<th>Annual Target 10/11</th>
<th>Achieved Dec 2010</th>
<th>% of 10/11 Target Achieved</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume Start ups</td>
<td>9,584</td>
<td>10,580</td>
<td>10,496</td>
<td>8,473(^3)</td>
<td>81%</td>
<td>On target</td>
</tr>
<tr>
<td>VAT Pipeline(^1)</td>
<td>n/a</td>
<td>956</td>
<td>1,125</td>
<td>714</td>
<td>63%</td>
<td>Below target</td>
</tr>
<tr>
<td>VAT + Start ups</td>
<td>1,148</td>
<td>974</td>
<td>1,580</td>
<td>922</td>
<td>58%</td>
<td>Below target</td>
</tr>
<tr>
<td>Events - start ups</td>
<td>4,567</td>
<td>4,716</td>
<td>3,614</td>
<td>3,403(^4)</td>
<td>94%</td>
<td>Above target</td>
</tr>
<tr>
<td>Events - existing business</td>
<td>1,574</td>
<td>2,317</td>
<td>2,523</td>
<td>1,660(^5)</td>
<td>66%</td>
<td>Below target</td>
</tr>
</tbody>
</table>

\(^{25}\) ‘On Target’ refers to performance at or around 75% of the annual target.
### Table 3.1: Business Gateway Programme Performance

<table>
<thead>
<tr>
<th>Output Target</th>
<th>Actual 08/09</th>
<th>Actual 09/10</th>
<th>Annual Target 10/11</th>
<th>Achieved Dec 2010</th>
<th>% of 10/11 Target Achieved</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub Growth Pipeline – Start up&lt;sup&gt;2&lt;/sup&gt;</td>
<td>n/a</td>
<td>n/a</td>
<td>65</td>
<td>140</td>
<td>215%</td>
<td>Above target</td>
</tr>
<tr>
<td>Sub Growth Pipeline – Existing Business&lt;sup&gt;3&lt;/sup&gt;</td>
<td>n/a</td>
<td>n/a</td>
<td>382</td>
<td>32</td>
<td>8%</td>
<td>Below target**</td>
</tr>
<tr>
<td>Start ups in Growth Pipeline</td>
<td>279</td>
<td>247</td>
<td>255</td>
<td>178</td>
<td>70%</td>
<td>Below target</td>
</tr>
<tr>
<td>Existing businesses into Growth Pipeline</td>
<td>464</td>
<td>427</td>
<td>573</td>
<td>244</td>
<td>43%</td>
<td>Below target</td>
</tr>
<tr>
<td>Start ups into SE/HIE Account Management</td>
<td>30</td>
<td>32</td>
<td>64</td>
<td>27</td>
<td>42%</td>
<td>Below target</td>
</tr>
<tr>
<td>Existing businesses in SE/HIE Account Manag't</td>
<td>96</td>
<td>116</td>
<td>175</td>
<td>61</td>
<td>35%</td>
<td>Below target</td>
</tr>
</tbody>
</table>

Source: COSLA

1. New customer segments;
2. Note the sub-growth pipeline has just been launched;
3. Of these, a total of 2,713 (32%) were majority women-owned;
4. Of the start-up events, 56% were Meet the Advisor events and 44% were other ‘catalogue’ events;
5. Of the existing business events, 37% were Meet the Advisor events and 63% were ‘other’.

#### 3.8 The following key observations emerge from the national programme performance review:

- **Start-up services generally perform better** in comparison to existing business services across the different customer segments.

- **Performance in volume start-ups has been strong**, and to date the Service has supported 8,473 start up businesses, equating to 81% of its annual target, of which one third were majority women-owned. Business Gateway contactors reported that a high proportion of starts are self employed individuals with low growth aspirations and the economic downturn has led to an increase in this group. This is likely to have a knock on impact on performance against VAT and other growth targets. Year on year volume increased 2008/9 to 2009/10, and are set to rise again in 2010/2011;

- This year to date 922 businesses have achieved VAT+ trading level, which at the third quarter of December 2010, is set to be **an improvement on last year’s performance**. This result would suggest that the introduction of the VAT+ pipeline in 2009 has improved performance in the VAT+ start up targets. However other external factors continue to impact performance in this category, namely the economic recession, an increase in lifestyle businesses, insufficient evidence of VAT certification and a general delay of VAT registration by companies.

- **The number of start ups in the sub growth pipeline is strong and the Service has supported 140 businesses, ahead of target by 75%**. This is an important finding because the sub growth pipeline was recently introduced to respond to an identified need for additional support targeted at businesses falling below the growth pipeline criteria.

- Performance across the growth pipeline is mixed, with 244 existing businesses (43% of annual target) and 178 start ups (70% of annual target) supported. It seems
unlikely that the annual overall target for existing businesses will be achieved by March 2011.

- In 2010 the contract targets for businesses accepted into account management were reduced for both existing and start-up businesses. To date 27 start ups and 61 existing businesses have been accepted into account management, equating to 42% and 35% of target respectively. Recent analysis of referrals onto and acceptance into Account Management indicates that 73% of referrals are accepted, with a further 12% on hold. Of the 15% declined, key reasons include displacement (where there is little perceived business to business or market development potential or a lack of clarity about business growth potential), how account management would add value, or weak levels of business engagement. This process of progression from the growth pipeline into account management is not regarded by many practitioners as straightforward, and this is revisited in subsequent chapters.

3.9 Further, the events programmes are on target, with 3,614 (94% of target) start up events and 2,523 (66% of target) of existing businesses events delivered to date. These events have benefited a total of 27,081 attendees, of which 71% were attendees at start up events and 29% at existing businesses events. Looking at the types of events delivered, the most common were Business Gateway Catalogue events, followed by Meet the Advisor sessions.

3.10 Attendance was 68% across the events programme. In particular, Meet the Advisor sessions have the highest attendance rates (90%), compared with Business Gateway Catalogue events (57%). For the latter, given this is an average, this means that it is quite likely that less than half of those registering for events actually attend some of those events. Attendance at the Meet the Advisor sessions were generally high for both start ups and existing businesses, however a notable 97% of existing businesses registering have attended these sessions. In comparison, 56% of existing businesses that have registered for Business Gateway Catalogue events have attended the sessions, and 58% of start ups.

3.11 Overall, the performance of the Business Gateway is generally in line with expectations under the current economic circumstances which make it challenging for local contractors to meet some service targets. Performance in the growth segments have been particularly challenging for reasons including an increase in the number of lifestyle businesses at the start up stage as well as a general shift in business focus to survival instead of growth. That said, there is arguably scope to enhance the Service’s market penetration in growth segments through for example further promotion of services to existing businesses.

**Local Variations in Performance**

3.12 This section briefly draws out significant local variations in performance among the Local Authorities for the individual output areas. The analysis also reviews variations in the performance of rural and urban authorities. Local contractors that do not fall into these two

---

26 Business Gateway Catalogue events cover the following themes: business planning, finance and accounting, taxation, resource planning and management, e-business/ICT, marketing, networking, franchising and Women in Business

27 Attendance rates are calculated as total number of attendees as a proportion of total businesses registering for events.
broad groups are regarded as mixed urban/rural, usually because they include both rural and urban areas.

**Volume Start Ups**

3.13 The majority of Local Authorities have performed well in volume start up support. Three Local Authorities (two of which were rural areas) have exceeded their annual target for 2010/2011 to date and a further fourteen appear on track to meet overall year end targets. There were two rural contractors performing below targets and they seem unlikely to achieve this by the end of the year. In one area this reflects that revised (increased) targets have been applied by the Local Authority this year to reflect that this it’s first full year of operation.

**Figure 3.1: Volume Start Ups Performance**

3.14 As mentioned earlier a high proportion of volume start ups are self-employed with low or modest growth potential and the economic downturn has resulted in a notable increase in the number of these businesses approaching Gateway for support.

**VAT + Pipeline**

3.15 Approximately half of the lead Local Authorities with explicit targets for VAT+ pipeline have exceeded annual targets or are on track to meet them. Two rural areas, of which one had exceeded its annual target, were in this group. This performance contrasts with that of an urban contractor who recorded one percent of its annual target, although this may be an issue of reporting.

**VAT + Start Ups**

3.16 The performance results for VAT+ start ups appear relatively mixed with nearly half of Local Authorities on track to meet their annual target. Two rural authorities have surpassed their annual targets. The remaining authorities have under performed to date and appear unlikely to achieve their annual target. Although the majority of Local Authorities in the latter
group are rural, there were urban and mixed authorities as well which suggests that the challenges experienced in achieving this target are common.

**Figure 3.2: VAT + Start Ups Performance**

![VAT + Start Ups Performance](image)

**Entry to Growth Pipeline and Account Management**

3.17 Local Authorities are expected to identify businesses that can enter the growth pipeline and benefit from one-to-one support as preparation for account management. The economic downturn has made performance in this market segment extremely challenging for the majority of Local Authorities. With the exception of one contractor (in a wealthier area with a higher proportion of high growth sector businesses), Business Gateway contactors have generally failed to reach this target. There have been variations across areas, with growth pipeline approvals falling in most areas in 2010/2011 compared to previous years, but with some exceptions.

**Figure 3.3: Growth Pipeline Performance**

![Growth Pipeline Performance](image)
3.18 The growth pipeline has a direct impact on the number of businesses progressing to SE and HIE account management. Again the majority of Local Authorities are unlikely to achieve their targets for progression to account management. There were three rural authorities that have not reported progressing any of their clients into account management, two of which are Highlands and Islands authorities where the overall volume of businesses likely to enter account management is quite low.

**Figure 3.4: Progression to Account Management**

![Progression to Account Management](source: COSLA)

**Events**

3.19 Local government, through Business Gateway contractors or direct delivery, provide a series of one-to-many events to support businesses in their area. These events form an important part of Business Gateway’s generalist business support offering available to all businesses. In general, the majority of Local Authorities/contractors expect to meet or exceed performance targets for the delivery of events, with no significant variations between events targeted at start ups and existing businesses.
3.20 In summary, performance across the Local Authority areas is generally mixed, with some performing well in some areas and others less so. Achieving targets for growth pipeline and progression to SE and HIE account management have clearly been a challenge across all authority areas, principally as a result of the changed economic circumstances, which has led to the introduction of the sub-growth pipeline segment.

Wider Research Review

3.21 The Business Gateway National Unit (BGNU) in COSLA is responsible for national marketing and performance reporting, including quality assurance. Responsibility for the website and Business Gateway Enquiry, Research and Fulfilment Service remains with Scottish Enterprise. The following section reviews the performance of these service areas.

Marketing

3.22 The marketing strategy is crucial to the effective delivery of Business Gateway services. The Business Gateway marketing campaigns are usually run in Autumn and Spring and highlight the Service as a focal point for businesses to obtain information, support and advice. Overall the three main objectives of the marketing strategy are:

- To raise the level of awareness and interest in the Business Gateway brand;
- To promote specific services to priority and target markets; and
- To generate leads for each element of the Business Gateway offering.

3.23 BGNU, contracts with their supplier to generate 40,000 marketing enquiries through sources including the Enquiry Service, local contractors and bgateway.com as well as using text and telemarketing. As at December 2010, 28,094 enquiries had been addressed – 70%
of the annual target\textsuperscript{28} which is slightly lower compared to the same period last year (30,117 enquiries). This comprised 23,499 (84\%) enquiries from start up businesses and 4,595 (16\%) from existing businesses, illustrating the continued challenge to broaden the message out to the wider business base.

3.24 A new year marketing campaign was launched in January 2010, which ran to the end of February. This direct mail campaign had a target to generate 4,500 enquiries from existing companies and, a total of 12,336 enquiries were recorded over the campaign period.

3.25 A report by MediaCom in October 2010 assessed the impact of Business Gateway’s marketing campaign. The research found that Business Gateway was the most prominent series of services through which respondents received advice and support. Further, it noted high levels of satisfaction among businesses with the quality and delivery of the advice and support received and the impact that it had on their business. The report stated that a high proportion of respondents were likely to use Business Gateway again in the future.

3.26 Over time, there has been a recognition of the benefits of more local marketing, particularly, although not exclusively, within rural areas and those generally furthest from the central belt. The BGNU remains responsible for the national marketing campaigns and ensuring the use of national branding, however local areas now have some flexibility to use local routes, particularly local newspaper advertising (and there is some evidence these are quite well used -see later chapters).

Quality Assurance

3.27 The quality assurance function gathers information to enable regular assessment of the quality and consistency of Business Gateway services. Quality assurance reports are compiled on a monthly basis drawing on customer feedback obtained through monthly email surveys, event feedback forms, interviews and mystery shopper exercises.

3.28 The quality assurance function covers the following Business Gateway services:

- Enquiries received via Business Gateway website;
- Enquiries received via Business Gateway Enquiry Service;
- Local enquiry handling by contractors;
- Local delivery of events by contractors; and
- Local business advisor support.

3.29 Overall customer satisfaction level was 92\% in November 2010. Table 3.2 details customer satisfaction for each service area.

\textsuperscript{28} COSLA
Table 3.2: Quality Assurance

<table>
<thead>
<tr>
<th>Quality Assurance</th>
<th>Achieved</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfaction with Business Gateway</td>
<td>92%</td>
<td>80%</td>
</tr>
<tr>
<td>Service delivered met expectations</td>
<td>91%</td>
<td>75%</td>
</tr>
<tr>
<td>Relevance of services to customers’ business needs</td>
<td>86%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Source: COSLA

Enquiry Service

3.30 The Business Gateway Enquiry Research and Fulfilment Service (EFRS) is responsible for targets associated with its service delivery. The Enquiry Service manages the main 0845 number and provides information to callers, including both businesses and local contractors, based at the call handling centre in Clydebank. It also acts as a help desk for users of the Business Gateway website, and provides follow up monitoring in some cases as well as managing the flow of referrals across Scottish Enterprise and to partners at both national and local levels. The EFRS is fully connected to the Customer Relationship Management System (CRM) used by Local Authorities/contractors, and has the ability to make appointments in local advisor diaries as well as make the event bookings.

3.31 Table 3.3 reviews the performance of the Enquiry Service for 2010/2011. Performance is on or ahead of target, apart from event bookings, with many local areas preferring to manage this themselves. With the introduction of local area phone numbers (in addition to the national number which appears on all advertising), the balance of calls to the local rather than national number has increased, and there has been a general increase in website contacts. The EFRS also handles calls for SE and more recently SCDI, with other partners potentially lined up, which has the potential to increase the ‘knowledge bank’ held by EFRS and increase its ability to signpost Business Gateway customers to other forms of support if appropriate. Further analysis of customers who have used this service is provided in chapter four.

Table 3.3. Business Gateway Enquiry Service Performance

<table>
<thead>
<tr>
<th>Service Performance</th>
<th>Achieved Year to Date</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average waiting time</td>
<td>26 seconds</td>
<td>45 seconds</td>
</tr>
<tr>
<td>Maximum level of abandoned calls</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Start up packs provided on first call</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Growth packs provided on first call</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Event booking made on first call</td>
<td>21%</td>
<td>50%</td>
</tr>
<tr>
<td>Additional information provision to start up clients</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>Additional information provision to existing business clients</td>
<td>38%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: COSLA

Business Gateway Website

3.32 Bgateway.com provides information and services for businesses in Scotland and has a number of guides and toolkits (e.g. online diagnostic tool for start ups to identify where they are in the business development cycle) that assist businesses. Visits to the Business Gateway website have been relatively consistent over the nine month period to December 2010, ranging from a high of 41,745 (March 2010) to a low of 24,149 (December 2010) - see Figure 3.6. There was perhaps an unsurprising dip in visits in December, which is likely explained by a general slowdown in business activity during the Christmas holiday season (compounded by poor weather at this time in 2010/2011). In comparison with 2009 trends, visits to the Business Gateway website have tended to be lower in 2010, with visits in 2009 ranging from 71,854 (October 2009) to 21,060 (December 2009). Over the same nine month
period in 2010, return visits as a proportion of total visits have also remained largely consistent at between 36% and 42% and do not vary significantly compared with the same period last year. The two exceptions are return visits in September (38%) and October (40%) which were notably higher compared with 2009 (30% and 33% respectively).

Figure 3.6: Visits to BGateway.com

![Business Gateway Website Visits](source: COSLA)

Figure 3.7 shows the number of online tools that were successfully completed over the same period, with the highest number completed in September. Again, there is a notable and expected dip in numbers for December. A comparison with the same period in 2009 indicates that month on month the number of tools successfully completed have generally been higher in 2010.

Figure 3.7: Completion of Website Tools

![Number of Tools Completed Successfully](source: COSLA)
There has been a general decline over the nine month period in the number of requests for help with the Business Start Up Organiser (BSO), with a notable peak in July, which was followed by a significant drop in August. Completion of the Growth Action Plans has followed a similar trend. Generally however the number of requests for assistance with these tools has been lower in 2010 compared with 2009 figures. For example, whilst 52 businesses requested help with the BSO in September 2010, this compares with 138 businesses in September 2009.

Figure 3.8: Growth Action Plan and Business Start Up Organiser

Research conducted by Databuild, in February 2010, assessed the impact of bgateway.com, based on a telephone survey of 598 businesses (including 297 start ups and 301 established businesses) in Scotland. Some of the research’s key findings were that\(^{29}\):

- Two in three businesses (68%) in Scotland are aware of bgateway.com;
- The website is accessed for a range of purposes but most commonly businesses use it to obtain information about finance and grants, how to start a business and taxes;
- Users of bgateway.com report time and cost savings equating to £5.8 million and £6.2 million and on average each user saved 6.5 hours and £148 across the year;
- More than half (53%) of start ups have used the website and 38% stated that it was crucial or very helpful in starting their business; and

\(^{29}\) Databuild (2010) Bgateway.com Impact Assessment Wave V
• After using the website, 28% of users took action to improve their businesses including improving sales and marketing, changing recruitment or personnel policies and raising finance or introducing new services.

3.36 Overall, the research found that the website tools (for example the start up organiser and growth action plan) are generally underutilised by most businesses (only 10% of users had used the start up organiser and 6% had used the growth action plan). Although users of the start up organiser generally found it be more useful compared to users of the growth action plan.

**Analysis of Survival Rates**

3.37 Survival monitoring reports are produced on a quarterly basis. They provide information on a (relatively small) sample of start-up companies at 12 and 36 months survival points. The average survival rates are in the region of 80%-85% for 12 months survival and around 75% at 36 months, although data reliability is not strong.

3.38 Comparison with wider business demography statistics suggests that 12 month survival rates are marginally lower for Business Gateway customers compared with all business starts, which would be expected given the nature of the Business Gateway client group profile which has more ‘lifestyle’ businesses. However, by 36 months, survival rates amongst Business Gateway customers are slightly better than the all business average. In simple terms, this would suggest a positive effect from the Business Gateway support.

3.39 Sample sizes for survivability data have typically been small, and the data unreliable across the service area. There would be considerable benefits to those delivering, managing and with a strategic overview of Business Gateway in having survivability data available on a consistent basis on all Business Gateway customers.

**Data Constraints**

3.40 Overall, COSLA has an up to date and considerable evidence base from which an assessment of output targets can be made, although this is very focused on activity, which is unsurprising given the scale of the transfer of activity to the Local Authorities. Still there is arguably a gap in information detailing the impacts of the Service and regularly assembled data nationally. Local contractors typically collect information on projected sales and employment growth for growth customers (see Table 3.4 for template), related to the evidence requirements for growth pipeline businesses, and this could be aggregated and regularly reported nationally.

<table>
<thead>
<tr>
<th>Table 3.4: Projected Gross Impacts Template</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. of Companies</strong></td>
</tr>
<tr>
<td>Growth Pipeline</td>
</tr>
<tr>
<td>Account Management</td>
</tr>
<tr>
<td>Average sales increase over 3 years: Growth Pipeline £XX million (Target £400,000); DRM £XX million</td>
</tr>
</tbody>
</table>
3.41 Further information is also collected for volume start up businesses and these primarily include an analysis of turnover, employment and projected gross impacts – See Table 3.5 for template.

<table>
<thead>
<tr>
<th>Turnover Analysis</th>
<th>No. of Businesses</th>
<th>Total Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>£0 - £65,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£66,000 - £199,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£200,000 - £400,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above £400,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment Analysis</th>
<th>No. of Businesses</th>
<th>Projected Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 and Over</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3.5: Volume Start Ups Template

<table>
<thead>
<tr>
<th>Turnover Analysis</th>
<th>No. of Businesses</th>
<th>Total Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>£0 - £65,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£66,000 - £199,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£200,000 - £400,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above £400,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment Analysis</th>
<th>No. of Businesses</th>
<th>Projected Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 and Over</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summary and Conclusion

3.42 Overall national performance of Business Gateway is broadly in line with expectations, given the altered economic climate in which it now operates. For most businesses the economic recession has led to a shift in focus to survival rather than growth and the effects of this is clearly seen in the performance of certain key indicators. In particular, achieving growth pipeline targets and progressing businesses to SE and HIE account management have been worst affected by the economic downturn and across the Service performance in these areas have been below target.

3.43 Performance in volume start ups has been strong; however this has been driven by an increase in ‘lifestyle’ businesses with lower growth aspirations. The progression of start ups into the sub-growth pipeline however, a new customer segment introduced in 2010, has performed well and there is some evidence that introducing the VAT+ pipeline is set to improve overall performance in VAT+ trading, based on three quarter figures to December 2010.

3.44 More than 6,000 events have been delivered to start-ups and existing businesses, with events for start-ups well attended. The national marketing function continues to play a crucial role in generating enquiries although there is evidence of increasing numbers contacting the Business Gateway through local marketing.

3.45 The majority of businesses are aware of bgateway.com and its use has resulted in significant cost and time savings. Overall, there is arguably scope to re-energise the use of website tools (for example the start up organiser and growth action plan) by website visitors – further details on customer use of Business Gateway services is provided in the next chapter.
4 Customer Views

4.1 This chapter draws on findings from a survey of more than 1,500 Business Gateway customers. It focuses on the reasons why businesses approached Business Gateway, their satisfaction with the support received and the outcomes that they have achieved as a result of this support. Chapter five focuses more directly on the net impact of Business Gateway support. The survey was undertaken during January and February 2011.

4.2 A total of 1,605 responses were received from a survey directed at three groups of Business Gateway customers, namely VAT+ customers (including start-ups and VAT+ pipeline); Growth Pipeline customers (including start-ups and existing businesses) and customers benefiting from ‘one to many’ support, i.e. the majority been supported through the Business Gateway website and national 0845 number or Enquiry Service (see chapters two and three for further details on these customer segments).

Profile of Respondents

4.3 A breakdown of survey respondents by customer segment is provided in Table 4.1. Respondents from the ‘one to many’ group comprised more than half of total respondents in line with the user-profile of the service.

<table>
<thead>
<tr>
<th>Table 4.1: Sample Profile</th>
<th>No. of Respondents</th>
<th>% of Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT + Customers</td>
<td>372</td>
<td>23%</td>
</tr>
<tr>
<td>Growth Pipeline Customers</td>
<td>312</td>
<td>20%</td>
</tr>
<tr>
<td>One to Many Customers</td>
<td>916</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Total Respondents</strong></td>
<td><strong>1,605</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: GEN 2011

4.4 As shown in Figure 4.1, almost a third of respondents (32%) had not yet started trading and a further 7% were start-up but pre-revenue and another 4% were in employment and not currently running a business. A further 29% of businesses had been trading for less than eighteen months. This aligns with the findings of the review of Business Gateway output performance which also indicated that a high proportion of its clients are pre-starts and early stage businesses.
Figure 4.1: Stage of Business Development – All Respondents

Stage of Development
Source: GEN 2011, Sample of 1,545 responses

Note, sample responses here and throughout refer to those answering the question and may not sum to the total number of 1,605 beneficiaries responding to the survey.

4.5 Respondents operate across a range of sectors, most commonly other services (25%), business services (19%), retail (13%) and manufacturing (11%). The survey received responses from businesses across all of the Business Gateway lead areas, with companies most commonly based in urban areas, such as Glasgow, Edinburgh and Lothians, Aberdeen City and Lanarkshire. Overall, about 15% of respondents were based in rural Local Authority areas. The survey was structured to ensure that there was no significant bias from one area over another.

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of Respondents</th>
<th>% of Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Services</td>
<td>363</td>
<td>25%</td>
</tr>
<tr>
<td>Business Services</td>
<td>280</td>
<td>19%</td>
</tr>
<tr>
<td>Retail</td>
<td>183</td>
<td>13%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>152</td>
<td>11%</td>
</tr>
<tr>
<td>Construction</td>
<td>125</td>
<td>9%</td>
</tr>
<tr>
<td>Health and Education</td>
<td>88</td>
<td>6%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>48</td>
<td>3%</td>
</tr>
<tr>
<td>Hotels and Restaurants</td>
<td>39</td>
<td>3%</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>34</td>
<td>2%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>24</td>
<td>2%</td>
</tr>
<tr>
<td>Public Administration</td>
<td>3</td>
<td>0%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>229</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: GEN 2011, Sample Size 1,440

4.6 Figure 4.2 shows that Business Gateway VAT+ and Growth Pipeline clients have generally progressed in their business development since their first contact with Business Gateway. Whilst 44% of these businesses reported that they were pre-starts when they first contacted Business Gateway, only 4% had remained at this stage. It is also notable that more...
than half (52%) of these clients reported that they had been trading for more than 18 months. The chart illustrates the general progression of supported individuals and businesses.

**Figure 4.2: Progress in Business Development – VAT + and Growth Pipeline Only**

![Chart showing the general progression of supported individuals and businesses.](chart)

### Awareness and Motivation

4.7 Almost two thirds (64%) of respondents reported that they had accessed Business Gateway services in the last six to twelve months and 40% had done so in the last three to six months. Their most common reason for approaching Business Gateway was to obtain general advice and support to **start** a business (65%) – see Figure 4.3. Other reasons for approaching Business Gateway included access to finance and grant support (41%), which illustrates the importance of finance for business start-up and growth.

4.8 Some three in 10 sought Business Gateway support to **access general advice and support to grow** business i.e. existing businesses seeking to grow which is an important Business Gateway target group, and 17% sought access to sales and marketing advice. A smaller but nonetheless significant proportion of customers, one in eight, or 12%, sought Business Gateway support for social networking, IT or online trading, reflecting the growing importance of these areas to business.
4.9 Figure 4.4 identifies the ways in which businesses first made contact with Business Gateway and shows that their first contact occurred most commonly via a local Business Gateway phone number (45%) and through local walk-in centres. Combined this is more than 60% of all Business Gateway contacts. Some 16% made first contact with Business Gateway via the website and 9% through the national phone number, the traffic through which has generally diminished over time as local phone numbers have been increasingly utilised.

Figure 4.4: Initial Source of Contact: VAT +/VAT Pipeline and Growth Pipeline Only
4.10 Respondents were asked to rate their first impressions of the Business Gateway service using a scale of 1 to 5, with the former denoting ‘excellent’ and the latter ‘poor’. More than 70% of respondents from the VAT +/VAT Pipeline and Growth Pipeline group rated their first impressions of the Business Gateway service as ‘1’ or ‘2’, with almost a third (31%) regarding the service as excellent. There were no significant variations as to how customers first accessed the Service, suggesting that irrespective of the initial source of contact, overall clients had a good first impression of Business Gateway.

Identification of Support Needs

4.11 The majority of respondents to the VAT+/VAT pipeline survey (74%) stated that their support needs were identified through one-to-one meetings with a Business Advisor. This is in line with expectation as businesses in this customer segment are expected to receive intensive support from a Business Gateway Advisor to help them achieve VAT registration within twelve to twenty-four months.

<table>
<thead>
<tr>
<th>Identification of Support Needs: VAT + Start-ups and Pipeline</th>
<th>No. of Respondents</th>
<th>% of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through One to One Meeting with Business Advisor</td>
<td>251</td>
<td>76%</td>
</tr>
<tr>
<td>Via telephone call from an advisor</td>
<td>34</td>
<td>10%</td>
</tr>
<tr>
<td>Through an online diagnostic</td>
<td>29</td>
<td>4%</td>
</tr>
<tr>
<td>Through the 0845 national number</td>
<td>14</td>
<td>3%</td>
</tr>
<tr>
<td>Don’t know/Unsure</td>
<td>9</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: GEN 2011, Sample of 329 responses

4.12 Almost three quarters (73%) of businesses from the VAT +/VAT pipeline survey that have used a Business Gateway advisor to identify their support needs reported that this support was very useful, or quite useful – See Figure 4.5. There were mixed opinions about the usefulness of the national number in identifying support needs, with an even split between those who felt it was useful and those who thought otherwise. Notably, the majority of businesses using online diagnostics to identify their support needs reported that they found this service to be useful (43% thought it was very useful) which is a strong validation of the use of the online diagnostic tool.
Figure 4.5: Usefulness of Business Gateway Services to Identify Support Needs: VAT +/ VAT Pipeline Respondents Only

Usefulness of Services to Identify Support Needs
Source: GEN 2011

<table>
<thead>
<tr>
<th>Source</th>
<th>Through a one-to-one meeting with an adviser</th>
<th>Via a telephone call from an adviser</th>
<th>0845 national number</th>
<th>Online diagnostic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very useful</td>
<td>54%</td>
<td>44%</td>
<td>50%</td>
<td>43%</td>
</tr>
<tr>
<td>Quite useful</td>
<td>19%</td>
<td>19%</td>
<td>50%</td>
<td>22%</td>
</tr>
<tr>
<td>Not very useful</td>
<td>12%</td>
<td>19%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Not useful at all</td>
<td>9%</td>
<td>13%</td>
<td>56%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Action Plans

4.13 The majority of respondents (60%) from the VAT+ and Growth Pipeline customer group reported that they had developed an action plan. Amongst the Growth Pipeline customers, more than a third (36%) had completed the growth action plan on the Business Gateway website and a further 56% stated they had completed another form of action plan document – See Figure 4.6. 8% had used, or recognised the use of, the start-up organiser. The 2010 Databuild research reported that, in all, 10% website users had used the start up organiser and 6% (of all Business Gateway customers) had used the growth action plan. The proportions are higher in our survey here since this question was asked only of Growth Pipeline and VAT+ customers.

Figure 4.6: Type of Action Plan Completed: Growth Pipeline Respondents Only

Type of Action Plan Completed
Source: GEN 2011, Sample of 153 responses

- Growth Action Plan on the BG website: 36%
- Start-up Organiser on the BG website: 56%
- Other Action Plan document: 8%
4.14 More generally, action plans (across VAT+ and Growth Pipeline groups) primarily focussed on access to finance (45%) and sales and marketing (42%), the former again reinforcing the close connection between business start-up and growth and the ability to finance this. Within these groups, a significant proportion, almost one in four, used their action plan to help take a product/process to market and/or for commercialisation.

Figure 4.7: Main Focus of Action Plans: VAT + and Growth Pipeline Only

![Bar chart showing the main focus of action plans.]

4.15 All survey respondents (across the three customer groups) were asked to assess their action plans according to its relevance, comprehensiveness, focus on actions and outcomes and ability to help meet trading date or volume targets. Generally, respondents rated their action plans highly on each aspect, particularly in relation to relevance and comprehensiveness. That said, a potential area for improvement is highlighted in the fact that more than a third of respondents (35%) felt that their action plan did not provide them with an increased ability to meet trading dates or volumes targets.
Figure 4.8: Usefulness of Action Plans: All Respondents

Business Gateway Support

Referral from Business Gateway

4.16 As shown in Figure 4.9, the majority of respondents (74%) from the VAT+ and Growth Pipeline customer groups had accessed one-to-one advisor support following referral from Business Gateway. Whilst the survey asked about referrals, this may have been interpreted by businesses to mean other Business Gateway support. Closer analysis highlights that Growth Pipeline clients were more likely to have accessed such one-to-one support (83%), compared with the VAT+ group (66%). Interestingly, 60% of those individuals classed within the ‘one to many’ group, also reported receiving support in this way. In addition, almost half of these respondents had also been referred to a Business Gateway event or workshop.
Figure 4.9: Referral from Business Gateway: VAT+ and Growth Pipeline Only

![Bar chart showing referral from Business Gateway]

4.17 In general, the majority of these respondents stated that they were satisfied with the services accessed, in particular support from the Business Gateway national number. This suggests that support from the national number (albeit based on a relatively small sample) was useful for some VAT+ and Growth Pipeline customers once they had already benefited from Business Gateway support (which contrasts with lower proportions considering the national helpline as able to identify their initial business needs). Business Gateway Advisor support was also highly regarded. It is encouraging that almost half of respondents rated the one-to-one support that they received from a Business Gateway Advisor as excellent. Thirteen customers (3%) felt that the support received from their Business Gateway Advisor was poor.

4.18 Some 14% were referred to services from other partner organisations, which is perhaps less than may be expected, given the intended role of Business Gateway as a gateway for business support services.

**Business Gateway Events/Workshops**

4.19 The most common Business Gateway workshops or events attended by clients were business planning (25%); finance and accounting (24%); and marketing (24%). Slightly over a third of respondents (34%) from the ‘one to many’ group had attended a ‘raising start up awareness’ workshop or event. Looking at variations across the three customer segments surveyed, generally a higher proportion of respondents from the ‘one to many’ group have attended Business Gateway workshops, which is in line with expectations as Business Gateway workshops are intended to provide ‘one to many’ support to the majority of its customers. Growth Pipeline respondents were less likely to have attended a Business Gateway workshop, probably because they have benefited from one-to-one support from a Business Gateway Advisor.
Final Evaluation of Business Gateway (April 20th – updated 16th June)

**Table 4.4: Type of Business Gateway Workshop/Event**

<table>
<thead>
<tr>
<th>Type of Business Gateway Workshop/Event</th>
<th>No. of Respondents</th>
<th>% of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business planning</td>
<td>398</td>
<td>25%</td>
</tr>
<tr>
<td>Finance and accounting</td>
<td>389</td>
<td>24%</td>
</tr>
<tr>
<td>Marketing</td>
<td>387</td>
<td>24%</td>
</tr>
<tr>
<td>Start up awareness raising</td>
<td>312</td>
<td>19%</td>
</tr>
<tr>
<td>Taxation</td>
<td>243</td>
<td>15%</td>
</tr>
<tr>
<td>E-business/ICT</td>
<td>234</td>
<td>15%</td>
</tr>
<tr>
<td>Networking</td>
<td>208</td>
<td>13%</td>
</tr>
<tr>
<td>Resource Planning and management</td>
<td>126</td>
<td>8%</td>
</tr>
<tr>
<td>Women into Business</td>
<td>115</td>
<td>7%</td>
</tr>
<tr>
<td>Franchising</td>
<td>16</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: GEN, Sample of 1,605 responses

4.20 Survey respondents generally indicated a high level of satisfaction with workshops, with the e-business/ICT; business planning; and resource planning and management workshops scoring particularly highly. In general, and perhaps surprisingly given some of the stakeholder views, a higher proportion of businesses trading for more than 18 months (91%) were satisfied with the workshops/events compared with pre-start clients (76%).

One to One Business Advisor Support

4.21 The majority of customers (69%) that had received one-to-one support stated that this support was primarily delivered through face-to-face meetings in a local Business Gateway office – See Figure 4.10. A further 15% of respondents had met with their Business Advisor at their own premises. Although the survey sample is more oriented towards the start-up market than existing businesses, and for start-ups one may expect the meeting to be at the Business Gateway office, the relatively small proportion of meetings held at the premises of the business is a little surprising. For existing businesses, one would expect the majority of the meetings to be held on site at the business. The majority of these respondents indicated that they were satisfied with the quality of the support provided.

---

30 The majority of respondents gave these events a score of ‘1’ or ‘2’, with the one representing ‘excellent’.
4.22 The support received from a Business Advisor covered a wide range of areas, including sales and marketing, access to finance, commercialisation, IT and HR/management support. The majority of respondents from the Growth Pipeline customer segment were generally satisfied with the support received from their Business Gateway Advisor, in particular assistance to develop their business plans and marketing and selling their products were highly regarded. Overall respondents from the VAT+ customer segment were most satisfied with the sales and marketing and access to finance support; the latter is encouraging given the stated importance of this support for start-ups. They were least satisfied with the support related to IT and HR/management support, probably because these areas often require more specialist knowledge.

4.23 Two in three respondents have had more than one session with a Business Gateway Advisor, almost half had three or more sessions and slightly under a fifth had five or more sessions – See Figure 4.11. However, analysis by customer group highlighted that whilst 13% of VAT+ clients reported having five or more sessions, this figure rose significantly to 42% in those respondents from the Growth Pipeline, highlighting the more intensive support provided to this customer group. Almost a quarter of respondents have met with an advisor for more than a year, and a similar proportion (23%) had met with an advisor for between 2 and 3 months.
4.24 Overall VAT+ and Growth Pipeline respondents generally felt that the support they had received from a Business Gateway Advisor was of good quality and appropriate to their business needs – See Figure 4.12. It is also positive that almost six in 10 (59%) stated that the support received from an advisor was additional to other forms of help, although the data suggests some degree of overlap with other services available.

Figure 4.11: Frequency of Business Gateway Advisor Support

Figure 4.12: Quality of Support from Business Gateway Advisor – VAT+ and Growth Pipeline Only
Business Gateway Website and 0845 National Number

4.25 Perhaps unsurprisingly, three quarters of respondents from the ‘one to many’ group had used the Business Gateway website. Encouragingly more than half of users had a good first impression of the website (with 39% rating their first impression of it as ‘excellent’). The majority of users however, visit the website irregularly, and 82% reported that they ‘rarely’ or ‘infrequently’ visited the Business Gateway website – See Figure 4.12. Further analysis of the group of businesses (96 respondents) reporting that they visited the website at least once every two weeks found that the majority were pre-starts or had been trading for less than 18 months.

Figure 4.12: Frequency of Visits to Business Gateway Website: ‘One to Many’ Survey

4.26 As shown in Table 4.5, users of the Business Gateway website most commonly accessed its events’ calendar (48%) and its links to other sites (37%), reflecting the importance of the website in facilitating access to other information and organisations. Almost a third of respondents had used the website’s business support finder. None of the respondents reported that they had used case studies on the website. In general, users were satisfied with the website facilities accessed, in particular the interactive tools and events’ calendar and more than 70% of users of these facilities rated their satisfaction with them as ‘1’ or ‘2’, with the former denoting excellent.

<table>
<thead>
<tr>
<th>Table 4.5: Website Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. of respondents</strong></td>
</tr>
<tr>
<td>Events calendar</td>
</tr>
<tr>
<td>Links to other sites</td>
</tr>
<tr>
<td>Business support finder</td>
</tr>
<tr>
<td>Interactive tools (VAT returns, finance options etc)</td>
</tr>
</tbody>
</table>

Source: GEN 2011, Sample of 632 responses
4.27 Overall, the majority of ‘one to many’ respondents found the Business Gateway website useful – See Figure 4.13. Almost half (44%) of respondents reported that it ‘fully’ or ‘largely’ met their business needs and a further 43% of respondents indicated that the website met ‘some of’ their business needs. Just 4%, 75 respondents, reported that the website did not meet ‘any’ or ‘many of’ their needs.

Figure 4.13: Usefulness of Business Gateway Website: ‘One to Many’ Group

4.28 Users of the Business Gateway website have suggested some enhancements that could improve its usefulness. These primarily included clearer categories; more user-friendliness; an improved search facility and better visual appeal.

<table>
<thead>
<tr>
<th>Suggested Improvements to Website</th>
<th>No. of respondents</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearer categories</td>
<td>186</td>
<td>32%</td>
</tr>
<tr>
<td>It could be more user friendly</td>
<td>178</td>
<td>31%</td>
</tr>
<tr>
<td>It could have an improved search facility</td>
<td>143</td>
<td>25%</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>127</td>
<td>22%</td>
</tr>
<tr>
<td>Improved visual appeal</td>
<td>119</td>
<td>20%</td>
</tr>
<tr>
<td>It could include additional facilities</td>
<td>83</td>
<td>14%</td>
</tr>
<tr>
<td>None/nothing</td>
<td>77</td>
<td>13%</td>
</tr>
<tr>
<td>Updating could be quicker</td>
<td>52</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>34</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: GEN 2011, Sample of 583 responses

4.29 Although less than a third of respondents (28%) from the ‘one to many’ group had used the 0845 national number, the majority were satisfied with the service – See Figure 4.14. Users of the 0845 number/Enquiry Service were most satisfied with the friendliness and
final evaluation of business gateway (April 20th – updated 16th June)

Professionalism associated with the service, although 73% still found the relevance of the advice good or excellent and 71% found the level of expertise/knowledge good or excellent. This suggests a good level of service provided via the national number.

Figure 4.14: Satisfaction with 0845/Enquiry Service: One to Many Group

Benefits of Support

Time Savings

4.30 Figure 4.15 shows that, for the majority of respondents, Business Gateway has reduced the time spent finding business support. Almost two thirds of respondents (63%) stated that it would have taken longer to access the support received without Business Gateway as a central contact. However, respondents were less certain of its impact on their ability to locate similar support at all, although a third of respondents reported that it was unlikely that they would have found the support received if Business Gateway was not available as a central contact point. Notably, a third of respondents from the Growth Pipeline survey (33%) shared this opinion and a similar proportion from VAT +/-VAT Pipeline survey (31%).
Commercial Outcomes

4.31 Respondents were asked to identify the business outcomes that they have achieved as a result of the support received. The results are shown in Figure 4.16. A relatively modest proportion of respondents were able to attribute commercial outcomes to Business Gateway support, and these primarily included new customers (14%), increased sales/turnover (11%), and improved profitability (8%). However, given the numbers of individuals and businesses accessing the Business Gateway, these proportions translate into significant numbers deriving commercial returns.

Figure 4.16: Impact on Commercial Outcomes - All Respondents
Although Business Gateway support has had a modest direct commercial impact, its impact on their business processes is more evident – See Figure 4.17. More than a third of respondents (37%) stated that Business Gateway support led to better strategic focus (this can be linked to the development of action plans) and slightly under a third identified improved working practices. Further, a fifth of respondents have improved their customer focus as a result of its support, all of which are likely to have commercial benefits (and perhaps longer lasting benefits), even if the customer finds it more difficult to identify this connection directly.

**Figure 4.17: Business Improvements Achieved – All Respondents**

![Business Improvements Chart]

Source: GEN 2011, Sample of 1,411 responses

Other Support

The majority of respondents (80%) reported that they have not participated in any other form of public support as a result of referral from Business Gateway. Of those with one-to-one support, those respondents in the VAT+ group were less likely to state that they access additional support (13%), compared with 28% of Growth Pipeline customers. This may be expected, with customers not clear of the delineation between Business Gateway services and other services provided, for example through the Local Authority.

Of those that had accessed additional support (266 respondents), only 15% had paid for this support. Further, 40% of respondents accessing additional support indicated that they would not have been able to do so without Business Gateway’s referral. This shows a relatively small proportion of businesses referred to other support, and this could be increased through greater links with other forms of support. Still, a third of respondents felt that they would have been able to access additional support without Business Gateway’s referral.

Future Support

The majority of respondents (69%) from the Growth Pipeline and VAT+ groups, reported that they would welcome on-going infrequent support to guide the development of their businesses. Their preferred forms of support were through quarterly email follow-up (26%); on-going advisor visits (24%); and on-going attendance at events (16%).
4.36 More than half of respondents from the ‘one to many’ group stated that in the future they were likely to attend Business Gateway local events and workshops (61%) as well as visit the Business Gateway website (57%), which is a reasonable validation of the Business Gateway service.

4.37 All respondents were asked whether they would be prepared to pay for any aspect of the support received from Business Gateway – See Figure 4.18. Overall, the majority were not inclined to pay for the support that they have received. That said, there were notable variations across the three customer segments, for example, the majority of respondents (68%) who stated that they were ‘definitely’ willing to pay for the support received were Growth Pipeline and VAT + customers. It is notable that more than half of respondents (51%) who stated that they ‘probably’ would pay for the services they have received had obtained ‘one to many’ support, i.e. they had mainly accessed the Business Gateway website and 0845 national number. Further analysis of this group found that 71% of these respondents had also received one-to-one support from an advisor, which partly accounts for their willingness to pay.

**Figure 4.18: Willingness to Pay for Business Gateway Support – All Respondents**

4.38 As shown in Figure 4.19, respondents were more willing to consider part subsidising the costs of the Business Gateway events/workshops and the advisor sessions.
Summary

4.39 Overall, respondents to the Business Gateway customer survey were satisfied with its services. Business Gateway was most commonly accessed to obtain general advice and support to start a business. The majority of respondents from the VAT+ and Growth Pipeline customers have progressed in their business development since accessing Business Gateway and more than half have been trading for more than 18 months.

4.40 One-to-one meetings with Business Gateway Advisors have played an important role in helping clients to identify their support needs, particularly VAT+ customers. Similarly those that have used the online diagnostics to identify their support needs have also found this service to be useful. The majority of clients have developed an action plan and they generally felt that these plans were relevant, comprehensive and focussed on actions and outcomes. A few respondents reported that their action plans could have provided more support to meet trading dates and volume targets.

4.41 Generally customers have used the range of Business Gateway services including one-to-one advisor support, events/workshops, the website and 0845 national number or Enquiry service. Perhaps unsurprisingly, use of each service varies by customer segment and as expected clients from the VAT+/VAT Pipeline and Growth Pipeline customer segments were more likely to have used a Business Gateway advisor, although somewhat more surprisingly, more than half of the ‘one to many’ respondents also report assessing this support. Overall, clients reported a high level of satisfaction with each service, notably one-to-one support, but also the events and workshops. Customers also generally felt that the support they had received from a Business Gateway advisor was of good quality and appropriate to their business needs.

4.42 For the majority of respondents, Business Gateway had reduced the time spent finding business support. Whilst, Business Gateway has had an identifiable commercial
impact on a relatively small proportion of its clients, it has led to better strategic focus, and improved working practices and customer focus.

4.43 Overall, the majority of respondents intend to use the Service in the future and a small proportion have indicated a willingness to pay for some services, particularly the workshops/events and advisor sessions.
5  Strategy and Delivery Review

5.1  This Chapter reviews the strategic approach to the Business Gateway service and discusses a number of operational matters. The review is drawn from widespread consultation with high level stakeholders (SG, SE, SDS etc.) and those involved in managing and delivering the service, including the Local Authority (LA) leads, many of the contractor organisations, and other local partners. A full list of consultees is included in the Technical Annex.

The Delivery Model

5.2  The delivery model is in essence a national service with local contracts/delivery arrangements, which allows a degree of consistency to be maintained across Scotland whilst affording some local flexibility. There is widespread agreement amongst stakeholders that Business Gateway should indeed be a national service, and that this requires some minimum standards and a core offer.

A National Offer

“...Business Gateway was set up to be the portal....”

“...Business Gateway was established to be a clear, one door approach to remove duplication....”

“....there is great merit in and recognition of the national Business Gateway brand......”

5.3  The current delivery model operates with lead authorities in lowland Scotland, of which there are 12, on the basis of the former Local Enterprise Company geographies, and 7 Highland and Island areas. Whilst this is not without its challenges, 18 contracts is a significant number to manage (as one stakeholder put it “we are not there with a national Business Gateway body”), this number is nonetheless more easily managed than 32 Local Authority contracts. The model also allows Business Gateway to be locally responsive whilst achieving some economies of scale (e.g. a contractor typically services two or three Local Authority areas).

5.4  The delivery model operates through contracts (in lowland Scotland) covering the period October 2007 to September 2012. This contract was developed and introduced prior to the recession. There has been negative criticism from stakeholders at various levels about the inability to change the course of the Business Gateway contract to respond to the altered economic circumstances. This partly relates to governance (regarding the speed of decision-making) but also the delivery model which put in place fixed five year contracts with limited flexibility (other than through local addendum, see below). Increasing the levels of flexibility within a contract period (if this is the selected route) will be a requirement for Business Gateway going forward. This has started to happen, and Local Authorities have been effective at driving consistent approaches to contract flexibility.

Changing Circumstances

“...Business Gateway contracts are focused on priorities which, while sensible in times of plenty, are not the right ones for an economy in difficulties. This has been compounded by the fact that such is the rigidity of these contracts, it was deemed too difficult to amend them to respond to the post-credit crunch reality “— FSB
5.5 The arrangement (with LA lead authorities) also requires the LA lead to manage the relationship with other non-lead Local Authorities (as is the case with the Highland and Moray relationship). In many areas, this working relationship is strong and there is close joint working. In others, this is less clear and some LAs are more distant from Business Gateway as a result. Where the latter is present, the onus is on the lead LA to encourage and engage the other LA(s). This has been achieved to varying degrees and there could perhaps be greater impetus from the National Unit to help increase engagement levels. Overall, whilst a historical legacy, the lead authority arrangements in lowland Scotland helps to move away from numerous individual contracts (with the attendant inefficiencies) and, whilst there are dissenting voices, the majority view is to continue with this arrangement.

The Use of Contractors

5.6 The delivery model across Lowland Scotland also works through contractors, although the relationship between LA leads and contractors varies (and in Lothian there is a consortium). Again, whilst there are imperfections and inconsistencies with these arrangements, the contractor model allows (1) for the LA to oversee contract management and (2) for a contractor to adhere to a common framework. Many contractors are very experienced and have delivered Business Gateway services for many years. This has strengths and weaknesses; some contractors are more difficult to manage on this basis (‘they know best’), yet there are considerable benefits to retaining this experience within the service. As one stakeholder put it “there are some really good contractors… and the service as a whole doesn’t get the credit it deserves”.

5.7 The situation is clearly different in the Highlands and Islands, with only Highlands and Moray Councils using the services of a contractor (through a shared services agreement) and even here the Business Gateway service is delivered under contract by Highland Council’s wholly owned Enterprise Trust. Aside from the Highland and Moray arrangement where the contract is modelled on the lowland Scotland contract, and given the more recent transition to Business Gateway in the Highlands and Islands, and in particular the nature of the area, stakeholders in other Highland and Island authorities have not generally considered the move to a contractor model appropriate.

The Use of Local Addenda

5.8 In addition to the core contract, there has been the ability for the lead authorities to augment the contracts through the use of a Local Addendum. This has always been an option (and expectation) that allows the Local Authority to tailor provision locally. This has and continues to allow the freedom and flexibility to tailor local services through drawing in additional resources, notably through ERDF. This is a useful form of flexibility and should be retained, and many Local Authorities and contractors are seeking greater levels of flexibility in the future arrangements. Their use has been variable, and more ‘creative’ Local Authorities have used the addenda to good effect to extend the Business Gateway offer (or to address gaps that emerged as a result of the changed economic circumstances).

The Business Gateway Operational Network

5.9 The LA Business Gateway Operational Network forum works hard acting as an operational group to drive change nationally and locally, and the group is active in many areas including leading on the content and development of the quality assurance contract, performance indicators and its measurement. It is also worth highlighting that there is a sub-
group of the BGON working with EFRS to review improvements to the service and a sub-
group reviewing improved survivability monitoring linked to aftercare.

**Summary and Conclusion**

5.10 With respect to the model of delivery, there is little appetite for major change and, in
our view, and in the view of the majority of stakeholders, such change would not add to the
quality and impact of the service. The basic premise for the model, that of a national service
with a series of contracts with core common requirements, is fit for purpose and there should
be some recognition of the collective efforts of the National Unit, the BGON and others
involved in delivery ensuring a relatively smooth transition to the Local Authorities. In our
view, the use of the contract model, for a core service as a minimum, is the most effective
way of ensuring a national branded service with a national offer, whilst allowing local variation
and flexibility. The FSB and others representing the views of small businesses similarly see
little value in another significant change in the delivery infrastructure.

**The Mix of Activities and the ‘Offer’**

5.11 The Business Gateway is set up to serve both start-up and existing businesses. It is
widely accepted that the offer is better for, and certainly better known for, support for start-up
businesses. This is unsurprising given its background and development, from the Small
Business Gateway to the Business Gateway service. Chapter 2 indicates that Business
Gateway is however starting to get the message out to all businesses and the perception is to
some extent following the reality, where practitioners have already made the change as a
business service for all.

5.12 That said, there remains some feedback that the offer for existing businesses is not
as strong as it could and should be (with some customer misunderstanding of the brand). This
is felt quite acutely at the local level where many existing businesses are a local priority and
are significant employers. Some of these businesses, particularly in the recent economic
downturn, may have had limited growth potential, and have therefore not been eligible for
support.

**Articulating an Offer for All**

“...the [current approach to] targeting has effectively excluded ‘business base’ companies who are
regarded as a priority locally...”

5.13 The contracts were set up to facilitate and achieve growth; and there is support for
this to remain the over-arching objective, whilst at the same time allowing some flexibility to
support locally significant businesses. The FSB, in their manifesto and written response to
the Enterprise Inquiry into the reforms, have stated their desire to see established businesses
able to access advice (with a focus on job creation in new and existing businesses).

5.14 There remain issues around those companies with growth aspirations but which do
not meet the growth criteria. This resulted in the introduction of the sub-growth pipeline, for
businesses growing up to £200,000 rather than £400,000 (half of this in the Highlands and
Islands), and Business Gateway has been supporting these businesses, for which demand
has been high, although this has not fully been reflected in the data to date. These
businesses, however, are not able to access the SE or HIE products available to growth
pipeline businesses. There were also some issues raised relating to those businesses with
growth potential (including start-ups) that are either beneath the VAT threshold or beneath the sub-growth pipeline who also fail to qualify for more intensive support.

5.15 There are parts of the offer that are regarded more strongly than others. The Meet the Advisor workshops, in effect the 1-1 advice ‘badged’ as a series of sessions that form a workshop (and the 1-1 advice for those that qualify), are repeatedly cited as the part of the service most valued by customers. This is particularly the case in rural areas, but by no means exclusively so. The start-up workshops are generally regarded positively, as are the business planning and the strategy workshops, with positive feedback from stakeholders on their ability to help structure the thinking for the customer.

5.16 There are some of the workshops/events that are more often questioned in terms of their value for money: these relate to some of the more standard or mainstream sessions, such as sales and marketing, particularly for existing businesses. It is felt that some of the workshops/events may be available either commercially or through other means.

5.17 There are also parts of the offer which could be regarded as ‘missing’. Aftercare was cited on a number of occasions, partly since this has been available under previous incarnations of Business Gateway. There is no current lowland Scotland contractual requirement for the contractor/lead to follow-up with businesses (even start-ups, who may benefit the most from this). Care needs to be taken in formalising this (it could be costly), yet there would be benefits to a number of businesses of receiving follow-up support. A number of Local Authorities contract directly for aftercare through discretionary means.

5.18 The Business Gateway offer does not include stimulating an enterprise culture and/or raising awareness of enterprise. There are targets for (and payment is on achievement of) those starting up, and so, in basic terms, there are incentives to reach this number. Some contractors (and these are typically the Enterprise Trusts) have a greater enterprise ethos and see enterprise stimulation as part of their role. Our recommendation is not that enterprise awareness and entrepreneurship is formally part of the Gateway contract, rather that acknowledging that this is very closely related to the Business Gateway service and making links where appropriate. Some Local Authorities are already heavily steeped in culture of enterprise strategies in partnership with education

5.19 The use of local addendum, and/or creative interpretation of the contract to draw in additional resources (notably ERDF), has allowed some authorities to significantly add to the Business Gateway offer. This includes support for higher growth companies (that do not meet the pipeline criteria), for example “expert help” services for growth (e.g. Fife). Others include asset management (added to the catalogue for all Scotland) or sector-specific support. This supports the widespread view that there should be a core national minimum offer with greater local flexibility. A couple of authority areas have benefited from the additional expertise of contractor advisers in providing IT-based support and this has augmented the Business Gateway offer.

The Web Site and the EFRS

5.20 The EFRS and the website are part of the offer. Both are regarded as a resource for Business Gateway. The website is regarded as a very good resource (including innovations such as the Tweets on business planning materials) but one which, despite good traffic flows, is under-utilised, in part a result of the quantity of information and its navigability. This is
reinforced by the customer feedback – it is effective for those who use it, but there is scope for improving its usability.

5.21 The EFRS is also regarded as a resource for Business Gateway (many still feel it is important to have a national 0845 number) although there is a little scepticism about its value, particularly from contractors, many of whom delivered previous Gateway contracts and who feel they benefited from more locally oriented/tailored research and expertise in the past. The number of Business Gateway enquiries that typically come through the national EFRS is estimated at around one third (not the majority as originally intended) and the numbers using the national helpline are decreasing as more freedoms to market locally have been introduced.

5.22 There were strong questions raised by a number of contractors as to the effectiveness of a national call centre and many saw more value in local phone numbers and local marketing. The counter view, of course, in terms of a national service, is that 12 (or more) local enquiry handling centres is not a cost efficient use of resources. Customer feedback generally validates the advice and support available via the EFRS, for those that have made use of the resource. This report advocates strengthening the reach of this national resource. There may indeed be additional functions that the EFRS could undertake, for example in relation to aftercare (this service is strongly demanded by customers and practitioners), although this would clearly need to be resourced and formalised.

Summary and Conclusion

5.23 The basic offer is regarded as sound and sufficient to meet the needs of businesses. This is particularly in relation to start-ups, Meet the Advisor sessions and the one-to-one support. The offer is less strong for existing businesses; both those looking to grow and develop and existing businesses employing local people seeking modest growth/survivability. The mix of support activities has changed, and has needed to change, as a result of the recession, and this has not been straightforward to achieve (in modifying the contract). ‘Can do’ authorities have developed approaches to developing the offer (e.g. in relation to growth, sectors) through ERDF enterprise culture/aftercare activities and local addenda. The prevailing view is that a national core offer, along similar but modified lines and with some additional local flexibility, is the best way to ensure continuity of service and improvements for the customer.

Reach and Targeting

5.24 It should be recognised that Business Gateway serves a very large number of businesses, with more than 40,000 enquiries handled per annum. Its reach is significant and volumes are high. There are some parts of the business base that the service appears better suited to, and this relates to its presence/profile in the marketplace (start-ups). Again, however, the message is beginning to widen and more existing businesses are engaging with Business Gateway (which is likely to be further consolidated as Business Gateway becomes the portal for all business support).

5.25 Local Authorities typically have the mind-set that all businesses should be supported if at all possible (local politicians do not like to say no). The question going forward is: can it serve everyone? And then should it serve everyone? The offer is predicated on supporting businesses in the way that best suits them, and the availability (and success) of the website in meeting business needs significantly increases service reach. The EFRS plays its role too in servicing higher volumes cost effectively.
5.26 At the outset, Business Gateway sought to be about supporting businesses to grow. Although this was at the time of economic growth, this should still be an aspiration. There are lots of businesses with growth aspirations, which do not meet SE/HIE criteria, and SE and HIE only deal with a small number of businesses. In terms of reach, therefore, Business Gateway must help meet the needs of businesses with growth aspirations – SE/HIE does not have scope to support these (typically working with around 2,000 per year – out of 280,000 businesses), and Business Gateway needs to support those growth aspirations.

5.27 The Business Gateway reaches a wide range of individuals and businesses. Business Gateway supports a large number of women and specific target groups. More than 2,500 start-ups April to December 2010 were majority women-owned, equating to a third of the total number of volume start-ups. Business Gateway specifically provides workshop support for women into business. As stated, many Local Authorities make use of local addenda to extend reach.

5.28 Nonetheless, referrals out of Business Gateway do not appear commonplace and, whilst stated links with local partners were asserted, there were more limited specific examples provided. Business Gateway could extend its reach through working more extensively with and through partners, for example building referrals to other partners directly into contracts.

5.29 There remains a challenge to access many existing businesses, especially more traditional businesses in more industrial areas. There are clearly geographical challenges in rural areas and the Highlands and Islands in particular. The location of Business Gateway in Local Authorities provides the opportunity to access a far wider number of businesses who are interacting with the LA through licensing, standards, planning and so on. Increasing referrals from within Local Authorities would generate significant cross-referrals, and is a natural ‘next step’ in aligning services and extending Business Gateway reach. There are examples of good practice in this area which could be built upon. In the Highlands and Islands, the use of online resources is growing, yet there remains a need for localised engagement supported by local media and to continue to grow brand awareness for start-up and existing businesses.

**Contract Targets and Resources**

5.30 A number of BGON members and contractors noted that the targets do not incentivise the contractor to exceed the targets. There is also little consideration of impact or sustainability (see below). A contractor will be paid for starting a business which may cease trading a month later. A commonly held view is that the output-based delivery model approach encourages contractors to ‘chase numbers rather than quality’, and that this moves the focus away from helping businesses to meeting targets. This does a disservice to many contractors, yet there may be better ways to structure the targets that combine impact and output measures, which encourages a more rounded service based on quality.

5.31 Business Gateway largely deals with “lifestyle businesses” in terms of volumes, and this has increased as a result of the recession, as more of those made redundant look to start a business. One respondent stated that “the support needs to better reflect the market rather than being driven by irrelevant targets”.

5.32 There are always challenges in developing targets/segments and it is clear that there are still some businesses with decent growth aspirations that may be below the sub-growth
pipeline that do not qualify for support. This also relates to the cohort of start-ups who may not yet be trading at the VAT threshold but who have employees and nonetheless have growth potential. Many of the contractors commented on the inappropriateness of the growth targets, particularly the rural authorities but elsewhere too. There are different socio-economic and business profiles across Scotland, and the targets in the Highlands and Islands reflect this. A number of stakeholders in lowland Scotland cited the different business and economic profile in rural areas that should be reflected in the targets, whilst maintaining the core service.

5.33 The VAT threshold as the means of prioritising more intensive support to start-ups is not universally agreed as the best indicator, and some stakeholders cited that other measures could be used or included, such as ability to recruit/employ staff or take up of premises. Others however felt the VAT threshold clearly measurable and a general measure of size/ambition to grow, and a way of reducing the pressure for one-to-one support from volume start-ups. The viewpoint typically varies by area, with a broad urban/rural differentiation, with rural areas finding the VAT threshold indicator least satisfactory. It has been recognised that the original contract was overly ambitious in terms of the number of businesses capable of achieving VAT status (notwithstanding the change in economic conditions which exacerbated this) and VAT pipeline was subsequently introduced. Sensitivity in target setting with respect to VAT+ starts may help address this.

5.34 The current allocation of funding is based on the costs of the contract. A number of stakeholders commented that resources would be better allocated on the basis of population or deprivation, or a combination of the two, and with some recognition that some areas may serve customers beyond the contract area. This would seem sensible. There was also the view (notably amongst SLAED members) that the funds awarded to lead Local Authorities should be protected as part of the normal Local Government settlement with guaranteed use for Business Gateway services.

Summary and Conclusion

5.35 Business Gateway reaches a large number of businesses and the reach is extending, particularly as more existing businesses make use of the service. Many women in particular are aware of, and access, the service. The use of local addenda extends the reach of Business Gateway further. That said, there are opportunities to both work more effectively with local partners (and national partners operating locally or regionally) and through existing Local Authority departmental contacts, to reach more businesses, particularly existing businesses. In the Highlands and Islands, where Business Gateway has been with the Local Authorities more recently, there is a need to continue to raise awareness of the brand for start-up as well as existing businesses.

Alignment and Linkages

5.36 Business Gateway services appear reasonably well aligned with other services locally. Those managing and delivering Business Gateway locally state that it is relatively clear who is offering what at the local level, and how Business Gateway relates to this. Practitioners identify that this is often a result of working in the local area over a number of years and the relationships that have developed. A number of Local Authorities (and other organisations) have developed services to add to the Business Gateway offer. This includes access to finance, notably the West of Scotland Loan Fund and the East of Scotland Investment Fund, the latter developed by the nine east Local Authorities, a good example of
responding to market conditions and joined up collaboration between the Local Authorities through Business Gateway.

5.37 That said, the picture emerging from other organisations active in economic development locally (local Chambers, Colleges and so on) is more mixed, suggesting that there are improvements that can be made in nurturing and developing local relationships, with the Community Planning Partnerships and Local Authority Single Outcome Agreements a vehicle for achieving this. Whilst part of this may relate to a lack of understanding of what Business Gateway can offer, the feedback shows that local relationships cannot be taken for granted, and that Business Gateway must continually find ways of updating (and being updated by) partners on the respective offers.

5.38 As well as extending the reach of Business Gateway through accessing businesses that contact the Local Authorities, working more closely with other LA departments would also help local linkages and alignment. Many businesses have dealings with the LA; the Local Authorities who have joint working agreements with contractors appear the most effective at building linkages. In some of the Highlands and Islands authorities (although by no means all), the in-house delivery model has started to break down the referral barriers internally within the Local Authority.

5.39 Those delivering Business Gateway highlight the growing challenge in keeping abreast of local initiatives, particularly those being brought forward by colleges and others, as a result of ERDF applications. There is little overview of the ERDF projects coming on stream and how they relate to Business Gateway for example. Contractors and LA leads also comment that there are greater challenges in understanding and keeping abreast of new initiatives that are announced by other organisations. This has happened on a number of occasions; sometimes Business Gateway learns of a new initiative relevant to SMEs quite some time after their launch. There are a number of examples of this, such as the Smart Exporter programme through Scottish Development International and Scottish Chambers International. Some of this relates to wider issues of governance (see below) or communications. There are some examples where the relationship is developing at the national level and organisations are formalising their relationship with the Business Gateway.

<table>
<thead>
<tr>
<th>Awareness of Complementary Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;We have a flexible training offer for employers and workforce development is a common issue...connections did not exist...and people did not know what was on offer. [It made sense to] start deepening the relationship and so we are developing a Memorandum of Association with Business Gateway including regular meetings with Business Gateway Managers&quot; – Skills Development Scotland.</td>
</tr>
</tbody>
</table>

5.40 There are some practical challenges in achieving alignment between Business Gateway and SE/HIE with regard to growth companies and transition to account management. Although this relates to a relatively small number of businesses, it is important that this transition is as smooth as possible. The process is regarded as too bureaucratic (too many forms), too lengthy (and hence difficult for relationships with the businesses to be managed) and unclear (the basis for acceptance or not).

5.41 For a number of practitioners, the difficulties are regarded as quite significant. Actual data on the number of Business Gateway referrals accepted into SE Account Management 2010/2011 put the proportion at 73% with the potential for a further 12% 'on hold' to be accepted. Overall numbers are relatively small, with 130 referrals, and the data would suggest the large majority of businesses referred as accepted. Local Authorities/ contractors cite
delays in decision-making and inconsistent or narrow interpretation of the criteria. A lack of clarity over the roles of the SE Prospecting Manager in seeking new potential businesses for Account Management has also been cited, in particular relating to those businesses identified as ‘growth prospects’ by SE, although this is now being addressed through more regular dialogue between SE and Local Authorities. Overall, there appears considerable room for improving the perception and reality of the process for company referral and acceptance into Account Management. For example, Business Gateway has no access to any of the company data once it is taken into Account Management, even where subsequent support may have finished.

5.42 There are stated links with the private sector on the ground, with many referrals coming from the banks and other intermediaries, and customers regard the access to finance advice and support highly (which in turn has links to commercial finance). However, the evidence is less strong in relation to referrals on to the private sector/intermediaries. Nationally, Business Gateway has made limited progress in working closely with the private sector. Both strategically and operationally, there could be closer alignment with the private sector.

Summary and Conclusion

5.43 There appears strong alignment between Business Gateway and other services locally, as a result of local relationships that have developed over time, although it should be acknowledged that these require refreshing periodically. The challenge is to keep updated with new projects locally. The greater challenge, however, is to stay updated with those initiatives launched by national organisations, and this relates to how organisations relate to each other nationally, and the way in which these are communicated.

**Effective Referral**

“Business Gateway must retain its role as the key national branded signposting/referral source for business advice and support. To avoid creating new systems and bureaucracy, other services need to work closely and share all the relevant information with Business Gateway” – FSB.

**Governance**

5.44 A number of stakeholders have cited that there is a lack of a strategic voice/vehicle for articulating Business Gateway nationally. This partly relates to where Business Gateway sits, that is, within COSLA, which is a member organisation which must act by agreement, persuasion and influence. The lack of a strong Business Gateway ‘voice’ also relates to the mechanisms for engaging with other organisations nationally and the routes for getting messages across to partners about what the Business Gateway service is and its impact. Some partners highlighted that a clear Business Gateway strategy would be beneficial. There is also incomplete understanding (outside COSLA at least) as to the respective roles of the Business Gateway Scotland Board and COSLA i.e. who is and should be ultimately responsible for Business Gateway (and also for the national unit).

5.45 The issue of governance is a difficult one given the complexity of relationships and the fact that BGON and the Business Gateway Board both exist, and the BNGU sits within COSLA, as the representative group of Local Authorities. There is a lack of a clear understanding amongst stakeholders outside COSLA and also some delivery partners about how Business Gateway Scotland Board decisions are made and how these are then actioned. This is further clouded by the existence and influence of SLAED a group with a close
involvement with Business Gateway services, (although it is common for officers to advise political and governance structures). Some are not clear about the representative presence of the Scottish Government and their link to policy decisions and how these impact on Business Gateway.

5.46 A number of stakeholders commented on the make up and role of the Business Gateway Scotland Board. The Board serves as the vehicle for the strategic advice on Business Gateway, including discussions around its required change of direction (e.g. post-recession) and resolving Business Gateway operational issues. The Business Gateway Scotland Board, at the same time, is a diverse group with significant stakeholder representation, which can sometimes make it more difficult for Business Gateway to identify and resolve issues “in-house”.

5.47 The LA Business Gateway Operational Network group and the contractors’ forum are regarded as beneficial by those managing and delivering the Business Gateway service. There are frustrations, largely from contractors, about the extent to which their views have influence at the Business Gateway Board level. The contractors’ forum nonetheless appears effective in facilitating the exchange of views and best practice within the service. Recommendations are made to simplify governance structures in chapter eight.

Summary and Conclusion

5.48 Business Gateway has suffered in part as a result of a lack of a really strong Business Gateway ‘voice’ and this can hamper its strategic dealings with partners. Partly, this related to the need to transfer Business Gateway to the Local Authorities and ensure an operational service. There is however now an opportunity to review the governance arrangements to provide greater direction to Business Gateway, through more clarity over the role for the Business Gateway Scotland Board, which may in turn help to address the perception of relatively slow decision-making.

The National Unit

5.49 In the same way as the Business Gateway brand is recognised and valued nationally, so the Business Gateway National Unit (BGNU) is considered a valuable resource. The BGNU is in effect a four-person Team, and this is a relatively small Team given the demands placed on the Team from the Business Gateway Scotland Board, the LA leads and contractors. The Team is responsible for providing information on performance and national services - the 12 lowland contracts and Business Gateway in the Highlands and Islands, the latter which has demanded a significant level of commitment in its first year given its more recent transition and lack of Business Gateway history. The BGNU are undoubtedly stretched, with a combination of research, analysis and Board support roles, alongside LA and contractor communication and coupled with an external stakeholder liaison role.

5.50 There are, given the demands on the BGNU’s time, occasional frustrations expressed by some partners regarding the BGNU resource. Not all have considered the national marketing and the communication of the offer as being sufficiently clear, for example in relation to a clear marketing or communications strategy. This has been recognised with a marketing strategy in place and a clearer communications plan. There is a sense from some stakeholders that the maximum value may not be being achieved from the national marketing campaigns, although this is difficult to substantiate without specific research into this area. Nonetheless, there has been quite a significant resource allocation for the marketing of
Business Gateway nationally and there should be careful consideration of the focus, targeting and coverage of this marketing resource in the future.

5.51 The role and performance of the BGNU is also related to the issues of governance. The BGNU staff are employed by COSLA, yet much of their workload is directed by the Business Gateway Scotland Board. It is right of the Business Gateway Scotland Board to demand to see sight of supporting analysis and so on, yet the BGNU workload needs to be considered. The proposed appointment of a Business Gateway Team Leader should help increase the capacity of the BGNU, with the team leader taking on more of the external liaison role, although it is likely the team will continue to be stretched. The range of data available through the Quality Assurance function is considerable and some considered that more could be made of this level of data to further inform decision-making. Ensuring sufficient time for this function within the BGNU could help with this, linked to improved impact measurement described below.

Summary and Conclusion

5.52 Overall, the BGNU are a valued resource; indeed they are almost too valued, with demands on their time from a range of different directions. The Unit is praised by the Board members, BGON members and contractors, with the Highlands and Islands particularly positive and grateful for the support. The appointment of the team leader should help increase the capacity of the team to cope with the significant demands on their time.

Impact and Value for Money

5.53 Stakeholders were consulted over their views on Business Gateway impact and value for money, and these views are reflected here. The net impacts of Business Gateway accruing to customers is analysed and set out in the following chapter.

Measuring Impact

5.54 Many stakeholders and those delivering Business Gateway are genuinely unable to take a view on the Business Gateway impact and value for money. There has been very limited measurement of impact to date (as reported in chapter 3, survivability data coverage needs to be developed further) and other measures are limited. In part, this relates to the scale of the transfer to Local Authorities in lowland Scotland and the introduction of the service in the Highlands and Islands, and the immediate need to focus on the delivery of activity and outputs. The move to Local Authorities has clearly been achieved and the time is right to focus attention on impact and its measurement, and thereafter to use this data to improve and develop the service. There is no contractor incentive to measure the survivability of start-ups, and whilst some contractors collect additional information on businesses, there is limited widespread monitoring of start-up survivability. Should aftercare become part of the ‘offer’ there could be a link between the provision/offer of aftercare and survivability data collection.

Measuring Performance

“Information on outcomes for example, turnover increases, additional employees] is collected as part of the Business Gateway contract when supporting growth companies…..the problem is that [the management information] is not used effectively and this information is not turned into intelligence about what has happened as a result of the support ” – Contractor
5.55 Data on turnover and employment is collected by contractors in relation to both growth pipeline and VAT+ companies, yet there is little aggregate use of this data nationally, although Local Authorities use this data very effectively locally for senior management, committee papers and impact evaluation on value for money services. Further, all areas (and now the Highlands and Islands too) record data on the national Customer Relationship Management (CRM) system. Whilst there are many criticisms as to the lack of user-friendliness of the CRM, it is extremely valuable for Business Gateway, as a national service, to be able to report consistently nationally, and one that should not be dispensed with lightly given the levels of investment that would be required to replicate it. However, the concern was raised by a number of stakeholders that there needs to be commitment to, and resourcing of, the CRM beyond the current SE timeframe and throughout the next contract phase.

Unit Costs

5.56 There was also recognition that there are variable unit costs, which will happen where there is competitive tendering in each of the lead LA areas in lowland Scotland. Chapter 3 illustrates this. There was a sense from stakeholders that costs should not be so variable, although it was also recognised that the way costs are calculated also varies and so apparent like-for-like comparisons are not always valid. It was generally considered that ranges may help this in the future, although this is not perfect either.

Chargeable Services and Propensity to Pay

5.57 Stakeholders were asked whether there is scope for charging for the service or any parts of the services. There was a view that there is limited scope in the start-up market to charge for services (and the customer feedback would appear to largely bear this out), but that there may be some scope for charging existing businesses, particularly those with stronger growth aspirations. For some of the workshops/events, for example the strategy or business planning workshops and the more specialist services (e.g. copyright), consultees felt that there may be scope to at least part-charge for these.

Additionality of Support

5.58 The majority of commentators believe the Business Gateway service to be providing support that is not being provided instead by the private sector. This is not a universal view, although the majority feel that the support offered, say in relation to start-ups, is advice and information being provided at a stage before it is appropriate to approach the banks. The majority of those involved in over-seeing and delivering Business Gateway also regard the service as largely additional to other public sector support.

5.59 As highlighted, however, this view is less universally held by others involved in providing economic development and enterprise activities locally. The true picture is likely to lie somewhere in the middle; Business Gateway, given the breadth and scale of the service, is likely to duplicate (and be duplicated by) some part of the other public sector support, but the service is not creating large-scale displacement of private sector provision.
5.60 Overall, stakeholders believe they are addressing market failure and that the Business Gateway is additional to that being provided by the private sector. They also believe that the service is not one that can be generally charged for, which is generally borne out by the survey evidence. Views on the impact of the service are limited by the lack of widespread and reliable data on impact measures, including employment, turnover growth and survivability.

Summary and Conclusions

5.61 On the whole, stakeholders believe that Business Gateway is delivering a worthwhile service and that the transition to Local Authorities has been smooth considering the scale of the undertaking. There is general support for a continuation of the delivery model where there are lead Local Authorities in lowland Scotland – this prevents a potentially unmanageable arrangement where there are 32 contracts, but which supports the notion and desire for local flexibility within a national framework.

5.62 There is a strong recognition of the brand which is worth continued reinforcement and investment. Value is seen in the EFRS and the website, particularly the latter, which is under-utilised and which is a considerable resource, the benefits of which should be retained going forward through the new portal arrangements. The need for local flexibility and discretion exists, and the current set up allows for this, through local marketing activity and the local addenda.

5.63 There are improvements and refinements that can and should be made. There needs to be some flexibility to change course during the contract period, to respond nationally to issues arising and changes in the market and context. The recession could not easily have been foreseen, yet the difficulty and time taken to respond to the market change illustrates the constraint in the contracts which are insufficiently flexible. Partly however this also relates to the governance and decision-making procedures, which must be improved to allow the Business Gateway service as a whole to respond more quickly.

5.64 There are also issues about how Business Gateway can better operate as a seamless service with SE and HIE so that there are not cohorts of businesses that have growth potential but which miss out on support. The referral mechanism to SE/HIE is not working effectively enough and this needs to be addressed although SE/HIE will clearly only be able to support relatively low numbers when compared to Business Gateway. There are also issues when working with national stakeholders who have and may continue to develop initiatives that have a bearing on SMEs. This is about Business Gateway continuing to ‘work the message’ and keeping partners up to date with the service, and for partners to have the right mechanisms and structures through which to communicate with Business Gateway.
6 Net Impact and Unit Cost Assessment

6.1 This Chapter presents the net impact assessment. It sets out briefly the approach to the impact assessment, the gross benefits in terms of additional sales and profits generated in the survey businesses and the range of adjustments applied to generate net impacts. The survey results are then grossed up to the full Business Gateway service. Finally, the chapter relates the impacts to the costs of delivering the service and derives an economic impact ratio. A brief sensitivity analysis is also included. The full details on the approach are included in an accompanying Methodology Paper.

The Approach to the Impact Assessment

6.2 Specifically, the approach to the assessment follows these steps:

- Identification of the gross attributable benefits of the support (sales, profits) in the sample (for the VAT+/pipeline, growth businesses and one-to-many businesses, and for the whole survey sample combined). The decision was taken to ask businesses about the change in their business performance directly as a result of their involvement with the Business Gateway to derive the estimate of gross effects, rather than to seek audited accounts of their business position pre- and post- support. Both approaches are valid, however it was felt that given the nature of the target group, Business Gateway beneficiaries would not often be able to provide audited accounts which were up to date and accurate. Importantly, also, the approach asking businesses to identify their change in business performance as a result of the intervention is consistent with a number of evaluations of volume business support and start-up programmes/services in England in the last couple of years;

- To discount for the net impact adjustment factors – deadweight, leakage, displacement and substitution;

- To gross up the net survey impacts to the full sample of supported businesses in each segment. This has required the consideration of a number of factors (see Appendix B);

- To apply appropriate multipliers, to generate the net impacts in the sample of surveyed businesses and for the whole population;

- To relate the quantifiable benefits to the cost of providing the service.

6.3 The survey and subsequent analysis have been designed to be consistent with the Impact Evaluation Framework for Regional Development Agencies in England. This allows direct comparison between the impact of Business Gateway in Scotland and similar programmes of support in English regions, where a number of evaluations have been carried out and for which there are a range of benchmark comparators.

6.4 The impact assessment is based on 854 valid responses of impact to date and 1,239 on forecast future impact. This provides the required 95% confidence in the results for comparison with English regions and compliance with the Impact Evaluation Framework. There may be some non-response bias i.e. those that derived greater benefits from Business
Gateway may have been more likely to respond, however the approach to the survey is consistent with the evaluations of similar support in England, and so comparison with benchmark data remains valid.

6.5 The approach takes: gross attributable sales, less deadweight, less leakage, less displacement, less substitution, plus multipliers, to provide net additional sales. Using ONS data relating sales performance to GVA, this has been used to derive net GVA. This has then been related to the costs of providing Business Gateway to generate the economic impact ratio. Some data was collected on employment change although this was not sufficiently granular to use as the basis for GVA assessment.

6.6 Throughout the assessment of impact, the approach has been to adopt relatively conservative estimates of impact. To this end, ‘outliers’ were regarded as those businesses reporting gross attributable sales benefits of £5m or more to date or expected in the future. This applied to around 1% of surveyed businesses. This approach was designed to guard against optimum bias, although optimum bias was not formally applied to the findings. The short sensitivity analysis at the end of the section summarises the effects of raising the threshold for outliers and formally discounting for optimum bias. This is expanded upon in the Methodology Paper.

6.7 The analysis specifically relates to businesses who have been assisted between 1st April 2008 and September 2010, the point at which the CRM data extract was dated for the survey analysis. Impacts relate to those achieved between the time of receiving support and the survey date of January/February 2011 and expected over six years in the future including allowance for the persistence of impact.

Gross Attributable Benefits

6.8 Businesses were asked to state the sales and profits increases attributable to the Business Gateway support. All businesses were asked to record this regardless of the market segment. Some of these benefits relate to new start businesses who have started to trade.

Gross Attributable Sales (to Date)

One-to-Many Support

6.9 10% of trading users attributed some form of sales benefit to date, arising from the one-to-many support (the website or helpline). This generates increased sales to date in the survey sample of £1.37m, at an average of £3,150 per business. A further £10.2m is estimated in the future, at an average of almost £20,000 per business. A larger proportion of respondents forecast future benefits from accessing Business Gateway services than have been achieved benefits to date. Around one third of those accessing the website and helpline are yet to start trading. A significant proportion had also gone on to access Business Gateway advisor support and these are the ones reporting the greatest increases in sales.

31 Note, throughout ‘one-to-many’ beneficiaries are those recorded on the CRM system as website or national phone line users only (although in reality some have also benefited from more intensive forms of support too).
VAT+ and VAT Pipeline

6.10 A total of £39m in gross attributable sales is identified to date from VAT+ and VAT pipeline businesses. The attributable gross effects are partly quite high given that businesses have started trading and initially state that this is a result of Business Gateway support. As the remainder of the chapter illustrates, however, a considerable level of these sales increases would have been achieved without the Business Gateway (i.e. deadweight levels associated with businesses starting is typically quite high). The attributable gross increases are an average of £150,000 in the 257 businesses responding to the survey, with a number of these now trading for more than three years.

Growth Pipeline

6.11 Businesses in the growth pipeline have attributed £5.3m (gross) increase in sales to date from the Business Gateway support, which across the 163 businesses, at an average of £32,000 per business.

Summary

6.12 Overall, the survey evidence indicates that, from the 854 users of the services providing details on the sales performance to date, £45.7m in gross sales increases has been achieved, at an average of around £37,000 per business.

<table>
<thead>
<tr>
<th>Table 6.1: Segment</th>
<th>‘N’</th>
<th>(Gross) Increases to date (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-to-many</td>
<td>434</td>
<td>1,367,500</td>
</tr>
<tr>
<td>VAT+ and VAT pipeline</td>
<td>257</td>
<td>39,120,950</td>
</tr>
<tr>
<td>Growth Pipeline</td>
<td>163</td>
<td>5,228,950</td>
</tr>
<tr>
<td><strong>Total Sales</strong></td>
<td><strong>854</strong></td>
<td><strong>45,717,400</strong></td>
</tr>
</tbody>
</table>

* 854 respondents provided details of impact to date

Gross Attributable Sales (Future Forecast, or Expected)

6.13 Overall, the survey data suggests that businesses are forecasting a £60m increase in sales in the future. This comprises £10m from the businesses accessing the website and helpline (many of whom also went on to access one-to-one support), some £30.3m in VAT+/VAT pipeline businesses and a further £19.4m in growth pipeline businesses. Some of the businesses are not yet trading, and future sales projections are taken into account in this data. Clearly forecast data needs to be treated with some caution since some of these benefits may not arise in the businesses, yet equally it is not accurate to assume there are no forward benefits anticipated from Business Gateway support. The performance of the VAT+ and VAT pipeline cohort of businesses, in terms of gross benefits, is comparatively strong.

| Table 6.2: Expected Gross Attributable Benefits (Sales) – Survey Sample (£) |
|-------------------------------|---------------|---------------|---------------|---------------|
|                              | Trading       |               | Not Yet Trading |               |
|                              | ‘N’ | Forecast increase | ‘N’ | Forecast increase | Total     |
| One-to-many                  | 515 | 10,174,000        | 193 | n/a**          | 10,174,000 |
| VAT+ and VAT pipeline*       | 249 | 27,926,000*       | 16  | 2,465,000      | 30,391,000 |
| Growth Pipeline              | 252 | 18,751,900        | 14  | 722,000        | 19,473,900 |
| **Total Sales**              | **1016** | **28,925,900**   | **223** | **3,187,000**** | **60,038,900** |

*Over the next three years; ** these are included in the forecasts for those trading. A total of 1,239 respondents provided details of future forecast impact.
Gross Attributable Profits

6.14 A similar pattern emerges with regard to profits, although the level of achieved and forecast profit rises is significantly lower. For start-up businesses this is not surprising and many new start businesses will need to generate sales in the early years in order to survive and to provide working capital for growth and development. Far fewer new start-up businesses will expect to generate substantial early profits, although (gross) profits achieved to date and forecast three years into the future amongst the VAT+ and VAT pipeline cohort is similarly comparatively strong.

| Table 6.3: Gross Attributable Benefits (Profits) (£) |
|---------------------------------|-----------------|-----------------|-----------------|
|                                 | Increases to date | Forecast increase | Total           |
| One-to-many                     | 720,000          | 7,282,500        | 8,002,500       |
| VAT+ and VAT pipeline           | 6,783,150        | 9,582,287        | 16,365,437      |
| Growth Pipeline                 | 1,683,280        | 7,979,250        | 9,662,530       |
| **Total Profits**               | **9,186,430**    | **24,844,037**   | **34,030,467**  |

*Over the next three years

Deadweight

6.15 The survey asked specific questions to ascertain whether the sales and profits achieved to date and forecast in the future would or could have been achieved without the Business Gateway. Questions were asked in relation to the timing of benefits (would the benefits have occurred at the same time without the Gateway support) and the scale of benefits. Deadweight questions were asked of existing businesses stating they were growing their sales/profits, and for new start businesses that had started to generate sales/profits or who were projecting benefits.

6.16 The following table indicates the levels of deadweight for the three market segments. The highest levels of deadweight are associated with the VAT+ and VAT pipeline businesses; hence, whilst these businesses were more likely to state they had generated sales as a result of the Business Gateway support, these benefits would have been achieved any way. In all, 81% of the estimated benefits arising for the VAT+/pipeline cohort would have been achieved if Gateway had not existed.

6.17 The levels of deadweight associated with the one-to-many and growth pipeline support was significantly lower, at 55% and 56% respectively. Hence, whilst the overall gross attributable benefits in both market segments were lower, more of these benefits were additional. Fewer of the benefits arising for one-to-many and growth pipeline customers could have been achieved without the Business Gateway. The total impact deadweight, across all three segments, is estimated at 71%.

6.18 The Methodology Paper walks through the respective steps, which assumes the following, and which assigns the deadweight value to each individual sales benefit reported:

- “I would have set up the business and/or the businesses growth/development would have been the same as has actually occurred” – 100% of gross attributable sales is deadweight i.e. pure deadweight (or zero additionality);
- “The business would have grown but it would have taken longer and it would have been smaller than it is” – 75% sales deadweight (or 25% additionality);
Final Evaluation of Business Gateway (April 20th – updated 16th June)

- “I would have set up the business and/or the business would have grown but it would have been smaller than it is” – 50% sales deadweight (or 50% additionality).
- “The business would have grown in the same way but it would have taken longer” – 25% sales deadweight (or 75% additionality)
- “I would not have set up the business and/or the business would not have grown at all” - 0% deadweight (or 100% additionality).

Table 6.4: Impact Deadweight by Segment (%)

<table>
<thead>
<tr>
<th>Pure Deadweight</th>
<th>Partial Deadweight</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>Scale</td>
<td>Time and Scale</td>
</tr>
<tr>
<td>One-to-many</td>
<td>19</td>
<td>27</td>
</tr>
<tr>
<td>VAT+ and VAT pipeline</td>
<td>37</td>
<td>42</td>
</tr>
<tr>
<td>Growth Pipeline</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total Deadweight</strong></td>
<td><strong>71</strong></td>
<td></td>
</tr>
</tbody>
</table>

6.19 Overall, levels of deadweight may appear high, although these are well within acceptable benchmark ranges. The upper range for the deadweight (of regional individual enterprise support programmes as the closest comparator) in England was 97%, with an average of 47.3%. Average levels of deadweight were even higher for volume business support programmes in England, placing the Business Gateway at the mid-point of the range of deadweight values for this type of support.

6.20 In addition, a small proportion of respondents would have sought (and paid for) the activity provided by Business Gateway from another source. Across the market segments 2% would have paid for the support at the full market rate and another 14% would have part-paid for it. Taking 50% of the latter as deadweight, plus the 2% prepared to access the support at full market rate, adds 9% to the average levels of deadweight. Combining this with impact deadweight equates to an average deadweight for the service of 81%.

6.21 The survey also asked businesses about how much more quickly the Business Gateway had allowed them to start a business. A significant proportion stated that the Business Gateway had accelerated their start-up by 1-2 years. This is a positive finding, given observations that have previously been made about the time taken to start a business, which is regarded as longer than a number of comparator countries.

**Leakage**

6.22 The survey did not specifically ask about levels of leakage, although given that the Business Gateway is a national service, and typically taken up by smaller businesses and micro-enterprises, leakage is expected to be small. Few of the businesses will be part of larger companies located outside Scotland (and so fewer activities/production will occur out of the country). As a national service, leakage of benefits from one part of the country to another will be small.

---

Figures may not sum due to rounding.
another is not a relevant factor to be considered. A benchmark value of 2% leakage has been applied.

**Displacement**

6.23 The survey asked about the location of competitors and also the location of sales. In simple terms, displacement at the Scotland level can be calculated by multiplying the proportion of sales in Scotland by the level of competition in Scotland (assuming the displacement only occurs in home markets). Displacement – where benefits in one business are at the expense of the performance of another, non-supported business – can be quite high, particularly in sectors such as retail where there is strong market competition and businesses behave similarly. Businesses asked about displacement also typically underestimate the effects of support on competitor businesses.

6.24 We have therefore assumed displacement to be within the benchmark range for this type of support. The survey data tells us the sectors of businesses benefiting from the Business Gateway, and that competition is more often local, although the following table indicates that this varies slightly by customer segment. Indeed, the supposition that Business Gateway only supports those that operate in local markets is to some extent confounded by the survey responses; almost a third of competitors amongst the VAT+/VAT pipeline segment are located outside Scotland, for example. For the growth pipeline businesses, almost half of all business’s competitors are located outside the country.

<table>
<thead>
<tr>
<th>Table 6.5: Proportion (%) of Competitors based in the following…</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local (within 25 miles)</td>
<td>Within Scotland</td>
</tr>
<tr>
<td>One-to-many</td>
<td>49</td>
<td>26</td>
</tr>
<tr>
<td>VAT+ and VAT pipeline</td>
<td>43</td>
<td>27</td>
</tr>
<tr>
<td>Growth Pipeline</td>
<td>22</td>
<td>31</td>
</tr>
</tbody>
</table>

6.25 In terms of the location of sales, the growth pipeline has the greatest proportion of sales outside Scotland.

<table>
<thead>
<tr>
<th>Table 6.6: Proportion (%) of Sales based in the following…</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local (within 25 miles)</td>
<td>Within Scotland</td>
</tr>
<tr>
<td>One-to-many</td>
<td>58</td>
<td>23</td>
</tr>
<tr>
<td>VAT+ and VAT pipeline</td>
<td>57</td>
<td>27</td>
</tr>
<tr>
<td>Growth Pipeline</td>
<td>22</td>
<td>30</td>
</tr>
</tbody>
</table>

6.26 Bringing the two factors together, as per the table below, provides displacement at the Scotland level of 51% i.e. where sales/competitors are identified as within Scotland or at the local level. This is within acceptable benchmark ranges – displacement for volume business support in the south west of England, for example, is around 50%, a region similarly peripheral in UK market terms. Displacement is higher where competition is more intensive (in London, levels are typically 75% for this type of support). It is worth noting that displacement at the Local Authority level will be much lower, in the range of 20%-25%.
Table 6.7: At the Scotland level (or below)…..

<table>
<thead>
<tr>
<th></th>
<th>Proportion (%) of Competitors</th>
<th>Proportion (%) of Sales</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-to-many</td>
<td>75</td>
<td>81</td>
<td>61</td>
</tr>
<tr>
<td>VAT+ and VAT pipeline</td>
<td>70</td>
<td>84</td>
<td>59</td>
</tr>
<tr>
<td>Growth Pipeline</td>
<td>53</td>
<td>52</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total Displacement</strong></td>
<td><strong>72</strong></td>
<td><strong>71</strong></td>
<td><strong>51</strong></td>
</tr>
</tbody>
</table>

Substitution

6.27 Substitution is often referred to as “in firm displacement” and typically relates to a scenario where a business switches from one form of planned investment to another to take advantage of a subsidy i.e. they would have invested in another activity anyway. Given the nature of intervention under the Business Gateway this effect is assumed to be zero.

Multipliers

6.28 Multipliers are both income multipliers (based on the additional spend by those in new jobs created – indirect employment) and supplier linkages (the additional spend on suppliers and their suppliers and so on as a result of the support – induced spend). The survey did not capture data on the number of new jobs created (or safeguarded) as a result of Business Gateway support, although it did capture data on the overall number of employees and whether this had gone down or up from previous years. Businesses are typically small (employing between 1.5 and 9 Full Time Equivalents depending on the market segment) with modest employment growth. Multipliers are however largely within consistent ranges, and so the income multiplier of 1.2 has been applied.

6.29 The survey also asked about the location and nature of suppliers. Again, this cannot be used to directly inform the supplier linkage multiplier, which is the additional spend of supported businesses on suppliers, and in turn their spend on suppliers. A supplier linkage multiplier of 1.2 has been applied. A composite multiplier of 1.4 (1.2 x 1.2) has therefore been applied which is a conservative estimate (and below Scotland-wide all sector benchmarks of around 1.5).

Net Impact Summary

6.30 Applying the respective net impact adjustment values to the gross effects produces the following effects in the survey sample. This illustrates that the net impacts are considerably lower than gross effects, although this is as expected, given some of the benefits will typically occur without the interventions. The net sales impacts from businesses surveyed are estimated to be £5.7m to date, with a further £7.5m forecast in the future. Comparing the net impacts in relation to gross effects with other volume business support programmes in English regions, puts Business Gateway on an equal footing. The deadweight of the Business Gateway is broadly in line with expectations for a support service of this nature.
### Table 6.8: Net Impact Summary (Sales) – Survey Sample Only

<table>
<thead>
<tr>
<th></th>
<th>Increased sales to date</th>
<th>Forecast or expected increase in sales</th>
<th>Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Impact</strong></td>
<td>45,717,400</td>
<td>60,038,900</td>
<td>105,756,300</td>
</tr>
<tr>
<td><strong>Total Deadweight @ 81%</strong></td>
<td>37,178,749</td>
<td>48,825,419</td>
<td>86,004,168</td>
</tr>
<tr>
<td>Sub Total 1</td>
<td>8,538,651</td>
<td>11,213,481</td>
<td>19,752,133</td>
</tr>
<tr>
<td><strong>Leakage @ 2%</strong></td>
<td>170,773</td>
<td>224,270</td>
<td>395,043</td>
</tr>
<tr>
<td>Sub Total 2</td>
<td>8,367,878</td>
<td>10,989,212</td>
<td>19,357,090</td>
</tr>
<tr>
<td><strong>Displacement @ 51%</strong></td>
<td>4,267,618</td>
<td>5,604,498</td>
<td>9,872,116</td>
</tr>
<tr>
<td>Sub Total 3</td>
<td>4,100,260</td>
<td>5,384,714</td>
<td>9,484,974</td>
</tr>
<tr>
<td><strong>Substitution</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sub Total 4</td>
<td>4,100,260</td>
<td>5,384,714</td>
<td>9,484,974</td>
</tr>
<tr>
<td><strong>Multiplier @ 1.4</strong></td>
<td>1,640,104</td>
<td>2,153,886</td>
<td>3,793,990</td>
</tr>
<tr>
<td><strong>Net Impact</strong></td>
<td>5,740,364</td>
<td>7,538,599</td>
<td>13,278,964</td>
</tr>
</tbody>
</table>

6.31 It is worth highlighting that, given the deadweight varies by market segment, the net impacts will also vary, and so whilst the VAT+/VAT pipeline support indicates the greatest net impacts (amongst those surveyed), the net effects are much more in line with the growth pipeline business segment.

### Table 6.9: Net Impact Summary (Total Sales*) by Segment (Survey Sample)

<table>
<thead>
<tr>
<th></th>
<th>One to Many</th>
<th>VAT+/VAT pipeline</th>
<th>Growth Pipeline</th>
<th>Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Impact (Total)</strong></td>
<td>11,541,500</td>
<td>69,511,950</td>
<td>24,702,850</td>
<td>105,756,300</td>
</tr>
<tr>
<td><strong>Total Impact Deadweight (%)</strong></td>
<td>55%</td>
<td>81%</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Activity Deadweight (%)</strong></td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Deadweight</strong></td>
<td>7,386,560</td>
<td>62,560,755</td>
<td>16,056,853</td>
<td>86,004,168</td>
</tr>
<tr>
<td>Sub Total 1</td>
<td>4,154,940</td>
<td>6,951,195</td>
<td>8,645,998</td>
<td>19,752,133</td>
</tr>
<tr>
<td><strong>Leakage @ 2%</strong></td>
<td>83,099</td>
<td>139,024</td>
<td>172,920</td>
<td>395,043</td>
</tr>
<tr>
<td>Sub Total 2</td>
<td>4,071,841</td>
<td>6,812,171</td>
<td>8,473,078</td>
<td>19,357,090</td>
</tr>
<tr>
<td><strong>Displacement @ 51%</strong></td>
<td>2,076,639</td>
<td>3,474,207</td>
<td>4,321,270</td>
<td>9,872,116</td>
</tr>
<tr>
<td>Sub Total 3</td>
<td>1,995,202</td>
<td>3,337,964</td>
<td>4,151,808</td>
<td>9,484,974</td>
</tr>
<tr>
<td><strong>Substitution</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Sub Total 4</td>
<td>1,995,202</td>
<td>3,337,964</td>
<td>4,151,808</td>
<td>9,484,974</td>
</tr>
<tr>
<td><strong>Multiplier @ 1.4</strong></td>
<td>798,081</td>
<td>1,335,186</td>
<td>1,660,723</td>
<td>3,793,990</td>
</tr>
<tr>
<td><strong>Net Impact</strong></td>
<td>2,793,283</td>
<td>4,673,149</td>
<td>5,812,531</td>
<td>13,278,964</td>
</tr>
</tbody>
</table>

* to date and forecast
6.32 The profile of net profits in the survey sample shows a similar pattern.

<table>
<thead>
<tr>
<th>Table 6.10: Net Impact Summary (Profits) £</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Gross Impact</strong></td>
</tr>
<tr>
<td>Increased sales to date</td>
</tr>
<tr>
<td>Forecast or expected increase in profits</td>
</tr>
<tr>
<td><strong>Total Profits</strong></td>
</tr>
<tr>
<td><strong>Net Impacts</strong></td>
</tr>
<tr>
<td>Increased sales to date</td>
</tr>
<tr>
<td>Forecast or expected increase in profits</td>
</tr>
<tr>
<td><strong>Total Profits</strong></td>
</tr>
</tbody>
</table>

'Grossing Up' the Data

6.33 The total number of users of the Business Gateway service by market segment is provided in the following table. This includes all users since the 1st April 2008. The numbers are based on an analysis of new contacts recorded by the EFRS, the website and local offices, alongside analysis of actual performance outputs. Whilst this is the best available estimate of the total number of businesses/individuals who have used the Business Gateway the data does assume that the recording of contacts has been consistent and comprehensively carried out across all areas (and there will be some users of the Business Gateway not entered onto CRM or captured by the CRM extract used to identify the survey sample). The estimated number of users is therefore likely to be the minimum number of users of the Business Gateway. In turn, this means that the ‘grossed up’ impacts identified are likely to be a conservative estimate of the net impacts of Business Gateway. Any double-counting (around 6%) has been removed.

Number of users by market segment

<table>
<thead>
<tr>
<th>Intensity of support</th>
<th>Market segment</th>
<th>Estimated number of users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensive (One-to-one)</td>
<td>Into Sub-Growth Pipeline (existing businesses)</td>
<td>141</td>
</tr>
<tr>
<td></td>
<td>Into Growth Pipeline (existing businesses)</td>
<td>1,135</td>
</tr>
<tr>
<td>Light touch (One to many)</td>
<td>Un-segmented businesses</td>
<td>10,451</td>
</tr>
<tr>
<td><strong>Total existing businesses</strong></td>
<td></td>
<td><strong>11,727</strong></td>
</tr>
<tr>
<td>Intensive (One-to-one)</td>
<td>VAT (pipeline / VAT +)</td>
<td>4,43923</td>
</tr>
<tr>
<td></td>
<td>Into Sub-Growth Pipeline (start-ups)</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Into Growth Pipeline (start-ups)</td>
<td>698</td>
</tr>
<tr>
<td>Light touch (One to many)</td>
<td>Business starts</td>
<td>28,637</td>
</tr>
<tr>
<td></td>
<td>Un-segmented pre-starts</td>
<td>30,930</td>
</tr>
<tr>
<td><strong>Total start-ups</strong></td>
<td><strong>Total</strong></td>
<td>64,737</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>76,684</td>
</tr>
</tbody>
</table>

Source: CRM extract, Ecorys Analysis

23 In reported outputs there is some double counting of VAT pipeline and VAT+ customers where they have moved from VAT pipeline to VAT+. A CRM extract (with no double counting) relating to April to September 2010 indicated that there were 3,922 businesses that were segmented either as VAT+ or VAT Pipeline, while 4,165 were reported in the output figures (suggesting that 6 percent were double counted). This ratio was applied to reported VAT pipeline/+ outputs in December 2010 (4,714) to estimate the number of businesses using this form of support.
6.34 The following ‘grossing up’ ratios have therefore been applied. The survey was distributed to all those on the CRM extract for which contact details were held, and so there are high levels of statistical confidence that the survey samples (by segment) are representative of the full population.

<table>
<thead>
<tr>
<th>Survey Responses**</th>
<th>Total Sample</th>
<th>‘Grossing up’ ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth businesses*</td>
<td>177</td>
<td>2,007</td>
</tr>
<tr>
<td>VAT Businesses</td>
<td>273</td>
<td>4,439</td>
</tr>
<tr>
<td>One-to-Many</td>
<td>708</td>
<td>70,018</td>
</tr>
</tbody>
</table>

*includes into sub-growth pipeline and both existing and start-up businesses
** based on impact assessment responses and includes those identifying expected sales increases

6.35 Applying the ‘grossing up’ ratios (Table 6.11) to the sales benefits identified in the survey sample by market segment (Table 6.9) provides the following Business Gateway service wide net sales benefits (Table 6.12). The estimated service-wide sales increases since 1st April 2008, to date and expected in the future, are some £335m.

<table>
<thead>
<tr>
<th>One to Many</th>
<th>VAT+/VAT pipeline</th>
<th>Growth Pipeline</th>
<th>Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Impact (sample)</td>
<td>2,793,283</td>
<td>4,673,149</td>
<td>5,812,531</td>
</tr>
<tr>
<td>Net Impact (service)</td>
<td>193,295,188</td>
<td>76,172,335</td>
<td>65,681,603</td>
</tr>
</tbody>
</table>

6.36 The estimated profits to date and forecast in the future are £120m.

<table>
<thead>
<tr>
<th></th>
<th>Increased sales to date</th>
<th>Forecast increase in profits</th>
<th>Total Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Impacts (sample)</td>
<td>1,220,575</td>
<td>3,300,957</td>
<td>4,521,532</td>
</tr>
<tr>
<td>Net Impact (service)</td>
<td>32,503,537</td>
<td>87,903,470</td>
<td>120,407,007</td>
</tr>
</tbody>
</table>

**Gross Value Added**

6.37 There is an established relationship between sales and GVA in businesses. This is based on ONS Annual Business Inquiry 2010 data release (based on 2007 data) which relates the total turnover for the UK (all sectors) to approximate Gross Value Add at basic prices (across all sectors). This indicates at the UK level GVA is 31% of turnover. Whilst the relationship used is based on average across all sectors, the ratio is applied to the sales generated specifically in the Business Gateway supported sectors. Adopting this relationship provides net GVA in the sample of £1.450m to date and £2.765m in the future. This produces service wide GVA to date and forecast in the future of £103.9m. The ratio of GVA to sales is higher in Scotland (at 37%), which would equate to £124m in GVA (all sectors), although in order to produce estimates on the conservative side, the UK ratio is applied.

<table>
<thead>
<tr>
<th>One to Many</th>
<th>VAT+/VAT pipeline</th>
<th>Growth Pipeline</th>
<th>Total GVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Impact (service)</td>
<td>59,921,508</td>
<td>23,613,424</td>
<td>20,361,297</td>
</tr>
</tbody>
</table>

*To date and forecast
Persistence of Impact

6.38 The estimated economic impact ratio is a conservative estimate of benefits. The assessment of impact above has not considered the full persistence of impact, although for the expected increases in sales and profits we have captured increases forecast over the next three years. Some survey respondents identified potential future benefits, attributable to the Business Gateway, over five years. It is likely, however, that GVA increases reported to date and expected will also have a persistence factor, one that is typically 2.9 years (based on RDA impact benchmark data, which factors-in future discounting i.e. 3 years persistence discounted at 3.5%). Overall benefits are therefore those to date and expected over 6 years, on the basis that some of the benefits are expected three years into the future and to persist 2.9 years thereafter. **Total GVA is therefore estimated at £301m** (Table 6.14 multiplied by the persistence factor of 2.9).

### Table 6.15: Net Impact of the Business Gateway Service (GVA*) – with persistence

<table>
<thead>
<tr>
<th></th>
<th>One to Many</th>
<th>VAT+/VAT pipeline</th>
<th>Growth Pipeline</th>
<th>Total GVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Impact (service)</td>
<td>173,772,374</td>
<td>68,478,929</td>
<td>59,047,761</td>
<td>301,299,064</td>
</tr>
</tbody>
</table>

*To date and forecast

Relating Impacts to Costs

6.39 The GVA generated by the Business Gateway service can be related to the costs of delivering the service. The local costs are estimated at £42m (see Appendix D), based on data provided by the Local Authorities, which includes the local addenda. This excludes the central costs of the service (although this includes the EFRS, website and helpline). A simple economic impact ratio, excluding central costs, provides a minimum economic impact ratio for the Business Gateway service of **1:7.2** (and **1:6.8 including central costs**). For a volume business support service this is within acceptable limits, particularly given the conservative approach taken to the net impact assessment.

A Note on Sensitivities

6.40 The approach to the net impact assessment was to adopt conservative assumptions, based on the survey evidence wherever possible. To this end, ‘outliers’ – where gross attributable sales to date or expected of over £5m were removed - and around 1% of those surveyed were omitted from the analysis. Raising the outlier threshold to £10m would add £11.8m to future forecast sales, more than doubling expected benefits, and implying an economic impact ratio of 1:14. Not removing the outliers, but assuming a more generous multiplier of 1.52, would provide an economic impact ratio of 1:8.1. Applying the Scotland GVA to sales ratio (rather than UK) would also increase the economic impact ratio.

6.41 At the same time, the analysis does not formally take into account an optimum bias, although the approach asks both about gross attributable benefits then discounts from this value for whether those impacts would have been achievable without the Business Gateway support. Applying a 20% over-statement of the benefits (without removing the outliers below £10m) implies an economic impact ratio of 1:12.

6.42 Neither does the analysis formally take into account survivability i.e. that some of those supported and currently forecasting benefits will fail. In all, 84% of those surveyed were start-up businesses, and three-year survivability is around 75%. Applying these two further adjustments would imply an economic impact ratio of 1:7.3, notwithstanding that it may be
legitimate to claim some of the value of sales/GVA generated in businesses that, say, survive for two years.

**Effect on Employment**

6.43 Although the survey collected data on employment in terms of the current number of employees and the expected number of employees in five years time (for those surveyed by telephone), this has not been sufficient to generate a value for the number of jobs created or forecast to be created as a result of the Business Gateway support since 1st April 2008. However, in 2007, GVA in Scotland per employee in employment was £41,16034 (all sectors) and £40,225 in the sectors supported by Business Gateway. Using the latter would imply 7,482 net jobs created and expected to be created by the Business Gateway over the next 6 years, although in reality Business Gateway supported businesses will generate a lower GVA per employee than the national average.

**Unit Cost Assessment (Summary)**

6.44 The total cost of delivering Business Gateway between 2008/09 and 2010/11 including central costs is estimated at £44.2m. The bulk of these costs comprised payments made to contractors by Lead Local Authorities (LLAs), totalling £32.7m, covering the fixed management, administration and premises costs, as well payments made for the delivery of events, and engaging businesses. LLAs accounted for a further £6.7m (primarily in the form of staffing costs), while the cost of central administration and the website and helpline functions were estimated at £2.6m and £2.2m respectively. A full Cost Analysis is provided in the accompanying Technical Annex (see Section B).

6.45 The average unit payment to contractors per user receiving one-to-one support was estimated at £593, while the average unit payment per event delivered was estimated at just over £400. The average costs of supporting individuals tended to be lower than supporting existing businesses. This also makes considerable variation at a local level, with unit costs for one-to-one advice ranging from £304 in one area to £620 in another, and the unit costs of events (excluding Meet the Advisor events which have been treated as one-to-one advice) ranged from £135 in one area to £1,247 in another.

6.46 Further analysis suggested the possibility that these variations were driven to some extent by population density and the scale of activity. More sparsely populated areas tended to show higher unit costs, while those contractors engaging with greater numbers of users tended to show lower unit costs. Relative deprivation was not found to be significant driver of unit costs. However, the strength of these relationships do not allow us to draw conclusive inferences, though population density was a stronger driver of unit costs than scale of delivery.

6.47 Including central and local management and administration costs and the costs of delivering the helpline and the website, the average cost per user was estimated at £578.50. This compares favourably against benchmark ranges, that suggests across England an expected cost per user of between £750 and £1,250 might be expected for this type of programme. Additionally, the estimated cost per business started (including volume starts, as

---

34 Annual Business Inquiry, 2007 data (latest)
well as those entering the VAT and Growth pipeline), at £1,145 was at the lower end of the benchmark range of £1,000 to £1,500. Overall this suggests that the Business Gateway in general has been procured cost-effectively.

6.48 However, indicators of cost-effectiveness in terms of the overall GVA impacts of the service tended to be at the lower end of the expected ranges, delivering £2.35 per £1 of public sector spend (including potential future impacts) against a benchmark range of £1.80 to £3.50. This is likely due to the nature of the customers of the service (whose businesses will be mainly young and small) and the Scottish economy, where quite high rates of displacement (50 percent or more) are to be expected, driven by its physical distance from markets in England and Wales (making exporting goods and services outside Scotland more costly than in the East or West Midlands, for example, where the strategic road network makes distribution of goods throughout the UK more straightforward).

6.49 Additional analysis on the relative effectiveness of the different services offered by the Business Gateway suggest that one-to-one advice accounts for a large share of the impacts of the service (over 80 percent), with other services contributing more modest shares. However, on average, the light touch forms of support tend to deliver greater GVA impacts per £1 of spending, with events delivering the lowest return on investment of £0.75 in GVA impacts per £1 of spending.

Cost Benefit Analysis (Summary)

6.50 The present value (with a baseline of 2008/09) of the overall costs of the service is estimated at £49.5m (which includes the costs of businesses engaging with support of £6m). Though the main component of these costs are the delivery costs of the Business Gateway, there are a range of user costs (the opportunity cost of the time spent engaging with Business Gateway support) that are also significant. A full Cost Analysis is provided as a Technical Annex (section C).

6.51 The present value of the GVA impacts of the service are estimated at between £121.7m (including actual impacts only) and £264.6m (including expected future impacts). Though these effects are treated as the main benefit of the Business Gateway, this is not without issues as it does not account for the capital costs of delivering additional economic output, costs incurred by any additional employees recruited to deliver that output, or any negative environmental disbenefits.

6.52 The Business Gateway is estimated to have a positive Benefit Cost Ratio of between £2.46 of benefit per £1 of resource costs (if only actual impacts are included), and £5.35 per £1 of resource costs (if potential impacts are also included), where costs include the business costs of accessing Business Gateway. These are generally positive results, though it should be acknowledged that there are further costs to users (such as transport costs and the costs of acting on the advice provided) than might reduce these ratios.

Summary and Conclusion

6.53 The Business Gateway has demonstrated a considerable scale of activity and one which has made a considerable contribution to the Scottish economy to date since its transfer to the Local Authorities. Some £130m in GVA has been achieved to date, rising to £301m in the future, taking benefits over the next 3 years and expected to persist for a further 3 years. Gross benefits are highest for the VAT+/VAT pipeline cohort, as businesses move into a
trading position above the VAT threshold, although levels of deadweight are also the highest for this group. This suggests that a significant proportion of impact benefits for these businesses (81%) could have been achieved without the Business Gateway.

6.54 Although levels of deadweight at 81% may seem high, this is in line with many other volume business support programmes, where individuals may well find ways of starting a business without the availability of support. At the same time, it is clear that many VAT+/VAT pipeline businesses are trading at levels sometimes far in excess of the VAT threshold.

6.55 Levels of impact deadweight are considerably lower for the one-to-many support and for the growth pipeline businesses (55%-56%), although these businesses typically attribute a smaller proportion of the benefits to the Business Gateway service. The relatively low levels of deadweight for the one-to-many group indicate that the website and EFRS are playing a role in providing additional support to businesses, notwithstanding that many of the businesses we surveyed in receipt of one-to-many support had also accessed some advisor time.

6.56 Overall, a return on investment in the region of 1:7.2 is more than acceptable for a service operating on this scale. In line with commentary and observations made elsewhere in the report, attention in the future should focus on further increasing the additionality of the support provided. Despite the variation in unit costs the overall analysis suggests that the Business Gateway in general has been procured cost-effectively.
7 Options Development (Summary)

7.1 A high level options appraisal was undertaken as part of the evaluation - the full results appear in the Technical Annex (section D). These options are designed to explore different approaches that might be considered in either reducing overall expenditure on the Business Gateway service (while retaining a similar delivery model) or more fundamental restructuring of the service aimed at reducing overall costs.

Table 8.1 Potential Options for Consideration

<table>
<thead>
<tr>
<th>Option</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A: Business As Usual</strong> – continue to deliver Business Gateway with no alterations to service provision, the delivery model, or funding.</td>
<td>This is the benchmark option against which all other options will be compared. In light of projected funding reductions, however, this option will not be a feasible approach for continuing the service.</td>
</tr>
<tr>
<td><strong>B: Reducing activity and expenditure</strong> – the Business Gateway model is facing funding cuts. There is a range of ways that future expenditure could be scaled back to deliver the required spending reductions (or further).</td>
<td>This would be potentially the cheapest way of providing a Business Gateway service, as all local costs would be eliminated. However, the presumption is that there will be a considerable impact on the effectiveness of the service. While those currently accessing light touch support may be able to obtain the information they need, the needs of those in receipt of more intensive support seem much less likely be met.</td>
</tr>
<tr>
<td><strong>B.1: Retrenchment to web-based I or contact centre based light touch support</strong> – the most radical approach to cost reduction would be to recast the service as an exclusively web-based service providing relevant information to customers. It is understood that this is the direction of travel in England.</td>
<td>Scaling back the service in this way will reduce expenditure across the board, though the extent to which this is manifested in a proportionate reduction in outputs and impacts depends to the extent to which there are economies of scale in delivery (for example, if there is a large fixed cost component).</td>
</tr>
<tr>
<td><strong>C.2: Private sector referral model</strong>: Another model might be to focus exclusively on referring customers to support provided by third parties in the private sector. Such a function could be provided locally or centrally.</td>
<td>This approach would create savings through reducing the costs associated with the provision of intensive support. Where customers would be willing to pay for services received, the effectiveness of the services will remain unchanged (assuming the service is obtained is of equal quality as current Business Gateway provision). However, effectiveness in delivering economic impacts may be reduced where customers are unwilling to purchase support.</td>
</tr>
<tr>
<td><strong>B.2: General reductions in activity</strong>: Scaling back funding for the service by reducing the expenditure and activity delivered across the service on a proportionate basis.</td>
<td>It may also be possible to increase the overall cost-effectiveness of the service by reducing the expenditure on elements of the service that deliver the lowest impacts. Areas that are likely to be least effective are those where alternatives are most readily available.</td>
</tr>
<tr>
<td><strong>B.3: Focused reductions</strong>: Scaling back funding for the service by reducing the numbers of outputs delivered in particular areas.</td>
<td></td>
</tr>
<tr>
<td><strong>C: Re-organise delivery model</strong>: Finally, there are a range of ways in which the delivery model for Business Gateway could be re-organised to deliver the required savings. These options could be considered both in isolation and in combination.</td>
<td></td>
</tr>
<tr>
<td><strong>C.1: Centralisation of functions</strong>: It may be possible to create savings by centralising certain functions. Consultations have revealed some support for centralising light touch support to allow advisors to focus on providing in-depth support in particular. This could be implemented by enhancing the functions provided by the central call centre.</td>
<td>If light touch support can be handled more efficiently by the central call centre, this may help create the necessary savings. However, in order to create these savings, central staff will need to be utilised more intensively than those in local services. It could be argued that creating a set of central advisors specialising in the provision of light touch support would help deliver these productivity gains and potentially effectiveness. Clearly there is an issue as to whether the benefits of specialisation outweigh local knowledge.</td>
</tr>
<tr>
<td><strong>C.2: Private sector referral model</strong>: Another model might be to focus exclusively on referring customers to support provided by third parties in the private sector. Such a function could be provided locally or centrally.</td>
<td></td>
</tr>
<tr>
<td><strong>C.3: Income generation</strong>: If customers can be persuaded to pay for services received, this may be an alternative approach to creating the savings required.</td>
<td>It is likely that fees for service provision would result in reduced demand for Business Gateway services. This will both reduce the resources involved in delivering the service, as well as the overall impact of the service. However, average effectiveness is</td>
</tr>
</tbody>
</table>
7.2 The analysis suggests that the Business As Usual option delivered the highest Net Present Value, and one of the highest Benefit Cost Ratios (BCRs) of the different models considered. This suggests that overall, the service is operating close to optimal effectiveness in its current format.

7.3 Despite the light touch forms of support delivering the greatest GVA impacts per £1 of investment, retrenchment to a website or a website and helpline based approach would result in a negative NPV and deliver less than £1 in benefits per £1 of public sector, are not deemed cost effective. This is driven primarily by the user costs of engaging with these forms of support.

7.4 As the most costly element of the service, reducing the levels of one-to-one support delivered is the most effective approach of reducing delivery costs. However, as one-to-one support tends to deliver the greatest share of overall impacts, adjustments to the levels of one-to-one support provided through the service will have more than proportionate effect on the overall GVA impacts of the service. Models in which one-to-one support is taken out of the service tend to exhibit negative Net Present Values (NPVs), while efforts to charge users will likely reduce demand to the point at which the programme is no longer cost-effective.

7.5 Events delivered the lowest GVA impacts per £1 of spending, and it may be possible to optimise the impact of Business Gateway by either reducing the level of events based activity (or charging users for these activities). However, as events account for a small share of overall costs, such adjustments do not involve substantial increases in BCRs or significant reductions of costs to the public sector.

7.6 The table overleaf provides a summary of the high level options appraisal.
### Table 8.2 Summary of Indicative Options

<table>
<thead>
<tr>
<th></th>
<th>Present value of costs</th>
<th>Present value of impacts</th>
<th>NPV</th>
<th>BCR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A: Business as usual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B1: Retrenchment to website</td>
<td>50.3</td>
<td>100.2</td>
<td>49.9</td>
<td>1.99</td>
</tr>
<tr>
<td>Current level of website usage</td>
<td>4.2</td>
<td>4.0</td>
<td>-0.2</td>
<td>0.95</td>
</tr>
<tr>
<td>Higher level of website usage</td>
<td>8.1</td>
<td>6.1</td>
<td>-2.0</td>
<td>0.76</td>
</tr>
<tr>
<td><strong>B2: General reductions in advisor and event based support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 percent reductions</td>
<td>48.6</td>
<td>95.6</td>
<td>47.1</td>
<td>1.97</td>
</tr>
<tr>
<td>10 percent reductions</td>
<td>46.9</td>
<td>91.1</td>
<td>44.2</td>
<td>1.94</td>
</tr>
<tr>
<td>25 percent reductions</td>
<td>41.8</td>
<td>77.5</td>
<td>35.7</td>
<td>1.85</td>
</tr>
<tr>
<td><strong>B3: Focused reductions in activity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 percent reduction in Events</td>
<td>43.1</td>
<td>95.5</td>
<td>52.4</td>
<td>2.21</td>
</tr>
<tr>
<td>100 percent reduction in Events</td>
<td>36.0</td>
<td>90.8</td>
<td>54.8</td>
<td>2.52</td>
</tr>
<tr>
<td><strong>C1: Centralisation of light touch support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centralisation of light touch support</td>
<td>50.3</td>
<td>100.2</td>
<td>49.9</td>
<td>1.99</td>
</tr>
<tr>
<td><strong>C2: Private sector referral</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No charge for referral services</td>
<td>12.1</td>
<td>9.3</td>
<td>-2.8</td>
<td>0.77</td>
</tr>
<tr>
<td>Charge for referral services</td>
<td>6.2</td>
<td>9.3</td>
<td>3.1</td>
<td>1.50</td>
</tr>
<tr>
<td><strong>C3: Income generation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Events and advisor support</td>
<td>23.9</td>
<td>28.7</td>
<td>4.8</td>
<td>1.20</td>
</tr>
<tr>
<td>Advisor support only</td>
<td>46.0</td>
<td>93.0</td>
<td>47.0</td>
<td>2.02</td>
</tr>
</tbody>
</table>
8 Conclusions and Recommendations

8.1 The transfer to the Local Authorities has represented a major shift in the delivery of Enterprise support. This chapter reflects on this transfer, the impact of the service since the transfer, and makes a number of recommendations about the future of the service. The timing of the review is crucial for the network: the current contracts are due to run out in September 2012 in lowland Scotland and March 2012 in the Highlands and Islands. If Business Gateway is to continue along similar lines, then the process for developing the new contracts will need to start almost immediately in order to complete the tender process in time.

The Delivery Model

8.2 There is limited appetite for a wholesale change to the model; the transfer in lowland Scotland and the introduction to the service in the Highlands and Islands has been a major undertaking and has been achieved without too much disruption. Local Authorities have embraced Business Gateway and have started to make it work for their local areas, and there is general agreement that there would be limited benefits to businesses from radically altering the structure of Business Gateway again at this time. The network of lead Local Authority areas in lowland Scotland, which has 12 contract areas covering the 26 Local Authorities, enables a national service to be provided in a way that 26 individual contracts could not.

8.3 There is clearly value in the national brand, identified by partners and illustrated by customers, and this needs to be reinforced and reinvested, rather than diluted or abandoned, which may be a risk under individual Local Authority arrangements. This is recognised currently by the Scottish and UK Governments, and current plans to place Business Gateway at the heart of the portal for business support is testament to this view.

8.4 The website, and to a lesser extent the EFRS, are regarded positively and part of the delivery model set-up which helps promote and enable the national brand to be promoted and developed. Both are a resource for Business Gateway and allow businesses to access support from these sources if this is all the support they require. There is less of a case for these to be separate from Business Gateway i.e. to sit with SE, although for practical and historical reasons it may be difficult for this to be easily changed, particularly for the website and the move to its multi-governance role, and the costs of re-creating national support infrastructure should be avoided. The website will necessarily change as a result of the developments to the portal (and Business Gateway will need to be central to this debate and development). Refreshing EFRS to be an improved resource for Business Gateway may also be appropriate, rather than dismantling the resource or seeking its decentralisation.

8.5 There is a need for flexibility in the delivery of services including the contracting arrangements. The macro-economic picture clearly changed immediately after the launch of the contracts and it has not been easy to change direction of the Business Gateway machinery. This requires some thinking around improving governance and faster decision-making (see later). The basis for the current funding allocations are not clear, and it would be beneficial if future resources are assigned according to population or deprivation indices, or both, and that the funding is guaranteed.
8.6 Whilst there are clearly recognised benefits in the national brand, local discretion and flexibility should be retained, and potentially increased, so long as this is within a national framework. There was always the acknowledgement that local discretion may be required and from the outset the use of local addenda to supplement and support the core service was envisaged. This has been effective; and ‘can-do’ authorities have made good use of this flexibility, which could usefully be extended and exploited further going forward.

The Offer

8.7 The offer is well regarded for start-up businesses, and Business Gateway as a service for existing businesses is beginning to develop. There is value in the ‘Meet the Advisor’ sessions and the one-to-one support for VAT+ and growth businesses. The basic market segmentation, whilst not perfect (many remain resistant to this form of differentiation), nonetheless allows for some form of prioritisation. The operation of both one-to-one and one-to-many services is regarded as necessary and beneficial. The aspiration target for businesses to become VAT registered, again whilst blunt, focuses attention on start-up businesses of scale, although the reduction in the proportion of start-up businesses that are willing and able to trade above the VAT threshold was also appropriate.

8.8 There could be a general sharpening of the offer, particularly in relation to digital marketing, web applications and, for some segments, social media and also the packaging of current support could be refreshed, and moves to achieve this are underway. Scope to bring local innovation (weekend workshops for start-ups) should be encouraged. The introduction of the sub growth pipeline was overdue, and one which meets customer demand, whilst adhering to Business Gateway principles of growth and there is a need to ensure there is appropriate support available to this group of companies. The focus on growth should be retained (this is where and how jobs will be created in the recovery), although the significance of lower levels of growth should not be ignored, particularly in rural areas.

8.9 The offer is less clearly defined, and perhaps less effective, for existing businesses. In order to improve the Business Gateway offer to existing businesses some recognition of locally significant businesses could be made (even if they are not currently seeking to grow). The FSB has highlighted the limited support available for existing businesses, for example those wishing to take on new staff, one area which has recently been addressed. Some of the more standard workshop/event offerings for existing businesses have the lowest attendance rates and this may reflect a less relevant offer.

8.10 There is no longer an aftercare component to Business Gateway and whilst many areas have introduced some form of follow-up, the lack of formal aftercare potentially risks reducing the overall effectiveness of the service. Whilst there is a clear resource implication, many see aftercare as an important part of the offer.

8.11 The use of local addenda allow a number of locally tailored services to be developed and their use augments the core Business Gateway offer (and this has included aftercare). This approach, a core offer capable of being built upon locally, is one which serves to provide the national brand with local flexibility. The move to the Local Authorities provides Business Gateway with an opportunity to reach more businesses at little additional cost, through LA referrals. Whilst most delivering Business Gateway consider themselves well aware of other activities locally, there could greater levels of cross-referrals between partners locally, and this requires ongoing commitment and engagement.
Service Performance

8.12 The reach of Business Gateway is illustrated by the sheer scale of activity brought forward, despite the challenges of transfer. Since the transfer in lowland Scotland and its introduction in the Highlands and Islands, Business Gateway has assisted some 29,000 volume start-ups, supported the creation of almost 3,000 VAT start-ups and offered support to more than 5,500 existing businesses through events. Further, over 1,000 existing businesses have entered the growth pipeline with a view to moving into SE/HIE account management. These are significant volumes, and Business Gateway has generated more than 28,000 enquiries from the website, local contractors and the Enquiry Service to December 2010. Its on course to exceed the 30,000 enquiries in 2009/2010.

8.13 Business Gateway has found it more straightforward to meet the volume start-up targets than VAT start-ups and existing businesses, particularly those capable of entering the growth pipeline and meeting the criteria for account management. Much of this relates to the changing economic conditions, with formerly strong growing companies capable of meeting the growth criteria now having more modest growth aspirations and capabilities, hence the introduction of the sub-growth pipeline. That said, there are clearly communication difficulties between SE/HIE and Local Authorities in progressing businesses from the growth pipeline into account management. Year on year there have been improvements in performance across all categories and performance in meeting new sub-growth pipeline start-up targets have been easily exceeded (with sub-growth pipeline targets for existing businesses expected to follow suit), testament to the demand from this cohort. Performance varies across the Local Authority areas, although the pattern of achievement (by segment) is largely similar.

8.14 The use of the website is strong, and in the nine months to December 2010, more than 20,000 online tools had been completed, with traffic averaging 20,000 hits per month, although the resource remains arguably under-utilised. The balance has generally shifted to more local rather than national enquiries handled, as local marketing activity has increased, although EFRS remains a national resource for Business Gateway. Service performance data in relation to impacts (survivability) is relatively weak given low sample sizes, although the data that does exist suggests increasing levels of survivability at 12 and 36 months, despite the difficult economic climate.

8.15 Whilst output performance is strong, and year on year growth in volumes has been evident, there is arguably scope for an even greater throughput of businesses, if alignment and referral mechanisms (e.g. with Local Authority departments) can be delivered.

Customer Benefits and Service Impact

8.16 The Business Gateway service succeeds in progressing businesses that it comes into contact with - 44% of businesses not trading or at the pre-revenue stage at the time of initial contact reducing to just 4% at the time of the survey. The service is most commonly sought for support to start a business, although more than four in ten are also seeking the service for financial or access to finance advice and support, reflecting its importance to business growth and development. The use of local contacts / facilities is clear, with close to half accessing the Business Gateway through a local phone number or through a “walk-in” to a local centre, compared to one in four through the website or national number.

8.17 The service is rated highly, both for its first impressions and the quality and relevance of its support. All customer groups benefiting from advisor support valued this.
Whilst used by relatively few, the online diagnostics used to identify support needs was regarded as very useful by more than 40% of users. Those groups developing an action plan, principally the VAT+ and Growth Pipeline customers, rated their relevance and comprehensiveness although more felt these could more outcome focused with specific measures to help the meet trading or volume targets.

8.18 Start-up businesses, as expected, were more typical users of the workshops. Across the customer groups, the business planning, e-business/ICT and the resource planning and management workshops were the most highly regarded. Advisor support is typically face-to-face (just 14% state their principal contact is via the phone or email), and a wide range of support is provided by the advisor. Growth Pipeline customers most value business plan development and support for marketing and selling their products. VAT+ customers have valued the sales and marketing and access to finance support. Six in 10 regard the support from the advisor as additional to other forms of support; this is positive and a general endorsement of the Business Gateway service, although there is clearly room to reduce areas of overlap.

8.19 More than three in four of those identified as receiving one to many support stated they had used the website. Use is typically infrequent, although more than half of users visited the website at least once a month. Almost 40% rated their first impressions as excellent, and almost half had used the event’ calendar and more than a third made use of links to other sites. One in five had used interactive tools and these, along with events calendar, were rated most highly. Almost half of all users felt the website fully or largely met their business needs. These are positive findings, although a third of users nonetheless felt that the website could be more user friendly, with clearer categories.

8.20 Almost one in three of the one-to-many Business Gateway customers had used the national helpline; overall users were satisfied with this service and the relevance of the advice given (more than 70% of users).

8.21 The Business Gateway services achieved time savings for almost two in every three customers, and one third stated they would not have been able to access similar support at all without the Gateway. A relatively modest proportion of respondents were able to attribute specific commercial benefits, although 14% had generated new customers and 11% had increased their sales and turnover. That said, more than a third of businesses felt that the Business Gateway had led to a better strategic focus, and almost as many that Business Gateway had helped them improve their practices. Whilst less directly quantifiable, such improvements will nonetheless have an impact on their business performance.

8.22 A relatively small proportion of businesses were referred to other forms of support, around one in five, and of these just one in eight had paid for this support. This suggests somewhat limited referrals from Business Gateway to other forms of support, an area which could be explored further given the intended Gateway role as a signposter for business support, although the survey responses here may be subject to some interpretation. A number of Local Authorities have good referral and signposting processes in place (and some of these are linked to local service packs promoted via EFRS) and these practices could be more widely adopted throughout the service. Of those that were referred to other forms of support, some 40% would not have been able to source that support without the Business Gateway.
8.23 Almost 70% of Growth Pipeline and VAT+ businesses would welcome on-going, infrequent support, with quarterly e-mail follow-up the preferred route ahead of on-going advisor visits. Around two thirds from the one-to-many group stated that they are likely to use Business Gateway again, either workshops or the website.

8.24 Few businesses overall were prepared to pay full market rate for services, the highest propensity to pay was for Growth Pipeline and VAT+ businesses, or others benefiting from one-to-one support. The proportion rises significantly when considering partial payment; with 21% of businesses willing to contribute towards the workshops and 19% to the adviser sessions. It is clear that some form of public subsidy will still be required if business needs are to be met.

**Service Net Impact and Cost Analysis**

8.25 The Business Gateway service has demonstrated a considerable scale of activity and one which has made a considerable contribution to the Scottish economy: some £130m in GVA has been achieved to date, rising to £301m in the future. Gross benefits are highest for the VAT+/VAT pipeline cohort, although levels of deadweight are also the highest for this group. This suggests that a significant proportion of impact these benefits could have been achieved without the Business Gateway. Although levels of deadweight at 81% may seem high, this is in line with many other volume business support programmes and many VAT+/VAT pipeline businesses are trading at levels sometimes far in excess of the VAT threshold.

8.26 Levels of impact deadweight are considerably lower for the one-to-many support and for the growth pipeline businesses (55%-56%), although they typically attribute a smaller proportion of the benefits to the Business Gateway service. The website and EFRS are playing an important role in providing additional support to businesses. Overall, a return on investment in the region of 1:7.2 is more than acceptable for a service operating on this scale. That said, attention should focus on further increasing the additionality of the support.

8.27 The total cost of delivering Business Gateway between 2008/09 and 2010/11 is estimated at £44.2m. The average unit payment to contractors per user receiving one-to-one support was estimated at £593 and per event was estimated at just over £400. The average costs of supporting individuals tended to be lower than supporting existing businesses. There was considerable variation at a local level and population density was a stronger driver of unit costs than scale of delivery.

8.28 The average cost per user of delivering the helpline and the website and per business started compared favourably against benchmark ranges across England suggesting Business Gateway in general has been procured cost-effectively. However, indicators of cost-effectiveness in terms of the overall GVA impacts of the service tended to be at the lower end of the expected ranges, possibly reflecting the nature of the customers and the Scottish economy, where high rates of displacement are to be expected, driven by its physical distance from other UK markets. Additional analysis on the relative effectiveness of the different services offered by the Business Gateway suggest that one-to-one advice accounts for a large share of the impacts of the service (over 80%). However, on average, the light touch forms of support tend to deliver greater GVA impacts per £1 of spending, with events delivering the lowest return on investment of £0.24 in GVA impacts per £1 of spending.
Governance and Decision-Making

8.29 The current governance arrangements are relatively complex, arguably more complicated than is desirable, and there is a sense that this can delay decision-making. A number of stakeholders have highlighted the lack of a strategic voice for championing Business Gateway nationally and a number considered the development of a Business Gateway strategy beneficial. There is also some lack of clarity amongst a number of stakeholders over certain roles and responsibilities with respect to the Business Gateway Scotland Board, the Regeneration and Sustainable Development Executive Group and the COSLA Leaders’ Group.

8.30 The ultimate strategic decision-making group is the COSLA Leaders’ Group, yet arguably the Business Gateway Scotland Board should have greater authority to take strategic decisions to ensure that strong guidance is given to those delivering Business Gateway. There is also a need to act quickly over operational issues that affect the whole service, for example required changes to the contract, and ideally this would sit with a Business Gateway Board, although the current wide partner representation on the Board can sometimes make this more difficult.

8.31 The BGON is the vehicle for operational development, performance monitoring, with operational decisions made at this level. Higher level issues are raised with the Business Gateway Scotland Board. The contractors’ forum is well regarded as a useful vehicle for exchanging views amongst contractors, although there is some uncertainty how issues raised influence policy and decision-making.

Service Options

8.32 The Business As Usual option delivered the highest Net Present Value, and one of the highest Benefit Cost Ratios (BCRs) of the different options considered suggesting overall; the service is operating close to optimal effectiveness with its current configuration of services between one-to-many and one-to-one support. Retrenchment to a website or a website and helpline based approach would result in a negative Net Present Values (NPVs) and are not deemed cost effective. Reducing the levels of one-to-one support delivered is the most effective approach of reducing delivery costs. However, as one-to-one support tends to deliver the greatest share of overall impacts, adjustments here will have more than proportionate effect on the overall GVA impacts. Options excluding one-to-one support tend to exhibit negative NPVs, while efforts to charge users will likely reduce demand to the point at which the programme is no longer cost-effective. Events delivered the lowest GVA impacts per £1 of spending, and it may be possible to optimise impact by either reducing the level of events based activity (or charging users for these activities). However they account for a small share of overall costs, such adjustments do not involve substantial increases in BCRs or significant reductions of costs to the public sector.

Concluding Remark

8.33 The Business Gateway has achieved the transfer to the Local Authorities in lowland Scotland and the introduction of the service to the Highlands and Islands relatively smoothly, delivering a considerable volume of activity, which has increased year-on-year despite the economic challenges. There are limited calls from stakeholders, business representative groups and those delivering the service for significant changes to the delivery model and infrastructure. The Business Gateway is generally fit for purpose and is a well recognised
Final Evaluation of Business Gateway (April 20th – updated 16th June)

brand that should receive further investment in it, rather than any diminution of it. The service reaches a large volume of businesses, and the next phase should be about increasing the quality and impact of support without reducing its reach.

Recommendations

8.34 There are a number of recommendations arising from the BGON commissioned review that have been raised for consideration.

The Delivery Model and Contracting

8.35 There was significant investment in the transfer to Local Authorities and the general consensus is that there would be no benefits to businesses of radically altering the support infrastructure. At the same time, there is a desire for a little more flexibility, both within the contract period and at the local area, whilst also retaining the benefits of the national brand with minimum standards and consistency, widely recognised as a positive feature of Business Gateway. In light of this:

Recommendation 1: That the essence of the delivery model remains unchanged in lowland Scotland and in the Highlands and Islands. This includes the retention of lead Local Authorities in lowland Scotland which generates economies of scale (compared to 26 lowland Local Authorities) and which allows a more nationally consistent service to exist than would otherwise be the case. The lead Local Authority should have the responsibility for, and make the decisions with respect to, local procurement.

Recommendation 2: That there is local tendering, but with national guidelines and ‘text’ relating to a core offer. A national tender is challenging to develop and difficult to be locally tailored. Where the service is delivered in-house or through an arms-length contractor, the Local Authority does not need to contract with itself, yet there should be significant consistency in the core offer.

8.36 The process for developing tender documentation, even at the level of lead Local Authorities, is time consuming given the need to tender above the OJEU threshold. Given that the current contracts are due to run until September 2012 and to March 2012 in the Highlands and Islands, the new tender documentation will need to be in place over the forthcoming months.

Recommendation 3: If the basic premise of recommendations 1 and 2 are accepted, then a timeline and work-plan for the next round of tendering is put in place immediately. This will include timescales for specifying the minimum offer of the Business Gateway service on which lead Local Authorities and Highlands and Islands authorities will base their specification. The responsibility for developing the guidelines rests with the Business Gateway Board, supported by the BGON. Further, the current contracts in the Highlands and Islands should be extended to September 2012 to bring them into line with lowland Scotland.

8.37 There are wide variations in the costs of delivering the Business Gateway service, and, whilst some of this is presentational (in the way contractors have identified costs) and acceptable (some activities will be more expensive in one area than another), the variation in costs is too large.
**Recommendation 4:** The new tender documentation should include unit cost ranges for certain activities to reduce the large variation in costs which have existed to date. Contractors should, however, continue to be encouraged to offer the maximum value for money.

8.38 The current allocation of resources is based on the costs of the contract and there are better methods of allocation. The future of the Business Gateway service is also uncertain without guaranteed and protected funds.

**Recommendation 5:** Linking resources to the population or deprivation of lead Local Authority areas, or a combination of the two, should be considered, with recognition of the additional demands placed on those serving customers beyond their areas. Some modulation reflecting the costs of delivering the service in rural areas and the challenges posed by geographic isolation should be factored in. Targets should be sensibly varied to reflect socio-economic targets. Proposals for establishing contract sizes and target variations should be developed over the coming months for early agreement as part of the timetable for moving to the next contract phase.

**The Business Gateway Offer and Service Configuration**

8.39 The Business As Usual option delivered the highest Net Present Value, and one of the highest benefit cost ratios of the different models considered. This suggests that overall; the service is operating close to optimal effectiveness with its current configuration. There remains a rationale for focusing on business growth, yet the continuing uncertain economic climate and the nature of the local economies, means the initial criteria should be relaxed, and support for the sub-growth pipeline should be continued.

**Recommendation 6:** The use of the sub-growth pipeline is encouraged and continued into the next contract core offer, with consideration given as to how some of these businesses may be assisted to access some of the SE products previously available only to growth pipeline businesses. The products available from HIE should similarly be clarified and made available.

8.40 The aspiration for Business Gateway to support and encourage business growth should be retained as an ethos for Business Gateway, and the core services should be used as a platform for growth, to which additional services are added.

**Recommendation 7:** That the use of local discretion, through local addenda or some flexibilities written into the core contracts, is retained, to reflect local circumstances and local gaps in provision. These should also be encouraged to focus on growth wherever possible.

8.41 The segmentation involving VAT+ and the VAT pipeline is not ideal, given that the willingness/ability of a business to trade above the VAT threshold is not always a good indicator of growth aspirations and the incentivisation of behaviours to achieve the VAT registration rather than longer-term survivability. At the same time, it is one of the only measures available, and the survey indicates that this group performs strongly.

**Recommendation 8:** That the VAT+ and VAT pipeline segmentation is retained, with the lessons learned around the reduced proportions able to achieve this designation reflected in new contract targets. Geographical sensitivities in the targets set should apply.
8.42 The workshops/events are not universally well attended, and, for some of the more effective workshops, there is some willingness to pay a contribution. The rationale for such a range of workshops to be included as part of the core offer is therefore less clear.

**Recommendation 9:** That the existing event/workshop programme is reviewed to see how improvements can be made. There is a case for reducing some of the events/workshop programme and no longer making these a requirement as part of a general shift from events to networking.

8.43 The issue of aftercare is a challenging one; businesses would value it and those delivering the Business Gateway service see the value in providing it. Moreover, in moving to a more impactful service, aftercare can play an important role (in increasing survivability). At the same time, providing aftercare would have a resource implication. A number of areas provide aftercare as a non-contractual service, or through local addenda. There may be merit in considering the use of the EFRS in fulfilling this role if capacity to do so can be ensured.

**Recommendation 10:** that aftercare is included on a formal basis, as part of the wider move to focus on the quality and impact of the service. This need not be resource intensive i.e. via email follow-up, and any subsequent provision of further support should be quantified in the context of helping to improve survivability.

8.44 The offer needs constant refreshment and updating to meet the needs of the market, and to ensure a relevant service. This particularly relates to the use of ICT and social media for generating business and supporting business growth (a digital marketing strategy is being implemented), as well as the use of ICT/social media for delivering the support.

**Recommendation 11:** That new and innovative forms of advice provision are encouraged which exploit new technologies, such as 1-2-1 advice through videoconference, social networking etc. The content of the offer should also be updated to reflect the importance of e-business/ICT, support valued by the business community (e.g. Web 2.0 application, use of social media). A small fund, perhaps located within the BGNU, could be established to help new process, service and product development and innovation as an ongoing resource for the Business Gateway.

8.45 There is little incentive for contractors to undertake wider enterprise stimulation activities, although a number nonetheless promote the enterprise agenda through other activities. Business Gateway should be very closely aligned with enterprise awareness, and Local Authorities should be encouraged to make these connections.

**Recommendation 12:** That there is closer alignment between the enterprise awareness agenda and Business Gateway. It will be difficult to formalise this as part of the contracts without making additional resources available for this activity over and above contracted activity, yet there should be some acknowledgement (and role for Business Gateway) in helping to promote an enterprise culture.

8.46 The website is a good resource, with good feedback on its content and impact for business. At the same time, it could be more user-friendly and easy to navigate.

**Recommendation 13:** That the main positive features of the current website are retained under the new business portal and consideration is given to making the website easier to navigate. Any changes will need to be communicated through the Business Gateway service.
8.47 The EFRS is a resource that is not being wholly accessed by Business Gateway. There either needs to be significant investment in building the relationships between the local areas and the national centre, or consideration should be given to how the EFRS can be transferred to local areas. The latter would not be easily achieved cost effectively and would be hard to manage consistently as part of a national offer.

Recommendation 14: Given that there is widespread endorsement of the national brand and a national service, then the EFRS as a base resource, augmented locally, makes sense. Efforts should be made to re-engage local areas with the EFRS so that the previous investment in the EFRS infrastructure is maximised.

Alignment, Referrals and Reach

8.48 There is widespread recognition that the Business Gateway brand is well recognised and that Business Gateway should act as the entry point for existing and start-up businesses. This requires the Business Gateway, and Business Gateway advisors, to be armed with up-to-date information on all initiatives and products available through partner organisations. Whilst it is more straightforward for local partners to understand what is available locally, this is more difficult when national partners launch new initiatives.

Recommendation 15: That Business Gateway continues to engage with partners nationally to ensure the two-way communication between each other. Business Gateway needs to continue to engage with partners, refreshing and updating their understanding of Business Gateway, and partners need to make Business Gateway a first point of communication for any new initiatives relevant to businesses.

Recommendation 16: That a series of Memoranda of Associations and/or service agreements are generated between Business Gateway and key partners, for example with Skills Development Scotland or SDI on international trade support. This would promote understanding between Business Gateway and its partners and help to identify shared ownership of targets.

8.49 The referrals and joint working between SE and HIE and the Business Gateway is not working as effectively as it might, and this needs to improve to reduce confusion for and improve the service to growth businesses. Those delivering the Business Gateway clearly see the process for accepting businesses into Account Management as difficult and unclear. There should be no competition for customers and the process for adopting businesses into account management should be simplified. There should also be consideration of making some of the SE/HIE products available to businesses with growth potential that are in the sub-growth pipeline.

Recommendation 17: That strategic partners take measures to improve the co-ordination and communication across the Business Gateway service between Local Authorities and Scottish Enterprise/Highlands and Islands Enterprise. There are steps being taken to improve the dialogue between SE/HIE and Local Authorities and these should be maintained/increased through the phase moving to the new arrangements.

8.50 There is limited evidence of referrals to intermediaries and the private sector, although a number of contractors identify the private sector, notably banks, as one of the principal sources of referrals. Nationally, there has been relatively limited success in engaging strategically with the sector.
**Recommendation 18:** That there are contractual requirements for engaging with the private sector/intermediaries to ensure there is consistent working with the private sector across all areas. This should focus on *referrals onto* the private sector, rather than solely passive receipt of referrals.

8.51 Business Gateway reaches a large audience, including diverse groups, and this is one of its strengths, although the systematic recording of this Equality data, and its analysis, has not occurred since the transfer/introduction of the service. This should be rectified during the next phase.

**Recommendation 19:** That an Equality Impact Assessment is carried out in advance of and as part of the new contracts/delivery arrangements.

**The National Unit**

8.52 The BGNU has been significantly under-resourced over the current contract period. This has been acknowledged, and a team leader is being recruited at the time of writing. In our view, whilst this post should help alleviate the pressures on COSLA staff, the demands of servicing Business Gateway nationally requires at least a further additional post. The existing team are well-regarded and steeped in Business Gateway and its evolution, however many acknowledge their wide-ranging and varied demands stretch the capacity of the team to provide its core functions. The existing post holders are constrained in their role to provide the performance and quality assurance functions, which in actuality comprise a relatively small proportion of their time.

8.53 Whilst it is expected that the team leader will take on some of the external stakeholder facing role, reducing the pressure on existing staff, there is arguably a need for a member of the team to be dedicated to servicing the Business Gateway network with information, liaising with the EFRS, and organising events. These are time consuming roles, and active management of the EFRS and ensuring Business Gateway Local Authority leads and contractors maximise the benefits of this resource is alone a significant undertaking, but one which would extend the benefits of the EFRS resource. Such a role would free the reporting and quality assurance functions, necessary for continuous learning and development. There is clearly a resource implication and it is recognised that the Business Gateway is able to draw on the 12-strong BGON team, which currently delivers a variety of sub-group developments.

**Recommendation 20:** The National Unit function should be further developed – Business Gateway is a strong national brand, widely recognised, reaching a large number of businesses. A further post should be considered to support partner engagement, carry out event organisation and facilitation, and the dissemination of information across the Business Gateway service. This would allow greater levels of quality assurance and performance management to be undertaken as key resources for the Board, with the quality assurance role refined to reflect the newly proposed and expanded impact measures.

**Recommendation 21:** Under an expanded team, the National Unit should support the Board in engaging and encouraging the involvement of all Local Authorities in the delivery of a high quality Business Gateway service (team leader). An expanded team should also help to facilitate the local take up of the EFRS.
Governance

8.54 The current arrangements are complex given the role of COSLA and the accountabilities to elected members. These are not always clearly understood, with the sense that this in turn can slow down decision-making and resolution of issues. The present arrangements should be simplified if possible. The governance structures for Gateway are quite complicated (with the Board, the stakeholders group, the managers group, the contractors’ forum and the national unit, along with the role of the Regeneration and Sustainable Development Executive Group and the COSLA Leaders’ Group) and there are many partners who have a stake in its future. There is some appetite for simplification across the network and nationally since there can be frustration at the lack of strategic direction and slow decision-making. The location of the national unit within COSLA is perhaps not an obvious home, but as yet there does not appear to be a clear-cut alternative (if SLAED sets up a separate legal entity for economic development this situation could change, although there appears limited appetite for establishing a trading company to manage the service at this stage).

Recommendation 22: Partners may wish to consider streamlining governance structures into two major groups -

- The Business Gateway Scotland Board which will continue to meet quarterly with external stakeholders invited to key items each quarter. It will continue to provide leadership and strategic direction.

- A new operations group which meets more frequently. It will make operational decisions on implementation and performance for ratification by the Board. It should be serviced by the National Unit and include representatives from SLAED (Business Growth Sub Group) and the managers groups (who could chair the group). The contractors’ forum is well regarded by the contractors and should continue to meet and feed in views.

Recommendation 23: To continue to be a useful resource for Business Gateway, consideration should be given to where best to locate the National Unit. Its influence may be extended if it is located outside of COSLA although the evaluation did not undertake a full assessment of where best to situate the BGNU. Similarly, there is not appetite for an independent company established via SLAED.

Profile, Marketing and Communication

8.55 The message is beginning to get through to the business community that Business Gateway is a resource for existing businesses as well as start-ups, but this message needs continuous reinforcement. In the Highlands and Islands there is continuing need to build brand awareness for both start-up and existing businesses. There is also a need for continuous strategic engagement of Business Gateway with partners and stakeholders at the highest level.

Recommendation 24: The wide dissemination of the communication plan is required to increase the profile, visibility and strength of the service. It should include designated spokespeople and a range of complementary media activity in suitable formats, and reflect
the specific need to continue brand development in the Highlands and Islands, including the use of local media.

**Recommendation 25:** Entering a dialogue: A series of meetings should be sought with new government ministers to brief them about the activities and achievements of the Business Gateway service.

**Recommendation 26:** The message should be that Business Gateway is outward looking: as a platform for growth, through the UK Government Business Innovation and Skills portal and through raising the profile of the service. Proposals for determining the use of the forward marketing resource should be developed early, with stakeholders given the opportunity to comment and input.

### Maximising Impact

8.56 The management information to date, since the transfer to Local Authorities in lowland Scotland and the introduction of the service in the Highlands and Islands, has focused on activities. There is little systematic use of impact or quality data.

**Recommendation 27:** A more sophisticated range of monitoring measures needs to be developed that reflects the quality, impact and longevity of activities more readily. Consideration should be given to regularly collecting and reporting on GVA, employment and turnover increases/safeguarded, and business survivability, in each of the local areas throughout the lifetime of the contract. These measures should include equality-related information.

**Recommendation 28:** That the equality-related information similarly extends to the impact measures.

**Recommendation 29:** Attention should be given to further increasing the additionality of the support provided. This would have the most impact on the VAT+/VAT pipeline cohort in particular where the benefits are the greatest.