

AGENDA ITEM 2 (ii)

FALKIRK COUNCIL

Subject: REVIEW OF BUSINESS SUPPORT DELIVERY STRUCTURES
Committee: POLICY & RESOURCES COMMITTEE
Date: 13TH JANUARY 2009
Author: DIRECTOR OF COMMUNITY SERVICES

1.0 INTRODUCTION

- 1.1 This report seeks approval to proceed with the establishment of a revised business support delivery model within the Falkirk Council area.

2.0 BACKGROUND

- 2.1 In September 2007, the Economic Development Committee agreed that it was appropriate to review local business support delivery mechanisms and organisational relationships. This decision was taken in the contexts of:-

- Ensuring that business support structures would effectively contribute to the area's Strategic Community Plan and Corporate Plan economic objectives, be customer facing, focused and promote seamless linkages with Council Services and other agencies and organisations; and
- The Scottish Government's proposals for the re-structuring of Scotland's Enterprise Networks, principally:-
 - The re-structuring of Scottish Enterprise and the abolition of local enterprise companies;
 - The transferring of Scottish Enterprise's Business Gateway contracts to local authorities; and
 - Improving business support services at a local level, such services to include advice on regulatory functions as well as the traditional start-up and established business services.

- 2.2 At its June 2008 meeting, the Economic Development Committee considered a report on the local organisations providing business support and the options available to modernise local business support delivery structures.

- 2.3 The role and remit of current organisations providing business support were conveyed to the Committee and are identified in Appendix I attached to this report.

- 2.4 The options considered to modernise how public sector business support was delivered within the Falkirk area were:-

- (i) maintaining the status quo and the continued provision of business support through the Council, Falkirk Enterprise Action Trust (FEAT) and Falkirk & District Business Parks Ltd (FDBP);
 - (ii) creating one organisation for the delivery of all business support functions, but excluding those relating to the letting and management of property; and
 - (iii) creating one body for business support, including property-related functions.
- 2.5 The report to the Economic Development Committee recommended the second option as set out in paragraph 2.4 and this was endorsed by Committee, noting that the proposal would be referred to the Policy & Resources Committee at the appropriate stage.
- 2.6 This preferred model involves, in effect, the ‘merging’ of FEAT and FDBP to provide a single business support organisation with FDBP staff transferring to FEAT. The model would be augmented with responsibilities for networking and marketing, including support for the operation of the Falkirk Business Panel. The Council would take on responsibility for management of the small property portfolio it owns but currently managed through leases by FDBP. It is considered that these additional property responsibilities can be undertaken utilising existing Council staff resources
- 2.7 Over the last six months, much work has been undertaken on the possible structure, products, services and operational processes of a single, dedicated business support organisation. This work has included consultation with the Boards and employees of FEAT and FDBP, the Leadership Group and general membership of the Falkirk Business Panel and Law & Administration Services.

3.0 SINGLE BUSINESS SUPPORT ORGANISATION – THE KEY FEATURES

- 3.1 It is envisaged that the proposed single, dedicated business support organisation would have the following key features:-
- Company limited by guarantee. Membership of the company would be open to any business located within the Falkirk Council area.
 - The company’s Board would be partially elected from representatives of business in the area.
 - Falkirk Council would have company representation at Board level – one member, one officer - and voting rights.
 - A number of Committees would report to the Board. The Committees would focus on specific operational areas to reflect the strategic priorities of the new structure e.g. finance and governance, products and services and marketing and communications.
 - Committee members would comprise Board members and co-optees, as agreed by the Board.

- The company would deliver and engage in business support activities services for member companies and engagement with the wider Falkirk business community.
 - Under the terms of the current Consortium arrangement, the organisation will have responsibility for the delivery of the Falkirk element of the Forth Valley-wide Business Gateway contract. It will also undertake Falkirk Council's non-Business Gateway assistance to start-up and existing businesses, including social enterprises. Such support encompasses information and advice, grants, BP Loan Fund and training.
 - The organisation will provide of a full range of assistance and services to local companies including the management of the Falkirk Business Panel, Falkirk Business and Growth Clubs, events, membership liaison (including database management), marketing, Enterprise in Education, links with the Council's regulatory, property, community planning and other services and links to other agencies such as Scottish Enterprise, Scottish Development International and Falkirk Council for Voluntary Services.
 - The company would be principally funded by the Business Gateway contract and Falkirk Council although additional income would be generated by the letting of existing accommodation for meetings and conferences. The potential to generate income from contracts or external funding bids would also be a possibility.
- 3.2 A Business Plan will be developed by the new organisation. An Operating Agreement between the Council and the new organisation will be put in place to form the basis of future monitoring reports. This will detail the range of services to be provided, operational relationships and working practices to be adopted in return for Council funding.

4.0 SINGLE BUSINESS SUPPORT ORGANISATION – THE MAIN BENEFITS

- 4.1 It was confirmed at the recent Business Panel Conference that the local business community consider that a single point of access for business support would be a significant service improvement by:-
- helping to clarify the nature and type of support available;
 - improving communications between support organisations;
 - removing the element of fragmentation of service delivery that currently exists; and
 - generally being more customer facing and focused.
- 4.2 The organisation will designate a responsibility for officers within the new organisation to develop existing linkages and foster relationships with Council Services. In particular, this will enhance connections with officers in Economic Development, Education and Development Services who engage with businesses on a day-to-day basis. This is intended as a major step forward in the provision of a business friendly, joined-up and responsive service for companies in the area.

5.0 IMPLICATIONS

5.1 Policy

The proposal seeks to improve how business support is delivered within the Council's area and is therefore consistent with the area's Strategic Community Plan and the Council's Corporate Plan. It also contributes to the Scottish Government's agenda with regard to local business support.

5.2 Legal

Consultation has taken place with the Council's Law & Administration Services, particularly with regard to the leases and sub-leases in respect of the property that will transfer back to the Council and on the matter of FDBP staff and potential implications arising from TUPE Regulations. On TUPE matters, Law & Administration consider that the FDBP staff can be successfully transferred to FEAT and that no TUPE issues need arise for the Council. This view is shared by FEAT's legal advisers and, following agreement by Committee and the Boards of FEAT and FDBP, arrangements for these transfers will be made.

5.3 Financial

It is proposed that the new structure can be established within existing and anticipated future economic development budgets. Recognising the current economic imperative for business in the Falkirk area it is not anticipated that the proposal will generate savings. In keeping with the recent Council decision on action to help address the economic downturn, any budget identified as a result of the restructuring (e.g. in reduced property maintenance charges) will be directed towards supporting businesses. The Council's financial support of the new organisation, likely to be of the order of £280,000 in 2009/10, will be met from existing budgets covering business support and the Falkirk Business Panel.

Falkirk Council Business Gateway.....	£165,000
<i>(BP Loan Adviser, Business Growth Co-ordinator, Grants, Events)</i>	
Enhanced business support.....	£ 50,000
<i>(as per approved Council report of 10th December)</i>	
Falkirk Business Panel.....	£ 65,000
<i>(Events, networking, membership development)</i>	

Disbursement of these funds will be governed through the Operating Agreement and reported under the terms of the Council's procedures for 'Following the Public Pound.'

6.0 CONCLUSION

- 6.1 The modernisation of how business support is delivered within the Council area is an exciting project with the potential of making a major contribution to the Council's economic objectives, improving service delivery and meeting the needs of the local business community.

7.0 RECOMMENDATIONS

7.1 It is recommended that Committee:-

- i. Approves the creation of a single business support organisation through the ‘merging’ of FEAT and FDBP and the transferring of property back to the Council;**
- ii. Authorises the Director of Community Services to progress the establishment of the new model, on suitable terms in consultation with the Directors of Law & Administration, Finance and Development Services and the Boards of FEAT and FDBP; and**
- iii. Refers the overseeing of the establishment, future operations and performance of the new business support arrangements to the Economic Development Committee.**

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Director of Community Services

Contact Officer: David Moffat. Ext: 0963.

LIST OF BACKGROUND PAPERS

- 1 Report: “Modernisation of Business Support Delivery Services”, April 2008.**
- 2. Report: “Business Support Delivery in Falkirk”, December 2008.**

Anyone wishing to inspect the background papers listed above should telephone 01324 590963 and ask for David Moffat.

BUSINESS SUPPORT ORGANISATIONS IN FALKIRK COUNCIL AREA

1. FALKIRK COUNCIL

A democratically elected statutory body responsible to the residents of, and businesses operating in, the Falkirk Council area for the provision of a full range local government services.

Principal business support services include existing and start-up business support and the regulatory services of planning, building control, trading standards, licensing and environmental health.

Currently, all Council existing and start-up support, apart from the management of the Falkirk Business Panel, is delivered on its behalf by FEAT. A close operational relationship exists between Council and FEAT officers.

2. FALKIRK ENTERPRISE ACTION TRUST (FEAT)

A company limited by guarantee. A Board of Trustees, comprising representatives from the public and private sectors, oversees operations and activities. The Board is chaired by a representative of the private sector. Falkirk Council's nominated representatives on the Board are at Member and officer level.

FEAT's customers cover pre start-ups, new starts and high growth starts and established businesses. A comprehensive range of business support products and services are delivered by FEAT that include: National Business Gateway services, Falkirk Council-funded business grants to complement Business Gateway, Marketing & Business Growth Clubs, information/advice, management of the BP Loan Fund, business skills training courses and signposting/networking.

3. FALKIRK & DISTRICT BUSINESS PARKS LTD (FDBP)

A company limited by guarantee. The company's Board comprises both public and private sector representatives; the Board's Chair is the same as for FEAT with Falkirk Council's representatives being senior officers, one of whom also represents the Council on the Board of FEAT.

FDBP's customers are businesses with viable growth plans with its main roles being to promote and encourage the formation and development of small businesses and the management of property at four business locations.

4. SCOTTISH ENTERPRISE (SE)

SEFV was a company limited by guarantee within the national Scottish Enterprise Network, the Scottish Government's economic development agency.

Up to March 2008, business support products and services were linked to SE's National Product Framework and grouped under the headings of Business Improvement, Innovation Framework, Investment Framework, Market Development Framework, Start-Up, Strategy Framework and Workforce Development.

From April 2008, SE re-structured into a number of Regions, with a focus on the delivery of a range of regional and national projects and initiatives to develop the Scottish economy. Local economic development and regeneration activities were transferred to local authorities although Scottish Enterprise will continue to provide support to client and account managed businesses that have been identified as offering significant growth potential and/or have the opportunities to benefit from innovation and R & D assistance.