

**BiGGAR Economics**

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# Review of Start-up & SME Support Services in Perth and Kinross

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A final report to  
**Perth and Kinross Council**

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**BiGGAR Economics**

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# 1 INTRODUCTION

This document is a report by BiGGAR Economics Limited to Perth and Kinross Council covering the findings of a review of business support services provided to business start-ups and small to medium sized enterprises (SMEs) in the area.

## 1.1 Objectives

The importance of entrepreneurship and small business development is recognised by Perth and Kinross Council. Two of the strategic themes in the Perth and Kinross Economic Strategy (2009-2014) focus on supporting and developing businesses and on supporting a culture of entrepreneurship. The Council also recognises the importance of start-up and SME development support to supporting economic recovery and long term economic prosperity.

There have been many changes to the provision of start-up and SME support services in Scotland over the last 20 years. The most significant change in the last few years has included the transfer of Business Gateway responsibilities for local economic development to local authorities, the re-positioning of Scottish Enterprise and the development of local business support initiatives.

Provision of Business Gateway services in Perth and Kinross are provided by Enterprise North East Trust (ENET), the current Business Gateway contractor, under a contract managed by Dundee City Council. The current contract runs until the end of March 2012 and one of the aims of this report will be to inform the design, outcomes and objectives of any subsequent contract.

The objectives of the study were to:

- provide a descriptive and analytical overview of existing local support services tailored to the needs of business start-ups and SMEs, including:
  - identification of services including providers and status and for each:
    - type of services offered (e.g. external advice, finance, training);
    - location of contact points (e.g. geographic, virtual);
    - target groups (e.g. micro, VAT registered), sectors, phase of development (start-up, growth);
    - promotion of services (e.g. direct contact, website);
    - quality assurance standards used;
    - charges for the services;
  - participation of SMEs in identified support services and for each:
    - % using services compared to total SMEs;
    - profile of users (e.g. business size, phase of development, sector, gender, education);
    - level of satisfaction;
- analyse the needs of start-ups and SMEs:

- organisation (e.g. geographic, one-stop-shop);
- promotion (e.g. contact points, forms of communication);
- type of support services needed (e.g. financial services, professional information, advice and consultancy, training);
- delivery of support services (e.g. satisfaction with the level of understanding shown by service providers);
- provide information to inform a process for the improvement of the supply of support services available to start-ups and SMEs in Perth and Kinross.

The study aimed to identify any problems or opportunities that exist in the provision of start-up and SME support services and options to respond to these problems and opportunities. The output from the study will provide an evidence base on which Perth and Kinross Council can make decisions about individual projects and about the overall provision of support services in Perth and Kinross.

## **1.2 Structure**

The remainder of this report is structured as follows:

- Section two discusses the economic and policy context within Perth and Kinross;
- Section three provides an outline of business support services currently delivered within Perth and Kinross;
- Section four summarises the resources deployed in the provision of services and the numbers of businesses assisted;
- Section five discusses the strengths and weaknesses of current business support provision in Perth and Kinross;
- Section six summarises the key issues and identifies those areas where there may be some scope for developing and improving services;
- Section seven highlights the main opportunities for improvement identified at a workshop involving the main providers of business support provision in Perth and Kinross; and
- Section eight contains the main conclusions of the research and the actions that should be taken to maintain and improve provision.

## 2 ECONOMIC AND POLICY CONTEXT

### 2.1 Economic Profile

In total, 95% of all businesses in Perth and Kinross are SMEs (<250 employees). This includes 5,730 small businesses with less than 50 employees and 180 medium sized businesses employing between 50 and 250 people. Despite the predominance of small businesses, the proportion of large businesses 250+ employees in Perth and Kinross is higher than the Scottish average suggesting that the local economy is less reliant on SMEs than is typical elsewhere in Scotland. These figures are summarised in Table 2.1.

Table 2.1 - Enterprises and employment in Perth and Kinross and Scotland.

	Perth & Kinross		Scotland	
Employment <sup>1</sup>				
Small (<50 employees)	24,000	47.3%	641,000	34.9%
Medium (50 - 250 employees)	7,000	13.9%	256,000	13.9%
Large (250+ employees)	20,000	38.8%	942,000	51.2%
Number of enterprises				
Small (<50 employees)	<b>5,730</b>	91.7%	148,420	96.1%
Medium (50 - 250 employees)	<b>180</b>	2.9%	3,640	2.4%
Large (250+ employees)	350	5.6%	2,320	1.5%

Source: Scottish Government Corporate Sector Data, March 2009.

According to the Committee of Scottish Clearing Banks, the number of start-up businesses in Perth and Kinross in 2009 fell by 21% to 518 from 655 in 2008, in line with the reduction in start-ups in Scotland as a whole. However, Perth and Kinross outperforms Scotland in its relative performance in starting new businesses. The annual start-up rate of 3.6 per 1,000 people in Perth and Kinross in 2009 was 18% higher than the rate for Scotland. This is reflected in the self employment rate for Perth and Kinross which, at 13.3% is also significantly higher than the Scottish rate of 10.6%.

There are currently around 86,000 people of working age living in Perth and Kinross, 60% of the total population of the area, a slightly older population profile than Scotland as a whole. Within this, 82.4% of people are economically active, somewhat higher than the Scottish rate of 79.7%. This is reflected in the claimant count unemployment rate for Perth and Kinross which currently stands at 2.8% compared to a rate of 4.9% for Scotland as a whole.

As with elsewhere in Scotland, employment in Perth and Kinross is dominated by the service sector which accounts for around 79% of employment in the area. The economy of Perth and Kinross is however more reliant on agriculture, which accounts for 6% of employment, than Scotland as a whole where it accounts for

<sup>1</sup> The Scottish Government Corporate Sector Data Tables are classified by employee size bands on the basis of their total UK employees. The rationale behind this approach is that the size of the overall enterprise determines its behaviour as an economic agent. An enterprise with a large number of employees in the UK as a whole is likely to behave like a large enterprise, irrespective of its level of Scottish employment.

just 1%. Retail, wholesale, accommodation and food is also more significant industry in Perth and Kinross, where it accounts for 29% of employment than for Scotland as a whole, where it accounts for 22%.

## **2.2 Scottish Business Support Context**

Business support in Perth and Kinross is provided by a variety of national programmes and local organisations. Some of the key national programmes are discussed below.

Business Gateway is a national advisory service, designed to provide support and advice to new and established Scottish businesses. The Business Gateway provides a range of services, including enquiry-handling and referrals, business information, business start-up advice and services to existing businesses.

The management of local Business Gateway contracts passed to Local Authorities on 1<sup>st</sup> April 2008 and these are now managed by 12 lead local authorities working on behalf of local partnerships. In Tayside the contract is managed by Dundee City Council on behalf of the three Tayside Councils.

In addition to the services provided by the Business Gateway, there are also a number of projects operating in Perth and Kinross that are focused on supporting businesses in the agricultural sector. For example, Scottish Enterprise is working with partners to deliver practical projects to help farm businesses improve their productivity and funding is also available to support rural development through the Scottish Rural Development Programme (SRDP).

Support for businesses with an international profile is provided through national organisations such as Scottish Development International (SDI), UK Trade and Investment and Enterprise Europe Scotland.

Sector specific support is also available for businesses in a range of sectors including manufacturing, tourism, food and drink and life sciences. Relevant sector specific organisations include the Scottish Manufacturing Advisory Service (SMAS), Scotland Food & Drink, Life Sciences Scotland Support Service, VisitScotland and the Tourism Innovation Fund.

## **2.3 Perth and Kinross Policy Context**

The policy framework for business support services is provided by the Single Outcome Agreement for Perth and Kinross and the suite of policies and plans that underpin it. The first local outcome within the Single Outcome Agreement is for Perth and Kinross to 'have a thriving and expanding economy'. This outcome is reflected in the three aims of the Community plan, one of which is to create a 'vibrant and successful area'.

The Community Plan provides the basis of the five objectives of the Perth and Kinross Council Corporate Plan, the most relevant of which to this exercise is the aim of creating a 'prosperous, sustainable and inclusive community'. The Council's Corporate Plan in turn provides the framework for the objectives of each of the Council's service areas, including the Environment Service which includes Economic Development.

The activity of the Economic Development team is directed by the Economic Development Strategy and the associated Economic Action Plan. Delivery of the

Economic Action Plan is directed by an Economic Partnership which is comprised of representatives from stakeholders from a range of local and national organisations.

The economic strategy is built around six strategic themes:

- connections and development infrastructure;
- lifelong learning at the heart of the economy;
- encouraging a culture of entrepreneurship;
- supporting and developing businesses;
- supporting key industry sectors; and
- supporting people through employability.

Although relevant to most of these themes, the provision of business support services is focused particularly on the fourth of these themes.

### **3 EXISTING BUSINESS SUPPORT SERVICES**

This section details the nature and scale of existing business support services in Perth and Kinross.

#### **3.1 Perth and Kinross Council Business Advisors**

Perth and Kinross Council directly employs a team of three Business Advisors within its Economic Development Service. The team was established to provide support to businesses within Perth and Kinross that might not meet the support criteria set out by existing business support services in the area. In particular, the services provided are designed to support businesses or potential start-ups that are unlikely to reach the VAT registration threshold or to be classified as high growth start-ups and as such are not part of the core client groups for the Business Gateway or Scottish Enterprise.

The Business Advisors at Perth and Kinross Council provide a bespoke business advice and support service tailored to the requirements of individual clients. The team of Advisors is drawn from a range of professional back-grounds with significant business experience and as such is well placed to deliver detailed advice about the issues faced by businesses. The type of support provided might include business advice or financial assistance and frequently both. Business advisory services include:

- advice and support for existing businesses to assist with stability and growth;
- one to one in-depth advice and support for start-up and pre-start up businesses; and
- land and property enquiries.

Between the team being established in September 2008 and the end of March 2010, the Business Advisors had held 685 client meetings with 580 businesses of which 177 remained active at the time of writing. Of those assisted, 149 were seeking funding, 109 were seeking advice and 314 were seeking both funding and advice.

The Business Advisor Team also provides input and advice to clients who are involved in submitting applications for the Scottish Rural Development Programme (SRDP). The SRDP is a Scottish Government Programme, worth some £1.5 billion, designed to develop rural Scotland from 2007 to 2013. To date the Business Advisor Team have input to four successful applications totalling over £220,000.

The Perth and Kinross Council Business Advisors do not operate a formal quality assurance system but rely instead on the feedback received from clients. The team do however receive regular positive feedback from clients, suggesting that the services provided are highly regarded.

Perth and Kinross Council use a variety of mechanisms to promote their business support services including email up-dates, networking events and press releases. The team has however identified that it does need to be more proactive in highlighting successes, raising its profile and increasing awareness of it's the services. The team plan to achieve this using a variety of marketing tactics including PR, advertising, attendance at networking events, case studies, regular



meetings with relevant intermediaries and other stakeholder groups and have produced a marketing plan to guide this activity.

### **3.2 Perth and Kinross Council Business Grants**

The team of Business Advisors at Perth and Kinross Council also administer a range of business development grants including:

- **Start-up Grants** – 50% match funding of up to £1,500, available to any new business or potential start-up in Perth and Kinross. Since September 2008, funding of £66,057 has been provided from this source;
- **Rural Enterprise Growth grants** – 50% match funding of up to £6,000 for start-up and business expansion projects in rural Perth and Kinross. Since September 2008 funding of £168,029 has been provided through this source;
- **Rural Business Premises Support Grants** - 50% match funding of up to £15,000 for capital projects, available to companies in rural Perth and Kinross that can demonstrate that expansion of their business premises is essential to ongoing business expansion and growth. Since September 2008, funding of £64,932 has been provided through this source.

### **3.3 Perthshire Investment Loan Fund**

In addition to the business development grants provided through the Business Advisor team, Perth and Kinross Council also manages the Perthshire Investment Loan Fund (PILF). The PILF provides funding of between £2,000 and £15,000 (occasionally up to £25,000) for start-up and established businesses across Perth and Kinross.

The funds provided through the PILF are intended to complement other investments. Since September 2008, almost £60,000 has been provided through the PILF and this is estimated to have been matched by almost £1m of private investment. Repayment periods can be up to 5 years at a fixed rate of interest. Interest rates are set at the discretion of the Fund Directors who may also agree to a capital moratorium of up to six months during which only interest is payable.

The PILF is currently administered within Perth and Kinross Council but plans are now underway to amalgamate it into a larger East of Scotland Loan Fund. This is not expected to have a significant impact on the operation of the scheme from the client's perspective.

### **3.4 Business Gateway**

The Business Gateway is a national service that was established by Scottish Enterprise and in 2007 the Scottish Government announced that the delivery of Business Gateway would transfer to local government and the service would be expanded to cover the Highlands & Islands. Local government inherited regional provision that had been contracted out to providers on a regional basis (Perth and Kinross is part of the Tayside contract) on contracts that run to 2012. As discussed further below, some aspects of the service are delivered nationally and some regionally.

The overall aim of the Business Gateway service is to provide information, advice and business support to start-up and existing businesses. The greatest support is

targeted at those businesses that are expected to make the greatest contribution to the competitiveness and growth of the Scottish economy, although one to one advice is also provided to smaller businesses through “Meet The Adviser sessions”.

### **3.4.1 National Delivery**

The Business Gateway website (which contains information on business start-up and growing a business and a range of self help tools) and the Enquiry Fulfilment and Research Service (a call centre based service to provide business information and referrals to regional services) are managed by Scottish Enterprise, on behalf of local authorities.

Marketing of Business Gateway is also undertaken nationally, managed by the Convention of Scottish Local Authorities’ Business Gateway National Unit, along with quality assurance and performance monitoring.

### **3.4.2 Regional Delivery**

The regional providers of Business Gateway contracts (in Tayside’s case, Enterprise North East) provide one-to-one advisory services to businesses with most growth potential and group workshop sessions for a wider group of businesses.

The service was designed with four client groups in mind, each having access to a different range of services and intensity of support:

- volume start-ups – new businesses with limited growth prospects and aspirations and those wishing to become self employed (access to national website, enquiry service and one-to-many workshops);
- VAT+ start-ups – a range of services, including one-to-one advisor support are available to volume start-ups (new businesses expected to be VAT registered in 18 months (the Business Gateway contract was amended last year gave VAT clients 18 months to achieve VAT status rather than one year as previously);
- Meet The Adviser sessions – one to one advice for all Business Gateway clients, including businesses below VAT threshold;
- business base – existing businesses with limited growth prospects and aspirations (range of services available to volume start-ups plus referral to other programmes that they might qualify for); and
- growth pipeline – businesses with growth potential, future Scottish Enterprise DRM companies (on-line diagnostic tool, one-to-many workshops and one-to-one advisor support).

The provision is organised regionally with at least three FTE advisors covering Perth and Kinross, in addition to the administration of the contract and the national services.

The value of the regional Business Gateway contract in 2009/10 was £1.023 million. Approximately a third of the regional activity was in Perth & Kinross.

### 3.4.3 Survive and Thrive

In recognition of the economic downturn, an anticipated budget under-spend on the Business Gateway contract was allocated to the Survive and Thrive project which provided advice and assistance to businesses most affected by the downturn. Support was provided to 45 companies (15 in Perth and Kinross) at a cost of £46,650.

### 3.4.4 Summary of Business Gateway Activity

The Business Gateway activity for 2009/10 in Perth and Kinross and in Tayside is summarised in Table 3.1.

Table 3.1 – Business Gateway Delivery in Perth and Kinross, 2009-10

Outcomes	P&K	Tayside
Business Start-ups	257	730
VAT+ Start-ups	52	127
Start-up Workshops	100	328
Existing Business Workshops	10	40
Growth Pipeline Referrals	12	39
Referrals to SE DRM	6	12
Survive and Thrive Companies Assisted	15	45

Source: Business Gateway Management Group

## 3.5 Scottish Enterprise

The business advisory services provided by Scottish Enterprise are focused on a small number of companies (relative to the total number of companies in Scotland) that are strategically most important to the Scottish economy and/ or are considered to have the greatest growth potential. There are a total of 270 companies in Tayside that Scottish Enterprise works directly with, including 88 in Perth and Kinross. There are a number of sub categories within Scottish Enterprises direct relationship management (DRM) designation, including:

- Corporate Scotland – generally large international companies, headquartered in Scotland (2 Perth & Kinross companies);
- Important to the Economy – companies that are not covered by the other DRM categories but are important to the national or regional economy (9 in Perth & Kinross);
- Account Managed – companies that are growing rapidly or are expected to achieve a turnover increase of £1 million or more within 3 years of engagement with Scottish Enterprise (45 in Perth & Kinross); and
- Growth Prospect and Business Growth Pipeline – companies that might be expected to be eligible for Account Management in the future (8 Growth Prospect and 24 Business Growth Pipeline in Perth and Kinross). Relationships with these companies are managed through the Business Gateway.

The Tayside DRM team consists of 8 advisors working across the region, each with a portfolio of companies, typically between 15 and 20. Those advisors act as the primary point of contact between the company and the public sector, providing advice and, where relevant, access to other support programmes. These include, for example, internationalisation, innovation and sector specific national programmes such as those highlighted in section 2.2, above.

The Business Growth Pipeline companies received support from Business Gateway. The Business Gateway contractors also receive payment for client companies that gain Account Managed status.

In addition to the DRM companies, Scottish Enterprise also provides some products that any business can apply for or access. These include Innovation Surgeries, which provide access to innovation specialists and business improvement advice (generally activities that focus on productivity rather than turnover growth, such as ICT or environmental advice).

### **3.6 Growbiz**

Enterprising Eastern Perthshire, or Growbiz, is a community based project which is one of three projects in Scotland piloting the approach to facilitating enterprise developed by Dr Ernesto Sirolli.

The approach and philosophy is very different from all of the other start-up and SME support services available in Perth and Kinross. There are perhaps two main differences from traditional services that are based on a mix of information, advisor support and training.

The first is that the approach assumes that it would be unusual for an individual to have the full range of skills required to run a business (Sirolli's "trinity of management" covers three areas – product/service, marketing and sales and financial management) and that, rather than recommending training to address the areas where individuals do not have competence, they are introduced to someone else with relevant experience and expertise.

The second is that the project is community based and works by facilitating links between individuals and companies. The philosophy is that a solution to any problem can be found within a community. The project is not marketed as a service; rather businesses and potential entrepreneurs are referred to Growbiz by those that have already been involved. One facilitator is employed to help identify where individuals and businesses might benefit from input and to introduce one or more volunteers that might be able to assist. The nature of the relationship is left to those involved to agree. In some cases that support might be in the form of advice from someone who has previous experience of a particular situation or issue and in other cases the individual introduced may become closely involved with the business.

The project received funding of £36,622 from the Leader+ programme and £27,000 from Perth and Kinross Council, covering the period from June 2009 to September 2010.

The project has worked with 251 clients since June 2007 – 176 new business and 75 existing businesses.

The monitoring of outcomes for clients by Growbiz shows 83 jobs created, 99 jobs retained, £1.3 million in estimated new sales and £0.5 million in new capital.

### 3.7 Perth College – Centre for Enterprise

Perth College provides a range of business support services through its dedicated Centre for Enterprise (CfE). The CfE was established to provide support to new and established businesses and potential start-ups in Perth and Kinross and is the first centre of its kind within a Scottish college. The CfE is staffed by a team of three and provides support services ranging from networking and advice to funding and training. The team are responsible for delivering the services provided within the Inspiring Enterprise project (discussed below) and are also responsible for:

- **Business Idea Competition** – this annual competition is run in partnership with Perth and Kinross Social Economy Partnership and sponsored by local businesses. It offers an opportunity to win a cash prize of up to £3,000 to help with business development and is open to Perth College UHI students, staff and the wider community; and
- **Newbiz conference** – this annual conference, which is also run in partnership with Perth and Kinross Social Economy Partnership, is aimed at budding entrepreneurs from the private and social enterprise sectors. With an audience of around 200 and high profile speakers such as John Swinney MSP and Michelle Mone OBE, the event is an important learning and networking opportunity for businesses and business support practitioners alike.

The Centre for Enterprise operates from offices in Perth College's campus on Crieff Road in Perth. Advice is provided face to face through one-to-one client meetings. The Centre for Enterprise uses a variety of mediums to promote its services including press releases and publicity surrounding events, the annual Newbiz conference, a regular news letter and dedicated pages within the Perth College website.

### 3.8 Perth College – Inspiring Enterprise

In 2009 the CfE was awarded £250,000 of European funding to support Inspiring Enterprise, a business support project which will run between 2009 and 2012. The focus of the project is to create a hub for enterprise support with the overall aim of increasing entrepreneurship and business growth for Perth and Kinross. The project offers a range of services including:

- **an events programme** - including pre-start up events to stimulate action and encourage entrepreneurial thinking along with smaller, more focussed events;
- **advice service** – providing mentoring and support to pre-start up and post-start up businesses;
- **a seminar programme** – including events about recruitment and selection, employment law, performance management and employee relations;
- **research** – CfE carry out research and innovative case studies, the results of which are used to support businesses;
- **soft skills** - CfE work with College students to help them develop their soft skills and encourage them to be enterprising and entrepreneurial;

- **grants** – business development grants of between £150 and £850 are available to young businesses that have been trading for less than 18 months; and
- **training** – including E-commerce and CMI Introductory Certificate in Management and Certificate in Management.

The outcomes from the Inspiring Enterprise project are monitored on an ongoing basis and the current progress is presented in Table 3.2 below. In line with the original funding application, a full project evaluation will be commissioned in 2012.

Table 3.2 - Selected ERDF Outcomes from Inspiring Enterprise Project

Outcomes	2009/12	To date
Individuals and new enterprises receiving advice/consultancy	400	125
Number of e-commerce strategies developed	3	3
Organise & Deliver Big Munchies	27	7
Organise & Deliver Mini Munchies	4	0
Organise & Deliver NewBiz Conferences	3	1
Seminars/workshops delivered	12	2
Number of enterprises receiving support for e-commerce.	40	18

Source: Centre for Enterprise, Perth College.

### 3.9 Prince's Scottish Youth Business Trust (PSYBT)

The PSYBT is a national charity which provides finance and professional support to young people in Scotland aged 18-25 to set up and run their own businesses. PSYBT services are provided by 18 Regional Managers, located within the Business Gateway. Perth and Kinross is covered by the PSYBT as part of the Tayside region and is managed on a day to day basis by a full time Regional Manager based at the Business Gateway office in Dundee. In 2009/10, the Tayside PSYBT supported 13 businesses covers in Perth and Kinross, 45% of the total number of businesses supported by the charity across Tayside.

The PSYBT offers a range of funding opportunities for young people considering starting out in business including:

- **market test grants** – small grants of up to £250 to enable a young person to test a concept for a new business and investigate whether self-employment is a suitable option for them. In 2009/10, four market test grants were awarded to businesses in Perth and Kinross amounting to £1,000;
- **loans** – low interest loans of up to £5,000 to help young people with a business idea, set-up and run their own business. In 2009/10 eight businesses in Perth and Kinross were awarded low interest loans amounting to £34,200; and
- **grants** – grants of up to £1,000 for young people from disadvantaged backgrounds or people with disabilities (up to the age of 30). In 2009/10 three businesses in Perth and Kinross were awarded PSYBT grants amounting to £2,750.

PSYBT finance is awarded through regional panels which consist of local volunteers who review applications and interview all prospective applicants. During the application process, PSYBT Regional Managers work with the young people help prepare them for the interview by offering advice on the business plan and suggest additional sources of support and finance. The Regional Manager will also identify any training the young person may need in order to set-up their business and help to arrange this, often through one to one counselling where an appropriate course is not available.

Following a successful panel interview, the PSYBT continues to provide aftercare support through a network of trained business counsellors. The counsellors are a mix of full time professionals from the Business Gateway, volunteer advisers giving up one day a month from their normal employment and retired executives.

The PSYBT also provides financial support to young people who have successfully started a business and are looking to expand. This takes two forms:

- **Growth funding** – this is a national fund which provides loans of up to £25,000 to existing clients who are looking to expand their business. In 2009/10 one business in Perth and Kinross was awarded growth funding of £10,000; and
- **Innovation funding** – this is a national fund which provides innovation awards of up to £25,000 to entrepreneurs who will require significant support and investment for research and development and early-stage business planning and are unlikely to realise any return on investment for several years. Both the Growth Fund and the Innovation Fund are new and there has not yet been any Innovation funding awarded in Perth and Kinross.

The PSYBT also provides networking opportunities to beneficiaries through the Elevator project. Elevator is a pilot project which began in 2010 and offers regular networking events for anyone aged 18-30 who is either involved in a start-up or would like to be.

PSYBT does not operate a formal quality assurance system and instead relies on informal feedback from clients. Evidence for the high regard with which the services provided by PSYBT are held can be found in the fact that word of mouth recommendations are responsible for an increasing proportion of enquiries to the service.

As with the Business Gateway, the initial point of contact with the PSYBT is through a contact form accessed through a national website. Once an enquiry has been made, advice is provided face to face either at the Business Gateway office in Dundee or at the Pathways Learning Centre in Perth. PSYBT uses a variety of mediums to promote its services including press releases and publicity surrounding events and successful businesses and the PSYBT newspaper which features stories about businesses that have received support.

### **3.10 Perthshire Chamber of Commerce**

The Perthshire Chamber of Commerce is a membership organisation representing businesses of all different sizes across Perth and Kinross. The Chamber has around 400 members, the majority of whom are SMEs. The Perthshire Chamber of Commerce is managed by a Board of 14 Directors who are elected from the membership. The support provided by the Chamber consists

largely of an extensive programme of regular networking, speaking and training events. Business support services provided by the Chamber include:

- **training courses** – specific training in areas such as accounts (Sage). Training courses are provided according to demand for small groups of people; and
- **mentoring sessions** – customised sessions funded by the Scottish Government covering areas such as marketing or raising funds. The Chamber hosts approximately one such event each quarter.

Regular events organised by the Chamber include:

- **business breakfasts** – regular series of breakfast meetings providing members an opportunity to network with fellow members and guests. The Chamber usually organise around 10 business breakfasts each year with each event attended by around 60 members;
- **networking events** – typically involving either dinner, lunch or high-teas, these events are designed to give members an opportunity to meet other members, make valuable business contacts and promote their business. The Chamber typically arrange one of these events each month and they are attended by around 60 – 80 people;
- **speaking events** – a regular programme of events for members and guests featuring key note speakers on a range of relevant business topics. These events typically attract audiences of up to 100 people;
- **business star awards** – these awards aim to recognise the achievements of local businesses in a variety of categories ranging from best employee to best customer service. The awards dinner is a valuable networking opportunity while the awards themselves can be a good opportunity for individual businesses to promote themselves. The annual dinner is usually attended by around 300 people;
- **Perthshire on a Plate** – a new two day food festival designed to showcase local producers and traders, at least 60 businesses are expected to be represented; and
- **'Our Vision' Conference** – hosted to coincide with the Chamber's AGM, the Chamber's annual conference is an opportunity for members and guests to come together to debate key issues effecting them.

In addition to training and events, the Chamber also provides the following types of support to members:

- **Communication** – the Chamber provides members with access to a variety of communication channels designed to help members promote their businesses and find out about potentially useful suppliers and services. These channels include the Chamber website, magazine, information hotline and yearbook and appointments diary and the Scottish Chambers of Commerce Directory;
- **Election hustings** – prior to European, General and Local elections, the Chamber hosts hustings meetings with the relevant prospective candidates and Chamber members;



- **Representation** – the Chamber also represents its members on a variety of organisations and committees where it uses its influence for the benefit of members. The Chamber has links with Perth and Kinross Council, local MPs, MSPs and MEPs, Scottish Enterprise and the Scottish Parliament;
- **Member benefits** – the Chamber offers a range of membership benefits including discounted telecom deals and a health care plan. This range of benefits will increase from 2011 when the Perthshire Chamber becomes formally affiliated to the British chambers of Commerce.

By 2012 Chambers of Commerce in Scotland are required to be assessed by and affiliated to the Scottish Chambers of Commerce. Perthshire Chamber is being assessed in August 2010. Evidence for the high regard with which the services provided by the Chamber can be found in the fact that a recent increase in membership fees did not have an appreciable impact on membership numbers, which suggests that members were generally satisfied that the services received represented good value for money.

The Perthshire Chamber of Commerce employs one full time member of staff and a part time administrator in Perth. The Chamber is managed by a board of 14 voluntary directors drawn from the local membership.

Information about the Perthshire Chamber of Commerce is provided through a dedicated website and over the phone by staff at their Perth office. The Chamber uses a range of mediums to promote its services including press releases, event publicity, email updates and the Chamber's own magazine 'InCommerce'.

### 3.11 Federation of Small Businesses

The Federation of Small Businesses (FSB) is a membership organisation that lobbies on behalf of small businesses. The FSB has around 1,000 members in Perth and Kinross and 20,000 members across Scotland. The services provided by the FSB consist largely of networking events, advocacy and awareness raising. Examples of the type of events arranged by the Perth and Kinross FSB include:

- **Local Business Trade Fair** – The Perth and Kinross FSB trade fair is an annual event designed to provide local small businesses with an opportunity to promote themselves while learning about potential suppliers in the area. The trade fair is hosted under the banner of the FSB's Keep Trade Local campaign and is aimed particularly at small web or home based businesses that do not have traditional shop fronts with which to promote their businesses. In 2009 the fair featured 20 stalls and in 2010 this increased to 36 stalls; and
- **General election hustings – prior to the 2010 general election** the Perth and Kinross FSB hosted a hustings event to give local members the chance to pose questions to their prospective MPs. The event was attended by around 40 people.

In addition to the events organised by the FSB, members also benefit from a range of member benefits which are part of the standard package of membership benefits available across the UK. These benefits include business banking and financial advice, telecom services, health insurance, post and mail services and legal advice.

The FSB does not operate a formal quality assurance system and instead relies on feedback from members and the continued willingness of businesses to pay for membership. Evidence for the high regard with which the FSB is held regarded can be found in the network of local activists who lobby on behalf of members and promote FSB policy on a voluntary basis. The fact that these individuals are willing to give up their time at no cost suggests that the services provided by the FSB are considered valuable, at least amongst this group.

The FSB is organised around a structure of regions, four of which are in Scotland. Perth and Kinross is one of seven local offices included within the North East of Scotland region. The FSB employs one full time Regional Organiser within the North East of Scotland region. The Regional Organiser is supported by a network of local activists and the day to day management of the Perth and Kinross branch is undertaken by a voluntary Branch Chairman.

Information about the FSB is provided through a national website however the network of local activists, who can be contacted by telephone, is possibly more important at the local level. The FSB promotes its services through a mixture of publicity coverage of local events and word of mouth recommendations from members and activists. Recent events organised by the Perth and Kinross FSB have been publicised through a variety of channels including local radio and local papers.

### **3.12 Summary of Services Provided**

This review has identified that there are a wide range of support services available to businesses in Perth and Kinross provided by a variety of different organisations in a variety of different ways. These services are summarised in Table 3.3, Table 3.4 and Table 3.5.

Table 3.3 – Summary of Business Support Service Resources and Number of Businesses Supported.

Target Client Group		Businesses Supported	Resources
<b><u>P&amp;K Council</u></b>			
Business advisors	Start-ups, potential start-ups or established businesses that are unlikely to reach VAT registration or does not fall into one of SE priority sectors.	580 clients (177 active)	3 FTE advisors + admin and support staff.
PILF		£300,000 funding provided	
Grants	As above with some focus on businesses in rural P&K.	£60,000 loan funding provided	
<b><u>Perth College</u></b>			
Centre for Enterprise	Any potential entrepreneur in P&K (or Angus, Fife, Moray and Stirling) interested in setting up their own business.	Business advice provided to 400 clients	3 FTE advisors + ERDF funding of £250,000
Inspiring Enterprise			
<b><u>Business Gateway</u></b>			
Start-ups	All start-ups but more intensive support available for those that expect to be VAT registered in 18 months.	257 start-ups in 2009/10 52 VAT+ start-ups	Website & national enquiry service Estimated 3 FTE advisors in P&K + admin and support staff.
Existing SMEs	Existing businesses can attend workshops, focus on those with growth potential (Growth Pipeline)	10 workshops (c. 80 businesses)	
Survive & Thrive	Economic downturn programme to assist businesses especially affected	15 in P&K	
<b>Scottish Enterprise</b>	Companies with growth aspirations and growth potential to become significant contributors to Scottish economy (Account Managed companies must have reasonable expectation of increasing turnover by at least £1m within 3 years) Growth pipe-line clients are supported by Business Gateway.	77 Account Managed, Growth Prospect, Business Growth Pipeline	8 advisors for Tayside – estimated 3 FTEs in P&K + admin and support staff.
<b>Growbiz</b>	Any business in the Highland Perthshire area covered that approaches Growbiz	176 new and 75 existing	1 facilitator + large

		businesses over 3 years	number of volunteers
<b>PSYBT</b>	Start-ups and potential start-ups run by people aged 18 – 25 or disadvantaged or disabled people < 30.		1 FTE coordinator + 20 volunteers.
<b>Perthshire Chamber of Commerce</b>	Any established business in Perthshire (85% - 95% of members are SMEs).	400 members	1.5 FTE staff + voluntary board of 14.
<b>Perth &amp; Kinross FSB</b>	Any established small business in P&K.	1,000 members	1 FTE regional organiser + voluntary activists.

Source: BIGGAR Economics, consultations with business support services providers.

Table 3.4 – Summary of Business Support Services Available in Perth & Kinross.

	Low interest loans	Business start-up grants	Market testing grants	Business development grants	Bespoke business advice	Training courses	Business mentoring & one-to-one support	Networking events	Member benefits
<b><u>P&amp;K Council</u></b>									
business advisors					✓				
PILF	✓								
Grants		✓		✓					
<b><u>Perth College</u></b>									
Centre for Enterprise					✓	✓		✓	
Inspiring Enterprise		✓	✓					✓	
<b>Business Gateway</b>				✓	✓	✓	✓	✓	
<b>Scottish Enterprise</b>				✓	✓		✓		
<b>Growbiz</b>					✓		✓		
<b>PSYBT</b>	✓	✓	✓	✓	✓		✓	✓	
<b>Perthshire Chamber of Commerce</b>						✓		✓	✓
<b>Perth &amp; Kinross FSB</b>								✓	✓

Source: BIGGAR Economics, consultations with business support services providers.

Table 3.5 – Access to Business Support Services in Perth & Kinross

Main Contact point		Promotion	Charges
<b><u>P&amp;K Council</u></b>			
Business advisors	Face to face from Council offices on Perth High Street.	Press releases, networking events, word of mouth, e-mail updates	No charge to user.
PILF			
Grants			
<b><u>Perth College</u></b>			
Centre for Enterprise	Face to face from Perth College Campus on Crieff Road.	Annual conference, press releases, event publicity, e-newsletter, website	No charge to user.
Inspiring Enterprise			
<b>Business Gateway</b>	Recently re-opened permanent Perth office (delivery at Perth College previously)	National marketing campaign supported by local marketing & referrals from professional advisors & other providers	No charge to user.
<b>Scottish Enterprise</b>	Face-to-face meetings with advisor, usually in company premises	Referral from Business Gateway , with some local prospecting	No charge to user.
<b>Growbiz</b>	Via facilitator	No advertising or promotion – must be word of mouth referral	No charge to user.
<b>PSYBT</b>	Face to face from Business Gateway office in Dundee.	PSYBT newspaper, press releases, event publicity, website, word of mouth.	No charge to user.
<b>Perthshire Chamber of Commerce</b>	Face to face at various events at numerous locations around Perthshire.	Annual conference, press releases, event publicity, e-mail updates, website, Chamber magazine.	Membership fees between £141 - £535 dependant employee numbers + nominal fee for some events.
<b>Perth &amp; Kinross FSB</b>	Face to face at various events around P&K.	Annual trade fair, event publicity, e-mail updates, website, volunteer activists.	Membership fees between £150 - £900 dependant on employee numbers + nominal fee for some events.

## 4 RESOURCES AND BUSINESSES ASSISTED

This section describes the level of resources currently devoted to providing business support services in Perth and Kinross and the number and type of businesses assisted.

### 4.1 Resources and Funding

It is estimated that approximately £1.45 million of public funding is spent each year on providing business support services in Perth and Kinross. This funding is used to provide a mixture of direct financial support to businesses, in the form of loans and grants and non-financial support such as advice, training and networking opportunities.

There are currently around 16 FTE staff engaged in providing business support services in Perth and Kinross. In addition to this, many organisations also draw on substantial support from volunteers although it is not practical to estimate the financial value of this support. This is summarised in Table 4.1.

Table 4.1 – Annual Resources devoted to business support in Perth and Kinross

Organisation	Estimated Staff Resources	Grants & Loans	Operational & Delivery costs	Total Public Resources <sup>2</sup>
<b><u>P&amp;K Council</u></b>				
Business advisors		Nil	Nil	£100,000
PILF	3 FTE	£59,350		£59,350
Grants	+ admin & support staff	£154,613	Unknown	£154,613
European funding		£222,300		£222,300
<b><u>Perth College</u></b>				
Centre for Enterprise	3 FTE	£6,500	£243,926	£350,426
Inspiring Enterprise				
<b>Business Gateway<sup>3</sup></b>	3 FTE + admin & support staff	Nil	£356,551	£356,551
<b>Scottish Enterprise</b>	3 FTE + admin & support staff	Not available	Unknown	£100,000
<b>Growbiz</b>	1 FTE	Nil	£47,700	£47,700
<b>PSYBT</b>	0.3 FTE	£47,950	Unknown	£60,000
<b>Perthshire Chamber of Commerce</b>	1.5 FTE	Nil	N/A	Nil
<b>Perth &amp; Kinross FSB</b>	1 FTE	Nil	N/A	Nil
<b>Total Known</b>	<b>16 FTE</b>	<b>c.£0.5m</b>	<b>c£0.6m</b>	<b>£1.45m</b>

Source: BiGGAR Economics, based on consultation with business support providers

<sup>2</sup> It is assumed that it costs approximately £100,000 to employ 3 FTE business support staff.

<sup>3</sup> Based on the assumption that Perth & Kinross accounts for one-third of Tayside.

## 4.2 Number of Businesses Assisted

Businesses that seek support will often have contact with more than one organisation. This may be because the organisation that receives the initial approach refers the client onto another organisation whose support is more appropriate to the client's needs. Alternatively, it may be that having received initial early-stage support from one organisation, the client then moves on to another organisation for support with development and growth.

Although this can make it difficult to attribute outcomes such as spin-outs or employment supported because of potential double counting, it is less problematic when trying to estimate the total number of businesses supported because businesses will usually only receive support from one organisation at a time. Even though some clients may receive support from more than one organisation at a time, this is likely to be compensated for by clients who receive support which is not recorded. This may occur because the support provided does not fit within the organisation's reporting framework and as such is not recorded. For these reasons, the total number of active clients recorded by each organisation is considered a reasonably accurate indicator of the total number of businesses supported.

Based on information provided by the various business support providers, it is estimated that approximately 2,300 SMEs in Perth and Kinross received support or advice of some description each year. Of these, around 1,360 were supported through privately funded business organisations and almost 1,000 received publicly funded assistance. These figures are summarised in Table 4.2.

Table 4.2 - Businesses receiving support in Perth and Kinross, annually

Organisation	SME Members	SMEs receiving support	Start-up SMEs	Total
P&K Council		261	41	302
Perth College		125		125
Business Gateway		100	257	357
Scottish Enterprise		77		77
Growbiz		59	25	84
PSYBT		1	13	14
Perthshire Chamber of Commerce	360			360
Perth & Kinross FSB	1,000			1,000
<b>Total</b>	<b>1,360</b>	<b>623</b>	<b>336</b>	<b>2,319</b>

Source: BiGGAR Economics, based on consultation with business support providers

Using the figures presented in the two tables above it is possible to draw some conclusions about the overall level and coverage of business support services in Perth and Kinross. The total population of SMEs in Perth and Kinross is 5,910 and so it can be estimated that:

- up to 39% of all SMEs in Perth and Kinross received some kind of business support in 2009/10;



- up to 16% of all SMEs in Perth and Kinross - approximately 1 in every 6 - received some kind of publicly funded support in 2009/10; and
- even if there was considerable overlap in the client bases of all of the support organisations, it seems likely that at least 10% of all SMEs in Perth and Kinross received some kind of publicly funded support in 2009/10.

The CSCB statistics suggest that there were 518 start-up businesses in Perth and Kinross in 2009 and so it can be estimated that:

- up to 65% of start-ups in Perth and Kinross received some kind of publicly funded support in 2009/10; and
- even if there was considerable overlap in the client bases of all of the support organisations, based on the Business Gateway client base alone, it seems likely that at least 50% of start-ups in Perth and Kinross received some kind of publicly funded support in 2009/10.

If the total costs and number of businesses supported by publicly funded support are taken together, it can be estimated that:

- approximately £250 of public funding is invested in business support for every SME in Perth and Kinross;
- on average, the cost per business supported by publicly funded business support services in Perth and Kinross is around £1,500.

## **5 STRENGTHS AND WEAKNESSES OF CURRENT PROVISION**

### **5.1 Gaps and Overlaps**

None of those consulted identified any significant gaps or overlaps within the current support services available to businesses in Perth and Kinross. One consultee felt that there was a need for additional business mentoring support within Perth and Kinross however the service described was very similar to that already delivered via the Business Advisors at Perth Council. This suggests that it may be necessary to raise awareness of this service by promoting it more widely to businesses. This is however an issue that Perth and Kinross Council are aware of and a marketing strategy has recently been produced to help address it.

Several of the organisations consulted offered some form of grant funding to clients. While none of the funds are identical, some of them are sufficiently similar to make it potentially confusing for applicants. The most obvious similarities exist between the business start up grants provided by Perth College and Perth and Kinross Council. In both cases, funding is for relatively small amounts (up to £1,500 from Perth and Kinross Council and up to £850 from Perth College) and both types of funding are aimed at start-ups or potential start-ups.

Both the FSB and the Perthshire Chamber of Commerce are membership organisations that offer a mix of member benefits and networking events. The commercial nature of each organisation means that services are delivered according to member demand and so any overlaps should be considered to be healthy competition and not a cause for concern. Similarly, several of the organisations consulted during this exercise delivered networking events. However, as long as the delivery of these events is driven by business demand, any duplication or overlap should not be regarded as a problem.

### **5.2 Geography**

The geography of Perth and Kinross and the wider Tayside area was considered a significant factor by many of those consulted during this exercise. Although the distance between Perth and Dundee is only around 23 miles, some consultees reported that their clients were reluctant to travel to Dundee, suggesting that, in practice, the psychological distance can be much greater. This issue has important implications for the form of delivery of business support services.

Formerly, the focus for the provision of business support services in Perth and Kinross was the Business Gateway office in Perth but when the Business Gateway service was restructured in 2008, a decision was taken to close this office. This issue was raised by most of the individuals spoken to during the course of this exercise and the consensus of opinion was that this decision had been detrimental to the delivery of business support services in Perth and Kinross.

This view was based on a belief that the closure of the office had created a perception among businesses that the Perth and Kinross was not regarded as a priority or, more worryingly, that the Business Gateway no longer operated in the area. Although consultees were aware that these perceptions were incorrect,

there was a strong belief that they were common within the business community and had resulted in some confusion about how to access support services.

Some consultees also suggested that confusion about how to access business support services in Perth and Kinross had been exacerbated by the increasing use of the Business Gateway website as a channel for enquiries and virtual hub for accessing support services. Most consultees expressed a strong view that one-to-one, face-to-face contact is an essential component of delivering effective business support services and some consultees expressed scepticism about the concept of a virtual hub.

### **5.3 Delivery**

Most consultees expressed the view that the delivery of business support services had improved in Perth and Kinross over the past couple of years and is now less confusing for businesses. Most consultees also felt that communication between the various organisations had improved with more collaborative relationships emerging.

The majority of consultees felt that it was very important to have some kind of sign-posting mechanism to direct businesses toward support services appropriate to their needs. There was also a strong view that this services should be provided through a physical hub. Consultees did not have a unanimous view as to which organisation should be responsible for delivering such a sign-posting service but most agreed that it was important that the service was focused on identifying the most appropriate source of support based on the particular circumstances faced by each client.

The view that a physical hub is important was based on a belief that this is important to businesses and a belief that it would help to improve communications between the organisations involved in service delivery. For this reason, consultees welcomed the proposal to make hot desks available within the new Business Gateway offices on Whitefriars Crescent to any of the agencies involved in the provision of business support services.

Some concern was expressed about the possibility that agencies would be expected to pay to use the hot desks at the new Business Gateway offices however there was some confusion on this point. Although charges may be applicable to some rooms within the new offices, it has been confirmed that the use of the hot desk facility in the Perth and Kinross Council room are available free of charge.

Establishing a system whereby staff from the various agencies regularly make use of the hot-desk facility should be seen as an important priority for the future. This would not only help to create a natural hub for business support services in the area but would also help to cement and nurture working relationships between the various agencies.

### **5.4 Collaboration**

Although at an individual level relationships between the various business support agencies appear to be strong, at an organisational level there is evidence to suggest that relationships are not always as collaborative as they could be. Some consultees believed that staff at some business support agencies in Perth and Kinross were sometimes reluctant to refer clients to other organisations even

though the support provided by another organisation might be more appropriate for the client. Consultees believed that the reason for this was a desire to meet organisational targets which are generally quantified in terms of the number of businesses receiving particular kinds of assistance.

The consultees who raised this as an issue felt that such targets sometimes encouraged organisations to undervalue important aspects of business support programmes that are less easily quantified such as business advice and mentoring. These consultees felt that businesses which would benefit from such services were not always referred to the most appropriate organisation if doing so would not help toward achieving organisational targets.

Some consultees also felt that the different funding criteria and processes used by different organisations sometimes created confusion among both staff and clients. There have for example been cases where businesses have been assisted to complete a funding application by one organisation for submission to a second but then being asked to make significant changes because it did not meet the funding criteria of the second organisation. These cases are believed to arise because some business support staff do not have a sufficient understanding of other organisation's funding criteria.

Naturally such situations are particularly frustrating for the businesses involved which may have spent considerable time and effort on completing the application. For this reason, improving awareness of the different funding criteria that exist for the various sources of business support funding that are available across Perth and Kinross would be one way of improving the delivery of business support services.

## **5.5 Working Relationships**

Consultations with the various business services providers suggested that the relationships between advisors were generally very good. Most of the practitioners knew each other by name and strong professional relationships appeared to exist between most of the various agencies. It is however important that all of the agencies and individuals involved continue to build upon and develop these relationships in the future.

There was evidence of regular communication between practitioners within the various agencies although this was primarily over the telephone. Opportunities for face to face communication between practitioners were more limited, particularly at the operational level and some consultees expressed the view that this was an area for potential improvement.

One method of achieving this may be by creating regular opportunities for front line staff from the various agencies to meet with each other on a semi-formal basis. This might for example involve establishing a regular networking event for staff at which the various agencies could take turns to present a summary of their work to staff from the other agencies.

In general, those consulted had a reasonably high level of awareness of the services delivered by other agencies and knew how to find further information if required. Some consultees were less familiar with the services offered by Growbiz suggesting that there may be a requirement to increase awareness of this organisation. All of those consulted were aware of the exercise undertaken to map business support services at the beginning of 2010 and although not

everyone had yet used the document produced, the general consensus was that it was a helpful reference.

Although there was a little evidence of competitiveness between some organisations, generally relationships were collaborative. All of those consulted said that they regularly used their own news letters/magazines/e-mail lists to publicise events or services provided by other organisations.

## 6 FUTURE DEVELOPMENT OF SERVICES

This section considers how the delivery of business support services in Perth and Kinross might be developed in the coming years.

### 6.1 Context

Current economic conditions present serious challenges for SMEs. Despite this, pressure on public finances over the next few years is expected to increase which means that the level of resources available to deliver business support services is unlikely to increase and may be cut.

#### 6.1.1 Scottish Public Expenditure Context

In line with increased public spending in the UK as a whole over the last decade, the Scottish Budget has increased since devolution in 1999. The Departmental Expenditure (DEL) Budget increased by 60%, in real terms, between 1999/2000 and 2010/11. The total Scottish Budget is currently around £32 billion (with a further £21 billion of public spending in and on behalf of Scotland by the UK Government, in areas where spending powers are retained at Westminster).

The Scottish Budget for 2010/11 was generally considered to be the tightest settlement since devolution and led to the cancellation of some capital spending plans (notably the Glasgow Airport Rail Link project) and revenue spending cut backs elsewhere. Although an additional £22.6 million was allocated to local government to cover the transfer of Business Gateway and regeneration responsibilities, cuts elsewhere meant that the net reduction in support for local government amounted to £53.4 million in real terms. The competition between spending priorities for the Scottish Government is likely to intensify over the next few years which means that pressure on business support budgets will increase.

Even if the UK economy's recent move out of recession is sustained in 2010, the consequences of the recession will need to be dealt with. The IMF forecasts that UK Government debt will reach 99.7% of GDP by 2014 (up from 44.1% in 2007). This debt will put pressure on public finances in two ways – firstly, debt interest payments will increase and, secondly, the UK Government will need to demonstrate to financial markets that there is a credible plan in place to repay debt in order to raise the debt financing required for public spending commitments.

A recent report published by the Scottish Government's Chief Economic Advisor<sup>4</sup> considered the potential impacts on the Scottish Budget and concluded:

*“While exact details have yet to be announced, the analysis suggests that the Scottish Government DEL may experience five consecutive years of real-terms cuts starting in 2010/11 and it may take a further two years before growth returns to trend. While the precise magnitudes are as yet unclear, the report concludes –*

- *reductions averaging approximately 3% a year in real terms between 2011/12 and 2014/15 are likely;*

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<sup>4</sup> “Outlook for Scottish Government Expenditure”, Dr Andrew Goudie, Chief Economic Adviser, Scottish Government, April 2010.

- *by 2014/15, the Scottish DEL could be between £3½ and £4 billion lower in real terms than in 2009/10;*
- *it will take a period of sustained adjustment lasting up to 12 to 15 years before 2009/10 levels of expenditure are reached once again in real terms; and*
- *over this period, Scottish expenditure could cumulatively forego between £25 and £35 billion in real terms compared to a situation whereby the 2009/10 peak level of DEL remained unchanged. The upper end of this scale is more likely if the UK economic recovery was to be slower than forecast in Budget 2010.”*

The future funding position for business support services in Perth and Kinross is not currently known. However, even if the case was made to prioritise such provision in a national and local spending review, this needs to be seen in the context of political priorities that have been set to protect ‘frontline’ services such as health and education.

A pro-rata decrease in funding for business support services in Perth and Kinross compared with expected cuts in the Scottish Budget would be equivalent to around £150,000.

### **6.1.2 Economic Context**

The Scottish Government estimates that during 2009 GDP in Scotland contracted by 4.8%, 0.2% more than the contraction experienced by the UK as a whole. Although the Scottish economy technically moved out of recession in quarter four of 2009, with growth of just 0.2% recovery appears to be weak<sup>5</sup>. A recent economic forecast point toward a slow recovery with GVA forecast to grow at only 0.8% in 2010<sup>6</sup>. Although growth is expected to increase from 2011, Scottish GVA is not expected to reach its 2008 level again until 2012.

Falling economic growth and reduced output have been global phenomenon that have effected most countries around the world. One of the impacts of this has been a general and world-wide contraction of demand for goods and services which has been challenging for many Scottish SMEs.

The root of the current recession can be traced back to the financial crash of late 2008 in which several major financial institutions dramatically failed or came close to collapse. Since then many SMEs have found it particularly difficult to obtain credit for ongoing operations or access finance for development and growth.

The combined effects of reduced demand and difficulties in accessing finance have meant that many Scottish SMEs have not survived and many more are facing an increasing struggle to continue. As a result of this, it is likely that demand for financial support and business advice from existing enterprises is likely to increase.

The economic contraction outlined above has also played out in the Scottish labour market. Between May 2008 and May 2010, claimant count unemployment in Scotland increased from 2.2% to 4.2%<sup>7</sup>, an increase of more than 63,000 people. Although unemployment has recently fallen from its early 2010 peak of

<sup>5</sup> Scottish Government based on ONS data.

<sup>6</sup> Ernst & Young, Scottish ITEM Club, Economic Prospects, Summer 2010.

<sup>7</sup> Claimant count unemployment data from NOMIS.

4.5%, employment levels are not expected to reach their pre-recession 2008 peak again until at least 2013<sup>8</sup>.

With many companies across Scotland continuing to shed labour, employment prospects for those out of work are often rather bleak and for many, self-employment may prove a viable alternative. For this reason, previous recessions have generally coincided with an. Should this pattern be repeated in 2010, it is likely that demand for support services from early-stage business start-ups would increase.

From the above it is possible to draw two conclusions:

- **current and anticipated pressure on public finances means that future cuts to business support budgets must be expected;** and
- **economic conditions mean that demand for support from both established businesses and potential start-ups is likely to increase.**

The key challenge facing organisations involved in the delivery of business support services is therefore how to address increased demand for services with fewer resources.

## 6.2 Rationale for Services

Before answering this question, it is instructive to take a step back and consider the economic rationale for providing business support services in the first place. The fundamental rationale basis for public sector investment in economic development initiatives is that an intervention should be designed to address one or more specific market failures. This means that the identification of demand for a service is not sufficient to justify public sector intervention. The type of market failures which might arise in relation to the provision of business support services might include:

- information deficiencies and asymmetries which increase risk and uncertainty in a number of ways:
  - individuals may be unaware of the scale of market opportunities and therefore be unwilling to invest time and money in pursuing start-up activity from which the benefits are uncertain and the risks may be too high;
  - individuals may not know where to seek the necessary information about how to start a business; they may not have the cultural or family history or networks to provide such information;
  - even when information is accessed by potential entrepreneurs, they will, find that the quality of information and advice is of variable quality but they may not have the experience required to distinguish between low and high quality information providers and therefore are unlikely to be able to access the information of most relevance to their needs at an appropriate price; and
- externalities exist where the full costs or benefits to society are wider than those accruing to the individuals involved. This might apply to the provision of business support in a number of ways;

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<sup>8</sup> Ibid.



- the benefits of high levels of entrepreneurial activity are wider than those that accrue just to the individuals engaged in starting up – they support employment, innovate, and inspire others to start up. Not all of these benefits will be realised by entrepreneurs and therefore, in the absence of intervention, the rate of start-up is likely to be lower and society will not realise all of the external benefits of entrepreneurial activity; and
- the full costs of the failure of an SME are likely to be greater than those that accrue just to the individuals involved in the business. If an SME fails, its employees will probably be made redundant which impacts both the individuals concerned and wider society as a result of increased social security payments;
- if significant numbers of SMEs fail simultaneously this is likely to lead to a further reduction in overall demand which may lead to a more protracted recovery; and
- the impacts of the crisis affecting the financial services sector have had a very wide impact across the global economy. One example of negative externalities associated with the crash has been the increased difficulty of accessing finance SMEs.

### 6.3 Existing Commitments

A number of support services in Perth and Kinross have funding commitments in place which means that they will not be able to make fundamental changes to these services in the short term. It is important that any recommendations made about the future provision of business support services in Perth and Kinross as a whole take appropriate cognisance of these existing commitments. Important existing commitments include:

- the current Business Gateway contract covers the period to 30<sup>th</sup> September 2012;
- European funding for Perth College's Inspiring Excellence project has been confirmed to 2012;
- Perth and Kinross Council have confirmed that funding for the Growbiz project will be extend to at least the end of 2010;
- Scottish Enterprise and PSYBT funding and service decisions are not taken at the Perth and Kinross area;
- the European funding secured by Perth and Kinross Council can only be used for the purposes set out in the application; and
- the Perthshire Investment Loan Fund is in the process of being incorporated into a East of Scotland fund.

So, of total estimated spend of £1.45 million, around £1.15 million (80% of funding) is already committed for the period to early 2012. When the potential for cuts of perhaps £150,000 is considered in addition, there would seem to be few opportunities to introduce any radical re-design of services provided.

The risk associated with this situation is that decisions are taken to cut what it is possible to cut rather than after analysis of the costs and benefits of a number of options.

## 6.4 What Should the Priorities Be?

Given all of the above, it is clear that some important decisions about the nature and scale of business support services across Perth and Kinross will be required over the next couple of years. At a fundamental level, the decision will be about making a choice between:

- trying to achieve the same impact using fewer public resources; or
- concentrating public resources on areas of greatest impact.

Achieving the same impact with fewer resources might be achieved in a number of ways including:

- **increasing efficiency** – for example by improving service administration procedures or reducing red tape. It is anticipated that the incorporation of the Perth and Kinross Business Loan Fund into the East of Scotland Loan Fund will result in some administrative efficiencies of this kind;
- **reducing service intensity** – this might be achieved by spending less time with individual clients or by not pursuing inactive clients (although this may have an impact on service quality);
- **reducing unit costs** – for example by increasing the number of places on training seminars or by delivering group workshops as an alternative to on-to-one support sessions.

Alternatively, concentrating public resources on areas of greatest impact might be achieved by focusing on;

- **services with the highest economic impact** – this would be consistent with the national focus by on high-growth start-ups and companies with turnover in excess of the VAT registration threshold;
- **sectors/types of businesses of highest strategic priority** – this might include businesses in one of Scottish Enterprises priority sectors or other sectors of particular importance to the Perth and Kinross economy such as agriculture or tourism;
- **areas or social groups with greatest need** – there are also strong social equity arguments in favour of focusing support either on deprived areas or groups such as ethnic minorities or the disabled.

These decisions will have important implications for the future provision of business support services, including whether or not all current services should continue to be provided.

Given this context of existing commitments, the main opportunities for improving the provision of business support services for start-ups and SMEs could be from:

- improved **collaboration and joint working** to avoid any duplication (for example, businesses accessing support from several sources) and to share resources and support services, where possible; and
- increasing the **leveraging** of support from services which require limited public sector support, including business organisations (including FSB and the Chamber) and social enterprises (such as PSYBT and Growbiz).

## 6.5 Opportunities for Improvement and Best Practice

During the course of producing this report, no evidence has emerged to suggest that there are any major or fundamental problems with the overall provision of business support services in Perth and Kinross. Those consulted were unable to identify any major overlaps or gaps in current service provision and were generally happy that the level and quality of services provided were adequate. Despite this, improvements are always possible and in the current climate will be absolutely required.

Whatever decisions are taken about the future delivery of business support in Perth and Kinross, it is to be expected that services will continue to be provided by a range of different providers, offering a variety of complementary services. For this reason, effective **joint working and communication** is extremely important.

This does not imply that everyone involved in the provision of business support should have a detailed knowledge of all the services provided by other agencies or be aware of every single training or networking event that takes place across the region. Rather, it means that each of the officers involved should have a working knowledge of other relevant services and know how to find out more. On the whole, consultations suggest that this is generally the case although **awareness of the Growbiz project** among some consultees was a little patchy suggesting that there may be a need to raise awareness of this initiative.

One area in which there seems to be an opportunity to improve joint working is in the **referrals system**. As discussed in section 5.4, there were some concerns that clients were not always referred directly to the most appropriate organisation because of the way in which organisational targets were constructed. Given the existing commitments discussed above, it will be difficult to resolve this issue in the short term, although it would be worth investigating whether it is possible to make minor changes to the Business Gateway contract in the short term.

Another area where there may be potential to improve service delivery is by better aligning the **application forms** for the various grants and loans. Each organisation has its own particular set of criteria and so it would not be practical for application forms to be identical however, there are some questions which are likely to be common to any funding application. Asking such questions in a consistent way would help to make the process less confusing and more efficient for both clients (some of whom will apply for funding from more than one source) and advisors (who often help clients prepare applications for funding from other organisations).

During the consultation programme, it was also suggested that some clients were could be frustrated by the length of time taken to determine their grant and loan applications. The award of a loan or grant can make a very big difference to businesses so it is important that decisions are reached as quickly as possible within the constraints of due process. Undertaking a review of application processes and considering introducing a minimum standard decision making time would be one way of addressing these issues.

Overall there appeared to be a relatively high level of awareness within individual organisations about the services offered by other organisations. This is likely to be attributable to the willingness of each organisation to publicise the others through **magazines and electronic bulletins** usually on a fairly ad hoc and informal basis. Although at an individual level this type of activity may be relatively

insignificant, its combined impact is to greatly improve communication between agencies and overall service awareness and should therefore be encouraged.

In early 2010, a group led by Perth and Kinross Council produced a document which summarised the business support services available in the area. A number of consultees felt that this had helped to raise the level of awareness among service providers and it was also reported that the FSB are now lobbying other Councils in Scotland to produce something similar. Updating this document on a regular basis would therefore seem to be both useful and cost effective activity.

## **6.6 Post 2012 Provision**

The current Business Gateway contract covers the period to 30<sup>th</sup> September 2012, by which time most of the other provision will also have come to the end of its committed funding period. The Business Gateway brand is widely recognised by businesses in Scotland and can, therefore, continue to play an important role in ensuring that business support services are co-ordinated and easy to access.

The current Business Gateway contracts were tendered while the service was the responsibility of Scottish Enterprise, an organisation with the experience and expertise required to undertake a major tendering exercise for the provision of business support services. That process took around 18 months to complete.

While the Scottish Government has made clear that it anticipates that Business Gateway will continue to be a national service the transfer of delivery responsibilities from Scottish Enterprise to local government was a recognition that local authorities already interacted with local businesses across a range of issues. It is reasonable to assume that there will be scope to develop local Business Gateway provision, within the national framework, to reflect local needs and priorities.

All of those consulted during this study agree that business support services in Perth and Kinross should be built on the principle of being a client-focused service that delivers business benefits and, therefore, supports the local economy.

Given the timescales likely to be required for the tendering process, Perth and Kinross Council and its partners in the Tayside Business Gateway should begin preparations now to ensure that the service that is tendered meets the local needs and priorities.

## 7 WORKSHOP

Given the range and number of providers of business support services in Perth and Kinross and the contractual commitments that are in place, perhaps the quickest route to the implementation of improvements is to involve providers in discussions on the opportunities.

To achieve this, a workshop was hosted on 22<sup>nd</sup> June 2010 to give those involved an opportunity to discuss the implications of this report and agree the actions that should be taken to improve the supply of support services available to start-ups and SMEs in Perth and Kinross. Participants were asked to consider what currently works well, what could be improved and what the priorities for action should be under five separate themes. The five themes were:

- **collaboration and joint working** – the effectiveness of relationships between partner agencies;
- **efficiency** – the outputs derived from each £ of resources;
- **systems and processes** – the administrative arrangements in place to manage the various services;
- **awareness** – the extent to which clients (and partner agencies) are aware of the services available; and
- **leverage** – the extent to which public sector resources are and could be used to secure additional inputs from the private and voluntary sector.

On the first theme, although participants felt that individual relationships between the partner agencies were generally strong, they also felt that there was room for improvement in the referral system. The issues of constraints imposed by organisational targets and the importance of services being client centred were also highlighted as important. One area that was highlighted as working particularly well was the practice of some agencies visiting clients together in order to take advantage of specialist knowledge.

As regards efficiency, the ability to arrange meetings at a time and place to suit clients was highlighted as an example of current good practice among some of the agencies. It was suggested that improvements were possible in the management of referrals and the use of customer relationship management tools. Another potential area for improvement which was highlighted was in the paper work surrounding funding applications. Although it was acknowledged that funding organisations have specific requirements which must be met, it was also suggested that it might be possible to streamline these processes.

On systems and processes, the referrals system was highlighted as something which currently works well. It is interesting to note that the referrals system was mentioned on a number of occasions both as something that works well and as something that could be improved. This suggests that, while referrals between some organisations are working well, the process is less smooth between other organisations, leaving room for improvement. Participants identified fast provider response times as a strength of the current system with most agencies being able to see clients quickly. Participants also identified the need for a single point of entry for clients as a potential improvement.

On awareness, although participants identified the willingness of partners to promote events and services provide by other agencies as a strength, it was felt

that there was still room for improvement as regards awareness among clients. The newsletter produced by Perth College was identified as an example of good practice in awareness raising and it was suggested that this could be used as a model for a combined newsletter for all partners.

As regards leverage, the use of voluntary business mentors by Growbiz was identified as an example of good practice. This approach taps into existing knowledge within the local business community and because mentoring is provided on a voluntary basis, represents an efficient way of leveraging additional support from relatively modest public funding.

These strengths and areas for improvement are summarised in Table 7.1.

Table 7.1 - Strengths and weaknesses of business support services in Perth and Kinross

Strengths	Areas for improvement
Individual relationships between agencies.	Awareness of services provided by other agencies.
Referral system between some partners.	Quality of referrals between some agencies.
Joint client visits.	Information sharing about clients.
Growbiz approach to business mentoring using local business expertise.	Paper work and red tape.
Flexibility of some agencies to arrange appointments at times/places to suit clients.	Access to services (need for a central hub?)
Client response times.	
Cross promotion of events and training.	

A summary of the priorities for action identified is provided in Table 7.2.

Table 7.2 - Priorities for action.

Priorities for Action
Improve awareness of services provided by partner agencies through regular group meetings
Investigate potential to use staff secondments from big local companies to assist with business support activities.
Investigate opportunities to reduce duplication between agencies.
Investigate potential to create a central hub from which clients could access information about and meet representatives from all business support services in Perth and Kinross.
Develop a joint newsletter to improve awareness between agencies and among clients.

## 8 CONCLUSIONS

### 8.1 Current Provision

There is a wide range of support services available to businesses in Perth and Kinross, provided by a variety of different organisations in a variety of different ways. However, there do not appear to be any significant gaps or overlap within the services available. Working relationships between the different providers of services are generally strong although there is scope for greater collaboration.

There are almost 6,000 SMEs in Perth and Kinross and just over 500 start-ups each year. In 2009/10, approximately 1,000 Perth and Kinross SMEs received some kind of publicly funded business support of which around one-third were start-up businesses. At least 10% of existing businesses and between a half and two-thirds of start-ups received publicly funded support in 2009/10. On average, the cost per business supported by publicly funded business support services in Perth and Kinross is around £1,500.

### 8.2 Post 2012 Provision

Much of the current provision of business support, including the Business Gateway contract, has funding commitments to 2012. However, based on the experience of the last time the Business Gateway services were contracted by Scottish Enterprise, it will be necessary to start the preparations for the provision of Business Gateway post-2012 soon. Perth and Kinross Council should work with its Tayside Business Gateway partners to plan and prepare for the post-2012 provision of the Business Gateway.

### 8.3 Growbiz

The main provider of business support that does not have funding secured beyond the end of 2010 is Growbiz. In the current public sector finance environment, there will be increasing pressure to find innovative ways to deliver services, including community based provision and the leverage of the time and expertise of volunteers. Given that this is core to the principles there is therefore a case for continuing funding of Growbiz, at least until 2012. This would also provide an opportunity for Perth and Kinross Council and its partners to assess whether there are lessons from the Growbiz approach that might be more widely applicable.

### 8.4 Short Term Actions

In the short term, a number of priorities for action have been identified that can improve the provision of business support services in Perth and Kinross:

- improve awareness of services provided by partner agencies through **regular group meetings** involving all of the providers of business support services. These meetings should involve the business advisors delivering the services since strong relationships at the operational level are vital to the provision of effective, collaborative, client-centred services;
- investigate potential to secure additional expert resources for the provision of business support services by using **staff secondments** from big local

companies that have corporate social responsibility policies that would support such activity. Perth and Kinross Council should take the lead in approaching the larger companies in the area to assess the feasibility of such an initiative;

- the study found little evidence of significant overlap between the services provided. However, there may be further opportunities to **reduce duplication** between agencies, for example, in administrative and application procedures. 'Opportunities to reduce duplication' should be a standing item on the agenda of the regular group meetings;
- to assist greater collaboration and minimise duplication, there is merit in creating a **central hub** from which clients could access information about and meet representatives from all business support services in Perth and Kinross. Given that the Business Gateway is a well known brand and that a physical base for the service has recently been re-established in Perth, it would make sense to base the central hub at the Business Gateway premises in Perth;
- while many of the services available are well known to the business community, particularly the well established Business Gateway brand, there are opportunities for further cost-effective joint promotion of the services available and the outputs from those services. Instead of individual service providers each producing their own information, consideration should be given to developing a **joint newsletter** to improve awareness between agencies and among clients.