

Economy Committee

10.00am, Tuesday, 7 February 2017

Business Support and the Entrepreneurial Ecosystem

Item number 9.2
Report number
Executive/routine
Wards

Executive Summary

This report provides an update on Enterprise and Innovation activities over the past 12 months in the context of having been awarded Entrepreneurial City of the Year at the Great British Entrepreneur Awards, London November 2016.

The report uses the award judging criteria and notes action taken to support:

- Quality of life policies that attract smart, entrepreneurial people;
- Access to capital and talent;
- Start-up ecosystem; and
- Entrepreneurial culture, access to mentors and support networks.

The Committee is invited to note progress made against the Economic Strategy objective to support business, and plans to further improve the co-ordination of the entrepreneurial ecosystem.

Links

Coalition Pledges	P16, P28
Council Priorities	CP5, CP7, CP8
Single Outcome Agreement	SO1

Business Support and the Entrepreneurial Ecosystem

1. Recommendations

- 1.1 Note the award of Entrepreneurial City of the Year and the update on services provided in the city both by the Council and its partners in relation to the award criteria;
- 1.2 Note progress in delivering the objectives of the Economic Strategy, “A Strategy for Jobs”, programme three: Support Business; and
- 1.3 Note the revised lease arrangement for the Corn Exchange (Leith) and the future plans for the Creative Exchange, including shared work space within the building under new ownership

2. Background

- 2.1 In November 2016 Edinburgh won Entrepreneurial City of the Year at the Great British Entrepreneur Awards. The other shortlisted cities were London, Manchester, Leeds and Cambridge.
- 2.2 This report updates the committee on the work of the Economic Development Service by examining the factors which led to the award being given to Edinburgh.

3. Main report

- 3.1 Edinburgh has been judged the best city in the United Kingdom for start-up businesses having won UK Entrepreneurial City of the Year award at the Great British Entrepreneur Awards, London.
- 3.2 The award was judged against four criteria:
 - Quality of life policies that attract smart, entrepreneurial people;
 - Access to capital and talent;
 - Start-up ecosystem; and
 - Entrepreneurial culture, access to mentors and support networks.

Quality of life policies that attract smart, entrepreneurial people

- 3.3 Edinburgh's reputation as an attractive city is well established and the quality of life is often cited as the one of the key factors which influences inward investment and location choice for entrepreneurs.
- 3.4 The city's StartEDIN initiative responds to the need to attract tech based talent and promote Edinburgh's strong credentials as a FinTech and Creative city. At the same time, Invest Edinburgh acts as Edinburgh's portal to inform the global audience of the opportunities and strengths which the city offers as an international talent destination.

Access to capital and talent

- 3.5 Access to capital and talent in Edinburgh is particularly strong. The city has the highest concentration of angel investors per head of population of any European city, to a large part, due to its position as a key financial sector hub.
- 3.6 The Council has operated lending to SMEs through the East of Scotland Loan fund (ESIF) and Edinburgh Small Business Loan Fund, both of which are due to merge into Business Loan Scotland which became operational on 1 February 2017.
- 3.7 Between 2011 and 2015, ESIF supported 14 companies lending a total of £617,000 achieving significant leverage of 1:4.28 against the original investment of £144,000. Accumulated outcomes to date show turnover increased by companies supported totalling £3,538,839 (an average of 23%) and the creation of 77 new jobs.

The start-up ecosystem

- 3.8 The start-up ecosystem is supported, at its core by Business Gateway. Whilst the latest performance figures are reported separately in the Economy Service Performance Update, it is notable that Business Gateway Edinburgh and Lothian emerged as Scotland's top performing region in 2015/16 for the second consecutive year.
- 3.9 Edinburgh's integrated approach to Business Gateway has been used as a model of good practice. At its meeting on [20 September 2016](#), committee requested further information on the effectiveness of business support services being aligned with regulatory services.
- 3.10 The one door approach was established in 2010 when Business Gateway relocated from Scottish Enterprise offices to co-occupy space at Waverley Court alongside Planning and Building Control. Business customers have benefitted from closer operational working between Business Gateway and regulatory services, leading to improved advice.
- 3.11 Regular workshops on regulatory requirements form part of the Business Gateway one-to-many service.
- 3.12 Efforts are underway to further strengthen this arrangement and discussions with the new Head of Customer will take place shortly.

- 3.13 The Edinburgh Business Gateway Partnership is another feature of the unique approach taken in the city. Some 20 organisations provide a wide range of professional services, free at the point of contact, to Business Gateway clients. Services include legal, administrative, personnel, accountancy, leadership and personal development, recruitment, investment support and specialist IT support.

Entrepreneurial Culture, access to mentors and support networks

- 3.14 In the wider ecosystem, some 43 different programmes support businesses to start-up and grow within the city. A [report](#) recently published by the University of Edinburgh rates the city as having one of Europe's strongest entrepreneurial ecosystems, *"propelled by the number of unicorn start-ups, world leading universities, highly skilled workers, and the availability of early stage investors and mentors"*.
- 3.15 There is a strong culture of entrepreneurship in the city supported by the effectiveness of the ecosystem but also as a result of the city's universities and their focus on supporting entrepreneurship. The University of Edinburgh's commercialisation company Edinburgh Research and Innovation (ERI), for example, has supported 3,000 new jobs and created £164 million GVA through commercial activities since its inception in 1969.
- 3.16 The Council has a long history of working in partnership with ERI and the wider universities' commercialisation activities. The emerging City Region Deal proposals include as a key cornerstone, the universities' Innovation Hubs as a source of scaled business growth.
- 3.17 The city has a strong, well connected and growing range of business incubators and shared workspace providers. These range from Entrepreneurial Spark and Codebase which provide acceleration and investment programmes, to specialist facilities such as The Melting Pot, which supports social, ethical and environmental enterprise.
- 3.18 Creative Exchange, the Council's own incubator in Leith, has supported in excess of 120 businesses and individual entrepreneurs since opening in 2013. It is also the base for the Edinburgh Shenzhen Creative Incubator. The Corn Exchange building, in which the Creative Exchange is based, is currently leased to the Council until April 2018 however the building changed ownership in January 2017. As current lease-holder, Council officers have worked closely with the new owners.
- 3.19 The new owners will occupy part of the premises, requiring the Council to surrender part of its current lease. This new company plans to expand rapidly to create 30 new jobs within six months and is confident that up to 300 jobs will be created world wide by 2023.
- 3.20 A new lease arrangement has been negotiated which will enable the Council to continue to provide business incubation services and shared workspace in the majority of the space within the building at least until April 2018.

- 3.21 The Council continues to work in close partnership with Edinburgh Chamber of Commerce and Industry. Under a service level agreement, funding from the Council supports a range of activities including mentoring for responsible businesses. To date during 2016/17, the Chamber has supported the matching of 21 mentors and companies.
- 3.22 Creative Edinburgh, which the Council has supported for the past six years now has over 3,000 members and is the largest such creative network in the UK. Financial support provided by the Council and CGI has helped Creative Edinburgh establish its own mentoring programme. To date during 46 mentors have been trained and there are currently 18 companies matched with a mentor.
- 3.23 Business Improvement Districts (BIDs) have proved to be effective support networks in four areas of the city: Queensferry, Greater Grassmarket, West End and City Centre.
- 3.24 Initial stakeholder consultation is taking place with Greater Grassmarket and traders in the Old Town to assess the appetite to extend the Grassmarket BID to include the Old Town and Royal Mile. This would include key cultural venues and visitor attractions. A new Edinburgh Old Town BID is estimated to have the capacity to raise between £750,000 to £1 million annually to be used exclusively to support business growth and provide additional services to improve the visitor, resident and business owners' experience in the area.

Future Plans

- 3.25 Inclusive Growth is equally important both for emerging city, region and national economic strategies. Officers continue to work closely with the Edinburgh Partnership and the Economic Development Strategic Partnership to promote responsible business and corporate social responsibility together with close working across the Economic Development service will ensure that job opportunities created through business growth are linked to the emerging Integrated Regional Employability and Skills Programme within the proposed City Region Deal.
- 3.26 Closer working arrangements between national and local service providers at a regional basis will help eliminate duplication and increase referrals between agencies. The team is working closely with SLAED, COSLA and SOLACE in response to the Ministerial Review of Enterprise and Skills which is approaching the end of phase two.
- 3.27 The business support ecosystem must remain both strong, to respond to opportunity; and resilient, in the face of potential pressures. Officers have agreed to support (in kind) further research by the University of Edinburgh. This further study (following the Entrepreneurial Ecosystem White Paper) will map services in more detail, inform further strategic initiatives, improve linkages and further enhance the start-up ecosystem. Clearer information and "route-maps" will be developed as a result to better inform business customers of services available and where to find them.

- 3.28 Continued development of the Edinburgh Business Gateway Partnership will further enhance the links between services and continue to provide a secure platform for collaboration across agencies.

4. Measures of success

- 4.1 Edinburgh continues to be recognised as an exemplar entrepreneurial city.
- 4.2 The objectives and measures of the Economy Strategy (A Strategy for Jobs), programme 3; Support Business, are met or exceeded.

5. Financial impact

- 5.1 The activities in this report have been met from the Economic Development Service budget; from income generated and from funding leveraged from European Funds

6. Risk, policy, compliance and governance impact

- 6.1 The Enterprise and Innovation work plan includes a risk register which is reviewed regularly throughout the year.
- 6.2 This work is managed and monitored in line with Council compliance and governance arrangements.

7. Equalities impact

- 7.1 The work plan delivers programme three of the Council's Economic Strategy for Jobs: supporting business. As part of the process of writing the Economic Strategy, and the Economic Review which informed it, a full Equality Impact Assessment was undertaken.

8. Sustainability impact

- 8.1 The City of Edinburgh Council determined (in consultation with Historic Scotland, the Scottish Environment Protection Agency and Scottish Natural Heritage) that the Economic Strategy did not require undergoing a Strategic Environmental Assessment. View the Screening Determination and the Screening Report. Sustainability impacts have been taken into consideration on a project by project basis.

9. Consultation and engagement

- 9.1 The Strategy for Jobs aims to achieve a sustainable growth through the investing on jobs. As ambitious targets have been set and Council resources are limited, partnership working is fundamental to their achievement. The Strategic Partnerships programme has ongoing consultation and engagement at the core of its activity.

10. Background reading/external references

- 10.1 Edinburgh Entrepreneurial Up Ecosystem White Paper (Ben Spigel, University of Edinburgh [http://www.research.ed.ac.uk/portal/en/publications/edinburghs-entrepreneurial-and-support-ecosystem\(c083d43c-3da7-4945-aa33-19b3a6d77651\).html](http://www.research.ed.ac.uk/portal/en/publications/edinburghs-entrepreneurial-and-support-ecosystem(c083d43c-3da7-4945-aa33-19b3a6d77651).html))

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11. Links

Coalition Pledges	P16 – Examine ways to source new funding to support small businesses P28 – Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic wellbeing of the city
Council Priorities	CP5 – Business growth and investment CP7 – Access to work and learning CP8 – A vibrant, sustainable local economy
Single Outcome Agreement	SO1 – Edinburgh’s economy delivers increased investment, jobs and opportunities for all
Appendices	None