

# **Skills to Industry Programme - discussion paper**

## **Pilot Scheme - Developing the Knowledge Economy**

### **1. Background**

1.1 The proposal draws together threads from a number of initiatives that have been promoted to enhance opportunities for skilled individuals in the Shetland economy. The idea is to identify gifted individuals with the ability to develop their own businesses in Shetland and then to use the resources available to guide their progress as they become experienced business people. By combining elements of the graduate placement schemes, run by the Council and NAFC, with the services provided by the new Business Innovation Centre the potential exists to enable gifted and independently minded people to become the business leaders of the future.

### **2. Scheme Objectives**

- Diversifying Shetland's narrow economic base.
- Nurturing skilled and qualified individuals to become capable business people.
- Encouraging highly skilled people to reside in or return to Shetland.
- Strengthening Shetland's economic future by encouraging capable and gifted individuals to acquire business knowledge based on practical experience.

### **3. Scope**

3.1 The pilot scheme is aimed at:

- Individuals with highly developed IT, digital media and related technical skills who wish to run their own business rather than take up or continue in employment, specifically
  - Recent graduates
  - People working in industry who wish to return to, move to or remain in Shetland
  - Non-Shetland residents will be actively encouraged to apply

3.2 It is proposed that one person per year would be selected for running a 2 year project under the programme. Selection would take the form of a competition advertised in Scotland (to maximise interest from University graduates). The competition would seek details of the individual's proposed business idea against a background of their academic achievement, abilities and relevant project (career) work. A short list of no more than 6 individuals would then be drawn up and each successful candidate would receive assistance of £500 towards preparing a business plan and travelling to Shetland (if necessary). Business plans would be prepared by the individuals themselves with guiding advice from approved mentors. All assistance would be paid after the plans had been presented. The competition final would involve a presentation and question and answer session before a professional panel appointed by the Business Innovation Centre.

3.3 The successful candidate would be allocated workspace in the Innovation Centre (or at another location in Shetland in which case the Innovation Centre would still provide a mentoring service). Suitable financial incentives need to be considered to promote the scheme successfully. The incentive would need to be large enough to attract people who have the skills to earn potentially large incomes. Representing 50% of the capital required to run the business in the first year, the financial package would be paid on a reducing quarterly basis. For example, an annual grant of £25,000 might be paid to the successful candidate in

year 1, £17,000 to cover salary and £8,000 to cover working capital. Payments would be weighted towards the first quarter. For year 2 the award could be £12,000 of which £8,000 would be for salary and £4,000 for working capital. An award of a lesser sum could be considered for a third year depending on the importance of more time to enable the project to reach full commercial potential.

3.4 Should the selection panel be faced with a situation where 2 equally high standard projects are submitted an effort would be made to accommodate both? Equally, if none of the applications prove to be of an adequate standard then no award will be made.

3.5 The award will be made with appropriate conditions attached relating to attaining stages of the business's development. Abuse of the scheme will result in the remainder of the award being withdrawn.

#### **4. Development Programme**

4.1 The successful candidate would be obliged to commit to a Business Mentoring Programme. This would be delivered by Shetland Business Innovation Centre Ltd and would consist of the following:

- On uptake of tenancy, the individual would meet the Mentor to discuss their business plan objectives, training and development requirements.
- A Training and Development programme would be drawn up.
- The Mentee would meet formally with the Mentor on a monthly basis to discuss the progress of the business against the various targets set.
- On a quarterly basis, Management Accounts would be submitted to the Mentor for reviewing.
- On completion of the first year of business, a full review would take place.

#### **5. Policy Context**

5.1 The proposal sits well with policy, objectives and aims relating to diversification and skills enhancement espoused by the Council and Shetland Enterprise. It also meets objectives expressed by the Scottish Executive in recent policy papers.

#### **6. Costs**

6.1 Most of the cost of the pilot exercise would depend on the level of incentive adopted. The illustration in paragraph 3.3. Is regarded as a maximum figure and would cost £37,000 over a period of 2 years. Effective professional promotion would cost £10,000 and sponsoring the application stage would be a further £3,000. Other costs would be the business mentoring service at £1,800 per year (24 days at £75.00) and project management at £3,600 per year (48 days at £75.00 per day).

#### **7. Future Development**

7.1 The pilot exercise focuses on developing the "knowledge economy" because this is regarded as an important area of diversification in the Shetland economy. A narrower focus allows promotion to be targeted more during the earlier stages. In time the programme could be widened to involve other sectors, e.g. creative arts, crafts, etc.

## **8. Recommendation**

8.1 The Forum is invited to discuss this proposal and, if considered worthwhile, to suggest ways to progress the idea.