

Regeneration Scrutiny and Performance Panel

**Agenda
Item No. 5**

3 November 2011

Creating and Sustaining Business in Walsall

Ward(s) All

Portfolios: Councillor A. Andrew – Deputy Leader and Regeneration

Report:

The Regeneration Scrutiny and Performance Panel, at its meeting held on 13th June, 2011, identified the need to investigate how the Council could create new business and a skilled workforce in Walsall. Statistics show that Walsall needs over 2,000 new businesses to reach the same business density levels as the UK average. To this end two work streams were established. One to investigate how to support local people starting their own business and the other to review how local people could be helped to sustain their existing businesses.

The Business Sustainability Working Group has held a meeting with two local micro businesses where a range of issues were discussed. A report is attached at Appendix 1 which provides a summary of the evidence the Working Group received, along with comments and suggestions for future action. As it is an interim report no recommendations have been made.

The Business Start Up Working Group was tasked with meeting with business banking representatives at the last meeting of the Regeneration Scrutiny and Performance Panel. Unfortunately this meeting did not take place. A number of dates were set and discussed with banks but no date for the meeting could be agreed. The Business Start Up Working Group plans to have met with banks before the next Regeneration Scrutiny and Performance Panel meeting in December 2011.

Recommendations:

That, subject to any comments that Members may wish to make, the interim report of the business sustainability working group be noted.

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Sustaining Business in Walsall

Interim Report



To be presented to Regeneration Scrutiny and
Performance Panel on 3 November 2011



Walsall Council




Foreword

Recent studies have shown that Walsall lags behind it's peers within the Black country and nationally in terms of creating and sustaining business. It was recognised by the full Regeneration Committee that a town of Walsall's size would need to create and sustain around a further 2000 businesses to be in line with the national average. Achieving this goal would encourage employment and bring prosperity to the town by making our economy more self sustaining, whilst allowing some of the inequalities in terms of health and education that exist within the borough to be tackled.

Two working groups have been set up to examine business start up and sustainability in Walsall. The first group has been tasked to investigate the barriers to setting up new business in Walsall, the second working group was set up to investigate business sustainability in Walsall, the barriers to growth, why businesses fail and more importantly what enables business to succeed in Walsall. This report details the interim findings of the second work stream, which set up consultation meetings to examine the barriers to expansion and business sustainability for micro-business in Walsall. To this end, witnesses were asked to contribute to the consultation and provide us with a picture of what is good about doing business in Walsall and where improvements could be made.

This report presents the findings of the working group so far, providing a snapshot of the thoughts of two micro-business witnesses. Further consultation meetings with small to medium and larger enterprises within the borough are planned.

I would like to thank my fellow working group members for their time and input in completing this interim report and the witnesses for giving their valuable time to discuss these vitally important issues. Finally, I would like to thank all of the Walsall Council officers who participated in terms of assisting the Members of the working group and with the consultation and compilation of this report.

	Councillor Lee Jeavons (lead member)		Councillor Carpenter Ron
	Councillor D. Anson	Councillor B. Douglas-Maul	

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Introduction

The Regeneration Scrutiny and Performance Panel, at its meeting held on 13th June, 2011, identified the need to investigate how the Council could create new business and a skilled workforce in Walsall. Statistics show that Walsall needs over 2,000 new businesses to reach the same business density levels as the UK average. To this end two work streams were established. One to investigate how to support local people starting their own business and the other to review how local people could be helped to sustain their existing businesses.

Terms of Reference

The draft terms of reference for both work streams were considered and agreed at the first meeting of the Working Group held on 6th July, 2011 and subsequently approved by the Regeneration Scrutiny and Performance Panel 28th July, 2011.

The interrelationship between the two work streams was recognised and it was agreed that the Regeneration Scrutiny and Performance Panel would co-ordinate the tasks that each working group completed.

The full version of the Working Groups terms of reference can be found at Appendix 1 to this report.

The Working Group was supported predominantly by three Officers:

Jane Kaur-Gill	Economic Wellbeing Team Leader
Zoe Slattery	Think Walsall Team Leader
Craig Goodall	Scrutiny Officer

Methodology

The Working Group has held one meeting with two local micro businesses.

Witnesses

The Working Group met and discussed the business sustainability with the following representatives from local businesses:

Stuart Taylor	SP Taylor Gas Engineering and Plumbing
Peter Scarff	Framecraft Miniatures

Report Format

The report is a summary of the evidence the Working Group received, along with comments and suggestions for future action. As an interim report no recommendations have been made.

Learning

The following areas are the learning points and feedback from the meeting with local businesses. The working group would like to put a 'health check' on the comments as they are their views after one meeting with two micro businesses.

Managing Risk – Sustainability and Growth

Members acknowledged that the majority of businesses start small, often as a sole trader, so they sought to understand how growth and sustainability was achieved.

Members learnt that the decision to start a business and expand was always a risk but risk taking was one of the key attributes required to be successful.

One of the witnesses had slowly built his business year-by-year increasing staff and capital assets as his client base grew. It was acknowledged that there was risk every time the business expanded by taking on new staff.

The other witness had bought an existing business following a successful executive career. In order to sustain the business he'd taken the risk of relocating the company and reducing the number of employed staff.

The working group acknowledged that any business support it, or its partners offer, needed to be capable of supporting and advising on risk.

Advice

Members wanted to understand where existing businesses sought advice and the type of advice that it would be desirable to provide.

The witnesses explained that their main source of advice when starting up had been accountants and solicitors. On set up, neither had been aware that the Council was a potential source of advice and support. It was suggested that business support events and guidance should be promoted through these professional services.

One of the witnesses had later used the Council to advise him on a business relocation. The same witness was a former member of the Chamber of Commerce and felt he was aware and knowledgeable regarding access to support however he was unaware of some the support offered by the council and the additional support offered by the Council had been critical in relocating to new premises.

The working group were advised that the Council had good relationships with local banks and had established the Black Country Reinvestment Fund (BCRS) and that the Walsall Business Loan Fund from BCRS is part funded through Walsall Council. The fund has been established to assist businesses with financial support through a loans scheme. The majority of the businesses

that choose this route have usually been unsuccessful in securing access/loans from the High Street banks.

The BCRS can provide loans of between £10,000 and £50,000 but those loans are not available to retail businesses.

One central point for all business advice and guidance from all providers was identified by the working group as a good way to improve the visibility of the range of advice available. The working group recognised that advice was available from a variety of providers but it was dependant on businesses to discover what was available for themselves. A high profile, visible single point of contact, similar to the Wolverhampton Business Solutions Centre, with knowledge of the complete offer of business support and guidance was seen by Members as a significant but simple way of improving this situation.

The witnesses advised that to gain credibility, the people delivering advice, guidance and training needed to have credible business backgrounds. Significantly, if Walsall was to have a business first-stop-shop the witnesses suggested that it should be located away from the town centre and have a good sized, free car park.

Events

Training and advisory events were identified as good learning opportunities for local business people. It was noted that currently these types of events were poorly attended in Walsall despite the Think Walsall team actively acting on the feedback of local businesses.

The working groups witnesses offered the following feedback on factors that would encourage them to attend an event:

- Good quality venue
- Refreshments
- Food at lunchtime/evening events

Mentors

Mentor support was discussed as a key source of support, advice and guidance. The working groups witnesses reported that having the time to sit with someone and 'kick about ideas' was really valuable.

Time Out and Planning

The importance of taking time out to 'work *on your* business' rather 'for *your* business' was noted by both witnesses. Only by taking time out from day-to-day operations could a business grow and prosper.

Workforce and Skills

The importance of a skilled and motivated workforce was recognised by all parties as key to a successful business.

One witness felt that manual jobs had a bad reputation and that young people in particular, were not interested in 'getting their hands dirty' despite the attraction of a good wage.

Both witnesses felt that there was a general reduction in work ethic amongst staff with one witness explaining he had to lower his own expectations of what staff could achieve.

Long term unemployed people being supported back into work through the Jobcentre were noted as being particularly poorly motivated and made unattractive employees. This view influenced one of the witnesses present to deliberately avoid recruiting that type of person even if there were financial incentives to do so. The other witness stated that as long as you employed the right calibre of person, it did not matter how long they had been unemployed.

The working group learned of available workforce support which was available for local businesses in Walsall. This support was available through:

- One Stop Employment shop (Walsall and Cadmore)
- Work on the Horizon (Bloxwich)
- Darlaston Jet. (Darlaston)

These locations are Council initiatives offering a comprehensive range of free services to business. These include:

- Access to a pool of work-ready clients
- An opportunity to trial potential workers in the workplace
- Free training for new recruits to meet the needs of the business
- Pre-selection testing of suitable candidates
- Sifting of applications.
- Wage supplements of up to £400 (£50 per week for up to 8 weeks)
- Protective clothing and tools for individuals
- Advertising vacancies for free

Promotion & Marketing

Promotion and marketing was recognised by both witnesses as key to business growth. However, it was noted that this meant much more than an advert in the local newspaper or spending lots of money on expensive advertising campaigns.

Word of mouth promotion by customers was recognised as the best form of advertising but this could only be gained through good customer experiences. This requires businesses to design their products and services in such a way that separates them from the crowd and/or pleases the customer. If 'people talk about you' then this increases the visibility of your company.

Networking

Networking with other businesses and the public was recognised as a valuable way to promote and win work as well as a good opportunity for businesses to interact and share experiences.

Formal networks such as the Federation of Small Business, were recognised as a valuable resource for small businesses.

Challenges to Growth

Regulation

One challenge for micro-businesses to overcome in order to grow is regulation. One witness explained that to grow any further he would need to employ more staff. However, one additional staff member would require his company to develop, implement and monitor a number of staff policies and procedures such as: fire regulations, environmental policies and, in the future, pension liabilities. Whilst businesses acknowledged that these were important policies to have in place, they could create additional strain and capacity issues for smaller companies to formulate and implement.

Fixed Costs

Fixed costs such as premises, business rates and other associated premises costs were a barrier to starting a business and growth. Any assistance that could be provided to businesses with these costs was recognised as beneficial by both witnesses.

It was explained that any business rates on one property which has a rateable value of less than £18,000 a year may be able to pay lower business rates under the small business rates relief.

Members learned that there were also other rate-relief schemes, including relief for properties occupied by charitable and non-profit organisations, relief on empty properties and transitional relief for businesses whose business rates bills have changed significantly following revaluation. All the tariffs are set by the Government.

Therefore the need to be able to spend time with local business people to discuss their needs and options was essential.

Incubation Space

The working group discussed the idea of providing incubation space for new and growing businesses. The witnesses were overwhelmingly in favour of such space being provided in Walsall. This does not necessarily need to be empty premises, for example, existing businesses could be encouraged to share excess workspace.

The idea of incubation space being co-located with business support and advice professionals, meeting rooms and training events was strongly supported by the working group.

Conclusions

The working group found that there were many challenges for existing business to overcome in order to sustain themselves, let alone grow.

Fixed costs, regulation and capacity were identified as the key challenges to sustainability and growth. If advice, support and assistance was provided in these areas then this would provide benefits to local companies. This advice should be delivered by business professionals in a high profile location away from the town centre with free car parking. Ideally this centre would be combined with incubation space, events training and meeting rooms.

Promotion and marketing were agreed as key to growth. The best form of advertising is word of mouth recommendations from customers. Networking with other businesses was also identified as key success.

Employees with the right skills and motivation were essential for success as was taking time out for business planning. Mentors were recognised as helpful for business development and exploring ideas.

The working group were encouraged that it was possible for businesses to grow in Walsall. It was felt that with a little more support and high profile guidance then a lot could be achieved towards growing the number of successful business in the Borough.

Purpose:

In support of a successful Walsall economy;

- 1. How do you successfully start a business?**
- 2. How do you successfully sustain a business?**

Principles

- **Important to have a clear focus**
 - Concentrate on one area at a time.

Work streams

- Create the conditions for successful and sustainable business
 - Need to understand business failures and successes
 - Is there a lack of business management skills?
 - Is paperwork/regulation a barrier?
 - Is the right business support available?
 - Are the right skills available in the workforce?
- Need to create the right conditions for new business to grow and succeed:
 - Is the right support available?
 - Would managed work space be useful?
 - How do businesses access information?

For both areas there is a need to identify current good and successful practices and to explore how to continue them moving forward in a time of change and cuts in traditional business support funding and activities?

It was also considered important to look at how we could begin to create the conditions to revive a flagging economy, with a suggestion of focussing on potential growth areas, with the first area of focus being:

- The opportunities provided through the; Green Build and Low Carbon economy, looking at potential sector and its growth opportunities, and the potential for a green build Expo in Walsall.
- It was also noted that; the role and future potential for Social Enterprise and the Voluntary & Community Sectors in the development of our economy should be considered throughout this work.

How

- Focus on particular sectors of employment/industry. Apply the analysis and learn general lessons.
 - Start up
 - Sustainability
 - Opportunities
 - Threats
 - Workforce

- Experiences
 - One business sector, eg: manufacturing/retail/low carbon
- Consider key facts from business survey
 - Use start up and failure data
 - What is the experience of business support services?
- Compare experiences of successful and failed businesses- case studies
- Map / follow the customer journey's
- Follow the journey of groups/individuals and compare perspectives:
 - Someone/a group starting a business and follow progress (breathing space cohort...?).
 - A group of young people searching for work.
- How do partners work together?
 - Do partners compete rather than collaborate?
- Engage with:
 - Businesses directly (face-to-face)
 - Events:
 - Meet the Buyer
 - The Big Event
 - Walsall Loan Fund
 - Trade Walsall Forums
 - Networking forums:
 - WOW
 - B to B
 - Social Media
 - Linked In
 - Twitter
 - Facebook
 - Representative Groups
 - Chamber of Commerce
 - Council contacts (LEA survey)
 - Focus groups
 - Visit businesses directly
- Use existing data for background and profile building
 - LEA Survey results
 - Use diagrams and graphs as well as narrative approaches
- Commission research from local universities/academics?
 - Wolverhampton University
 - Professor Ian Noakes

- Focus on particular sectors of employment
 - Youth employment
 - Others to be determined
- Consider key facts from business survey
 - Use start up and failure data
 - What is the experience of business support services?
- Compare experiences of successful and failed businesses- case studies
- Can public sector resources be used to support employment / training/ disadvantage and disability?

END