

Supporting Business Creation & Growth in Walsall

Ward(s) All

Portfolios: Cllr A Andrew – Deputy Leader and Regeneration

Executive Summary:

The Local Economic Assessment (LEA) for Walsall sets out the performance rates within Walsall for the establishment and sustainability of new businesses, which fall short of the levels required and show that whilst we are effective at setting up new businesses, the sustainability rates are disappointing when compared to national averages.

The Regeneration Directorate's one page Service Plan – Regenerating Walsall (Attachment A) sets out the key priorities and work streams that focus our work in the development of our Economy, essentially getting local people into work and keeping them in work.

The creation of the conditions where local businesses can be both formed and sustained is an essential part of this work.

The Directorate continues to develop and deliver initiatives and approaches that will deliver against this, which included during the past three years a range of support for local people and businesses through its Working Neighbourhood Fund (WNF) programme.

This has allowed officers and partners to also evaluate the success where it exists and learning the lessons from this experience, to shape the provision of effective support moving forward.

The attached report; Attachment B - Supporting Business Creation & Growth in Walsall, sets out the lessons learnt from the provision of support in the establishment of new businesses through a Small Business Grants programme, together with the proposed next steps in the submission of a continuation bid for ERDF (European Regional Development Fund).

This includes the success rates and the interventions that we feel have been of value to our customers, who are the people establishing and being sustained in business.

The following are the conclusions from the first report;

Monitoring the cohort of new enterprises has identified that the main reason for failure is limited knowledge of how to develop the business – despite being offered advice and support – and a general lack of planning (including finances, resources, competition and markets).

The Timeline (Attachment 1 within the report) gives an indication of the different issues identified as key to their survival at various intervals of the lifecycle of the businesses receiving support.

However, some types of support seem to be relatively common from many businesses and at all stages to facilitate their expansion, these included;

- Developing company website – for both marketing and generating/transacting online sales
- Relocating/expanding/developing premises to adapt to business growth and diversification
- Accessing funding to develop new services or purchase equipment
- Recruiting additional staff

Examples of the type of ongoing support provided to business start-ups as a result include:

- Sourcing funding opportunities
- Searches for appropriate properties
- Recruiting staff – through links to Multi-Agency One Stop Shops
- Providing supply chain support for premises renovation
- Signposting to relevant partners for additional support

The withdrawal of government funded agencies such as Business Link and Advantage West Midlands is also likely to have an adverse effect on the survival rates of start up businesses due to a reduction in the amount of support and guidance they are able to draw on.

Moving Forward we are developing a new range of services through the approved (Cabinet in April 2012) Economic Growth Programme, together with accessing wherever possible external funding in support of the delivery of our Service Plan and its key aims and objectives.

Learning from the evaluation of the previous programme/s and together with our Black Country colleagues in Sandwell, Dudley and Wolverhampton, we have developed and submitted in December 2012 an application for £763k of ERDF support, matched to both public and private sector activity.

The application to the Department for Communities and Local Government (DCLG) will deliver the key elements of support essential for continued business creation and survival. If successful this will offer services between June 2013 and June 2015.

The Black Country GOLD (Growth Opportunities: Local Delivery) programme aims to increase the impact of business support services by tailoring provision more specifically to local needs and thematic areas of potential growth.

The project will achieve this by delivering the following objectives:

1. Support 480 SMEs across the Black Country to fully exploit a growth opportunity through a customer journey to address barriers identified through a diagnostic and a series of actions outlined in their development plan.
2. Provide a tailored programme of support post start-up thus improving business performance and survival through a structured programme of tailored business support that:
 - a. Plug gaps in provision; and
 - b. Improves signposting and co-ordination of existing business support services where a national programme needs tailoring to local needs.

3. Support 120 SME's to access Business Grants of up to £5k enable SME's to take advantage of growth opportunities.
4. Deliver a range of 9 thematic workshops per year for businesses to address barriers identified through the diagnostic and outlined in their development plans.
5. Establish at least 3 local thematic networks of SME's where gaps exist e.g. BME, women, social enterprise across the Black Country.
6. Co-ordinate at least 3 cluster networks, where gaps exist, identifying barriers to survival, competitiveness and growth which project delivery will aim to address. Work across the Black Country to share best practice and approaches to address these issues.
7. Develop and test a GOLD standard "kite mark" accreditation scheme for local SMEs to aspire to reaching professional standards for increased competitiveness, rolling out across the Black Country if successful.

Local Authorities will play a crucial co-ordination role bringing together a partnership of stakeholders/business support providers, improving access to local provision and businesses.

Conclusions

The Regeneration Directorate's one page Service Plan – Regenerating Walsall (Attachment A) sets out the key priorities and work streams that focus our work in the development of our Economy, essentially getting local people into work and keeping them in work.

Attachment B - Supporting Business Creation & Growth in Walsall sets out what we have learnt and are now applying in the creation of new approaches and bids for funding to support business creation, growth and sustainability within Walsall.

This includes the submission of a bid for £763k of ERDF support, the GOLD programme which will assist with the creation, growth and sustainability of businesses within Walsall.

Reason for scrutiny:

To inform the panel of the lessons learnt and the work / progress we are making in support of local businesses, and to engage them in the process, so that their input in this development work can be maximised.

Recommendations:

That Scrutiny Panel members;

1. **Note and comment on the contents of the report and the attachments**

Background papers:

Local Economic Assessment (available on request)
Ekosgen WNF Evaluation Report (available on request)

Resource and legal considerations:

None

Citizen impact:

Significant as set out within the attached report.

Environmental impact:

None

Performance management:

None


Equality Implications:

Not yet known.

Consultation:

Walsall Council Strategic Regeneration commissioned the evaluation of the WNF programme and has worked with key partners and agencies in the development of the proposed GOLD programme.

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Regenerating Walsall

Black Country / LEP Priorities

Transform Black Country Infrastructure... Sites, Transport, Environment
Raise Education, Employment and Skills... More People Working, Raise Abilities
Improve Black Country Competitiveness... Higher Performing Existing & New Businesses

Walsall's Priority

Get people into work & keep them in work

Council's Regeneration Focus

Create the conditions for Sustained Economic Growth...
 by supporting the growth of business and jobs in Walsall, ensuring Walsall people have the skills and environment to make the most of opportunities

Directorate Strategy



- Stimulate private investment
- Support service delivery
- Reduce costs & liabilities

- Improve footfall
- Increase Investment
- Improve customer experience

- Attract new business
- Retain existing business
- Raise external reputation of Walsall
- Create future supply
- Business friendly council

- Understand & Respond to new & existing business needs
- Retain & increase jobs
- Promote Walsall to new investors

- Reduce worklessness & resulting demands
- Raise aspirations
- Increase spending & demand in Walsall economy

- Improve chance of getting & keeping a job
- Improve future resilience & employment flexibility

- Respond to housing need
- Improve existing homes
- Create new homes

Supporting Business Creation & Growth in Walsall

January 2013

(Version 1)

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Walsall Council

Introduction

The Local Economic Assessment (the LEA for Walsall) considered previously by panel members gave the details as to the survival rates for new business start-ups over a 5 year period, we now have the updated figures as of 2011, as set out within table 1 below.

Table 1: Survival rates of enterprises, Walsall, 2006-10
Percentage survival rate (by year 'born')

	2006	2007	2008	2009	2010
1 year	97.0	97.2	93.4	93.1	87.9
2 year	80.1	83.3	74.8	75.0	..
3 year	65.7	62.2	58.3
4 year	50.6	49.4
5 year	42.2

.. data not available

Below England average / Above England average

Source: Business Demography 2011, ONS

The levels of actual business survival after a 4/5 year period are lower than the national averages. In response the council allocated funding as part of its Working Neighbourhoods Fund (WNF) programme in support of the development of enterprise in Walsall. The following table sets out the range of projects supported through the Enterprise section of the programme.

Enterprise Projects	
Total Expenditure 2008/09-2010/11(£)	
Schools Enterprise Commission	253,265
Enterprise and Business Support Team	221,740
Enhanced Innovation Support	156,276
Innovation in Company	153,987
Trade Walsall - Social Enterprise	143,153
SME Sustainability through Grants	114,210
Business Crime	74,005
Walsall.com	25,237
Increase in VAT / Business Brokerage	11,375
Total	1,153,248

The purpose of this report is to look at the lessons learnt in support of new business formation and sustainability and to set out the next steps that will hopefully continue this, in support of business creation and growth across Walsall.

The Business Start up Grants Programme

In support of the development of new businesses the WNF programme included the Business Start up Grants programme, which allocated 64 business start up grants totalling £72,000 during 2010/11.

This programme provided a window into a business cohort of recently-established companies in Walsall, which we can use to understand the characteristics associated with successful start ups and the challenges they faced as part of their evolution and trading. This evidence is particularly valuable given the significant time delay of nationally produced datasets on business survival rates, as you will see from the above table dated 2010, almost three years behind the current time.

We continue to gather evidence through on-going quantitative and qualitative research and engagement with businesses to understand the ongoing issues they face and the elements that make a real difference so that these can be built into and delivered through future funding submissions and subsequent activity.

Survival Rates

Looking at the 64 businesses, 56 were tracked and the survival rates during the first 2 years are given below in table 2

Table 2 – Grants Programme Business Survival Rates

	12 months	18 months	24 months
Still trading after...	88%	84%	82%
Ceased trading after...	13% (7)	4% (2)	2% (1)
Sold on after...	1	2	

Recipients

Grants were given to 42 males (66%) and 22 females (34%), and were successful in supporting a number of individuals who faced particular barriers to entering employment.

Sectors

Grants were used to support businesses in the following sectors, all of which have been identified as key sectors for Walsall's economy through our Local Economic Assessment:

- Professional: 21.0% (Growth sector)
- Retail: 14.0% (Ongoing sector)
- High Value: 12.5% (Growth sector)
- Food & Drink: 12.5% (Emerging sector)
- Building Technologies: 8.0% (Growth sector)
- Healthcare: 8.0% (Growth sector)
- Other: 24.0%

Employment Outcomes

The grants have supported a total of 163 people to gain or remain in employment.

- 83 Full time posts
- 17 Part time posts
- 60 Safe guarded jobs - due to a management buy out to save the company
- 1 trainee post
- 2 apprenticeships

From the investment of £72,000, this represents a cost of less than £450 per job created or safeguarded.

Assuming the 163 full and part time jobs created or safeguarded all earned the average annual gross earnings for Walsall workplaces of £23,984 (full time) and £8,956 (part time), these jobs would provide annual earnings of between £3.9m and £1.4 for the Walsall economy, and reduce the burden onto benefit payments if these people continued to remain unemployed.

On-Going Support Timeline

Monitoring the cohort of new enterprises has identified that the main reason for failure is limited knowledge of how to develop the business – despite being offered advice and support – and a general lack of planning (including finances, resources, competition and markets).

The Timeline (Attachment 1) gives an indication of the different issues identified as key to their survival at various intervals of the lifecycle of the businesses receiving support. However, some types of support seem to be relatively common from many businesses and at all stages to facilitate their expansion, these included;

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The withdrawal of government funded agencies such as Business Link and Advantage West Midlands is also likely to have an adverse effect on the survival rates of start up businesses due to a reduction in the amount of support and guidance they are able to draw on.

Learning the Lessons - Future Support

Learning from the evaluation of the previous programme/s and together with our Black Country colleagues in Sandwell, Dudley and Wolverhampton, we have developed and submitted in December 2012 an application for £763k of ERDF support, matched to both public and private sector activity. The application to the Department for Communities and Local Government (DCLG) will deliver the key elements of support essential for continued business creation and survival. If successful this will offer services between June 2013 and June 2015.

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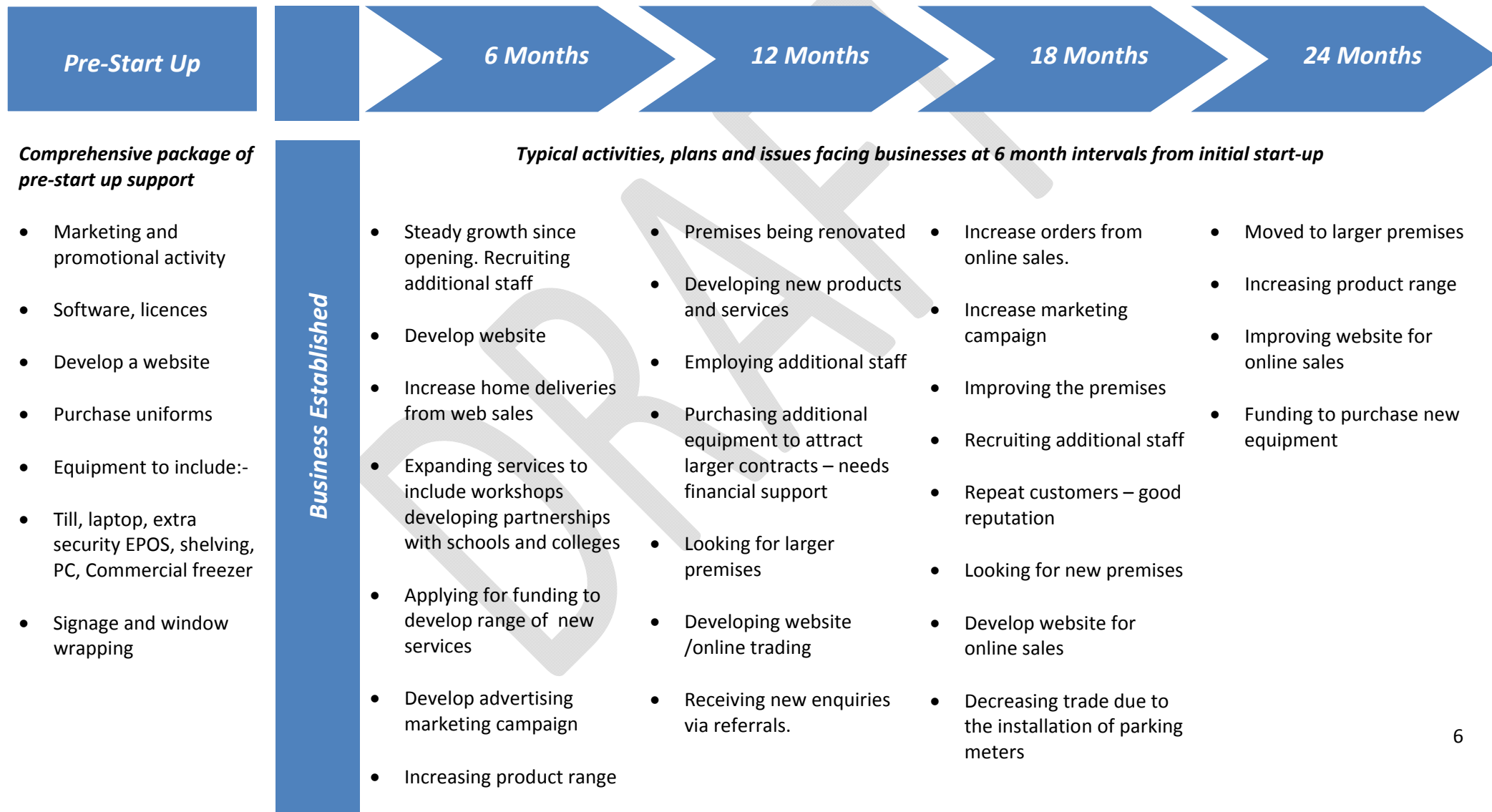
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Attachment 1 - Start-Up Businesses Timeline

The timeline below highlights typical experiences and the support provided to recipients of the business start up grant – both at the pre-start up stage and subsequently at 6 month intervals after the start of trading.



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