

## Regeneration Scrutiny and Performance Panel

6<sup>th</sup> September 2012

Agenda  
Item No. 6

### Review of Make Business your Business

Ward(s) All

Portfolios: Cllr Andrew - Regeneration

#### Executive Summary:

At previous panel meetings, members have discussed the levels and nature of support available for local people wishing to start a business together with the support available for existing business members to sustain activity and even grow.

Details of what support we believe to be available were circulated and discussed, which included the; "Make Business your Business" report (Attached as Appendix 1) by Lord Young, published in May 2012.

Panel members requested a brief report summarising the key points of this report, together with any additional business support information available for assisting in starting or sustaining businesses.

Following the implementation of the Government's austerity measures, many previous support mechanisms and regional bodies (Advantage West Midlands, Business Link etc.) either do not exist anymore, or have undergone fundamental changes.

The report details what's now available to support those wishing to start and / or develop new business. Primarily this relies on and directs you to a range of ICT (web) based sites, which deliver advice, guidance and support. On reviewing these for the panel, officers found that some websites gave good/clear advice; whilst others were disappointing and indeed confusing.

The report also states that across the UK;

- SME's employ 60% of the workforce
- 50% of private sector turnover is generated by SME's (£1,500bn)
- 60% of private sector jobs, (14 million) are provided by SME's
- 413 million people are self employed
- 450,000 new companies were registered in 2011/12
- 6 out of 10 self employed people are home based 55%

The following sets out what officers found and experienced in using these documents and accessing and visiting the variety of Websites listed.

## **Make Business Your Business – Detailed Findings**

The Foreword by Lord Young tells the reader that this is the first comprehensive report on small and medium sized enterprises (SME's) since 1971, when businesses were based on the three T's, the telephone, typewriter and telex.

For the purpose of this report the definition of SME's is; micro firms employ less than 10 staff, a small firm less than 50, a medium firm under 250 and a large firm more than that.

No less than 99.9% of firms are therefore SME's with 95.4% being micro firms. 75% of firms have no additional employees other than their owner. Altogether SME's employ almost 60% of the private sector workforce.

If this is the case, we also draw from this that 0.1% of large firms must employ 40% of the workforce, so these are key and their needs must not be overlooked.

Over the last 20 years there have been considerable changes in the way businesses operate, particularly with new technologies that are now available to support them. The internet and social media play a huge part in the way business is conducted.

There has been a significant increase with those that are employed termed "5-9 entrepreneurs" that run businesses in the evening after work, who are using the internet. These businesses are mainly based at home.

The key areas of the reports that were examined and officers experiences / findings are;

### **Enterprise for all ages**

- There is specific support and initiatives available for 18-24 year olds and 50 plus year olds, but there appears to still be gaps within specific provision for 31-49 years old who are looking to become self employed and start a businesses
- The Government information websites are difficult to navigate, they are confusing, and it's unclear what is actually on offer
- There are organisations offering what appear to be duplicate services

### **New Ways for New Time**

- Incubation and managed workspace was key to survival for new businesses, statistics show that 98% of businesses that start life within this type of facility are more likely to survive. There are a number of office incubation space /managed workspace within the Borough but we have a shortage of other sector related incubation space e.g. light industrial, creative etc.  
(See Appendix 2 - Information on Incubation/Managed Workspace)

In other areas around the UK they have business mentors. This involves larger businesses utilising their vacant space and by offering their skills and expertise to mentor entrepreneurs.

The Government has now agreed to open up vacant or under used space within its building to support business start ups.

- Social media and online marketing (eBay) are enabling more people to start businesses, many working from home in addition to their regular 9-5 jobs. (see Appendix 3 – Information on self employed / Start up Statistics)

## **Accessing Finance**

There are many different way to raise funds for their businesses. Listed below are few of the most common ways:-

- Community Development Finance Institutions (Independent Financial Institutes)
- Banks
- BCRS
- Business Angels
- Princes Trust (start up loans for 18-30 year old) 8 out of 10 who completed the course went into self employment
- Start up loan (Government initiative for 18-24 year old up to £2,500 to be repaid over five years with access to support
- Enterprise Allowance Scheme
- Peer leading ( family or friends)
- Grant funding for innovation/development projects RGF,PIP etc..
- Procurement opportunities with public sector organisations. The value of Government procurement of goods and services £230bn. SME's currently winning only 6.5% of this work. Removal of red tape and Pre Qualification Questionnaire for goods/services below £100,000 has helped

## **Guidance & Support**

- There are gaps within the support for businesses who have survived 12 months and looking to move into the next level
- There is no specialist support for 30-49 years old when starting a business
- The need to utilise the Enterprise Zone for developing small enterprises is supported by the local LEP's and will be offering business friendly planning, financial incentives and super broadband.
- Mentoring from larger organisations in similar processes

## **Business to Business support**

- Start up businesses and growing businesses could benefit from mentoring programmes with larger/corporate organisations that offer space and resource to support new business ventures.
- Private and public sector partnership working, to inspire people to start and grown their own business. (See Appendix 4 – WNF Programme Start Up Statistics)

## **Supplying the Public sector**

- There are procurement opportunities with public sector organisations and the value of Government procurement of goods and services is £230bn. However, SME's are currently winning only 6.5% of this work. Removal of red tape and Pre Qualification Questionnaire for goods/services below £100,000 has helped this process to be easier to access for all. We are already embedding this process through our Think Walsall programme / ethos.

The panel are asked to note / review the level of resource and support that is available locally for pre-start up businesses, start up businesses and existing businesses. (See Appendix 5 - Start up support in Walsall).

## **Other / additional considerations**

It has been recognised by the Regeneration Directorate that due to a mix of factors – the recession, austerity measures, the loss of some regional bodies etc – that the need to change what and how we deliver services for local people and businesses is essential.

As panel members are aware, Cabinet approved the development of an Economic Growth Programme in April 2012, which utilised existing resources in support of job and business creation.

This will support the re-modelling of the Strategic Regeneration Service area, together with changing the ways other service areas engage with and support businesses.

It's planned that these changes will be implemented, with internal staff in place during November 2012.

These proposals include an officer to provide dedicated Business Support, a small team of 3 officers to support employment sector growth, a new Inward Investment service across the Black Country and by Working Smarter, better engagement with strategic businesses by all regeneration staff.

The Regeneration Directorate is together with the other 3 Black Country councils, developing an ERDF programme for approval by DCLG. If successful this will aid the development of enterprise and incubator space throughout the Black Country.

You will see from Appendix 2, where the incubator and managed workspaces appear across Walsall.

**Reason for scrutiny:**

The reasons identified by officers as to why the issue should be scrutinised

- It is apparent that there are still some gaps within the support available for start up businesses both at a national and a local level.
- There are still gaps in the level of incubation space available within Walsall for sectors other than high tech/admin business. Evidence suggests that low tech and low cost businesses provide more employment than high tech businesses; further evidence shows that 98% of businesses will succeed if they are nurtured within the managed workspace/incubation type of environment.
- Listed below is the proportion of Walsall business split by size of employees (this is based on the figures held within Tractivity CRM system), it is anticipated that the actual amount of micro businesses is higher if we include the non-VAT registered companies

Large	(250+ employees)	0.5%	54 businesses
Medium	(51-249 employees)	3.9%	419 businesses
Small	(5-50 employees)	32.5%	3,492 businesses
Micro	(0-5 employees)	63.1%	6,782 businesses

**Recommendations:**

**That panel members;**

- Note the contents of this report and the experiences of officers in utilising the ICT based provision.
- Request that officers further develop initiatives in support of new and existing businesses, especially in the provision of incubator space and premises etc. and continue to report on progress.
- Request that officers continue to work in partnership with the private sector to provide support, and report on progress once the revised structure and appropriate staff are in place within the Regeneration Directorate.
- Request that officers continue to work with partners to develop further advice, guidance and support provision for new businesses within Walsall.
- Ask procurement officers to maximise the amount of Council goods and services which are available and open for local procurement, through the Think Walsall approach.

**Background papers:**

The Make Business Your Business Report – Attached as Appendix 1

**Resource and legal considerations:**

None currently arising from this report

**Citizen impact:**

There are considerable benefits for citizens within Walsall in developing the numbers of new jobs created in the borough through the provision of effective support linked to incubation/managed workspace. However we must ensure that local people are equipped with the skills required to secure these opportunities.

**Environmental impact:**

None from arising this report.

**Performance management:**

None from arising this report.

**Equality Implications:**

None from arising this report.

**Consultation:**

None from arising this report.

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**Attached Appendices**

App 1	Make Business your Business Report
App 2	Information on Incubation/Managed Workspace
App 3	Information on Self Employed / Start up Statistics
App 4	WNF Programme Start Up Statistics
App 5	Start up support in Walsall

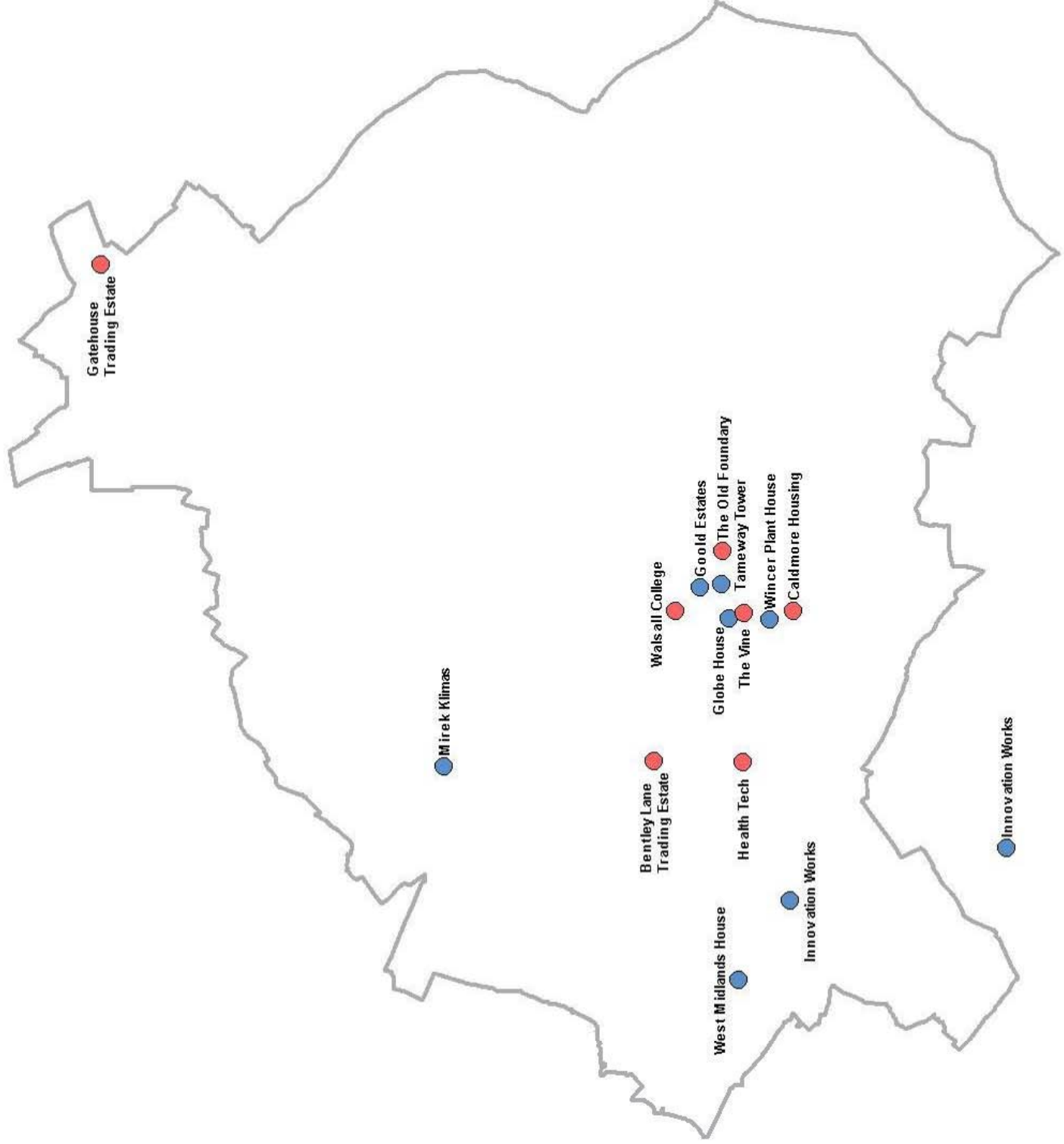
# Walsall Managed Workspace & Incubator Units

Walsall Borough Boundary


Business Incubators

Managed Workspaces

\* All of these Incubation/workspaces are for office type businesses with the exception of the proposed Mirek Klimas development which will be offering a couple of managed industrial units



NOTE: Office incubation/managed workspace is currently not at full occupancy. However, there is still a need for different types of incubation/workspace to be developed to support other sectors within the borough.



# **MAKE BUSINESS YOUR BUSINESS**

SUPPORTING THE START-UP AND  
DEVELOPMENT OF SMALL BUSINESS

LORD YOUNG, MAY 2012





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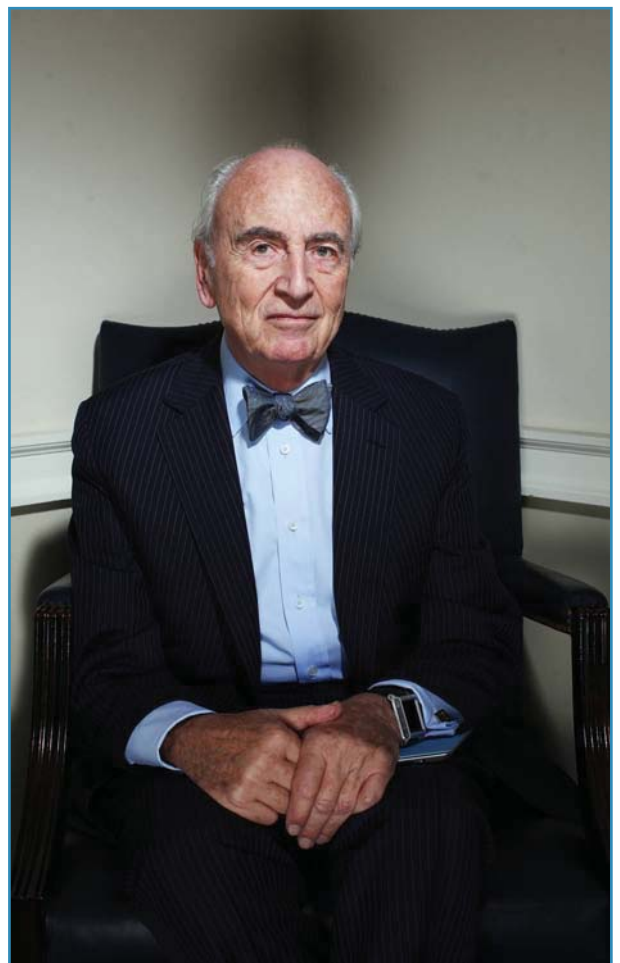
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# Foreword by Lord Young

This is the first comprehensive report on small and medium-sized enterprises (SMEs) since the Bolton Report of 1971, which was produced at a time when industry and commerce had hardly changed since the Victorian era. Large companies still modelled themselves on military lines with long chains of command and a hierarchical structure. Office technology was still based on the three Ts – the telephone, typewriter and telex – and the pace of business had changed little for decades. Markets were local and exporting was a specialist occupation. Financial markets were rudimentary and national. Companies, even the most dynamic, took many decades to establish themselves.

What is startling to a reader of Bolton's report today is the pessimism with which he regarded the future of the small firm. He found that there was a state of long-term decline in the number of small firms and their proportionate contribution to output and employment, and that there was a serious lack of new entrants.



Although he acknowledged the problems of excessive bureaucracy and some government discrimination against small firms, the issue I believe to have impaired business and entrepreneurship most was the confiscatory levels of personal taxation that mitigated against people wishing to work for themselves.

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**“** *Today it is easier than it ever has been to start a business; quicker than it has ever been to grow.*

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Everything began to change in the eighties when bureaucracy was reduced and taxation adjusted to internationally competitive levels, and then accelerated with the introduction of new means of communication. The number of small firms reached two million at the end of the eighties and continued to grow thereafter. Today the number is four and a half million, a million being added over the last decade alone.

The definition of SMEs has also changed. For the purpose of this report we shall assume that a micro firm employs under ten, a small firm employs under 50, a medium firm under 250, and a large firm over that. No less than 99.9% of firms are therefore SMEs, with 95.4% being micro firms. 75% of firms have no employees at all. Altogether SMEs employ almost 60% of the private sector workforce.

Much more than the size of firms changed over those years. The very pace of business was transformed. Google, the omnipresent search engine, was only founded in 1998. Facebook is even younger, having started in 2004. Today it is easier than it has ever been to start a business, quicker than it ever

has ever been to grow. You can sell globally from your front room. In addition, more and more people are also looking to business to solve social issues, with an increasing number of SMEs being social enterprises. As the number of self-employed continues to grow, as more and more people work part-time, the very pattern of work has changed and government has to change with it. We have taken many steps to accelerate the growth of self-employment and small firms and this report encompasses these changes.

I hope that this will be read and used as a tool to help those about to work for themselves or start their own business. There has never been a better time.

**Lord Young**  
2012

#### **Lord Young of Graffham**

The Rt Hon the Lord Young of Graffham PC DL graduated from University College London before becoming a solicitor. He spent a year in the profession before moving on to establish a number of successful businesses. He became Chairman of the Manpower Services Commission in 1982, entered the Cabinet in 1984, became Secretary of State for Employment in 1985 and in 1987 became Secretary of State for Trade and Industry and President of the Board of Trade. He was Executive Chairman of Cable and Wireless plc from 1990 to 1995 and thereafter Chairman of Young Associates Ltd, which invests in new technologies. Lord Young is an adviser to the Prime Minister on small business and enterprise.

# Executive Summary

## Prime Minister,

There have been considerable changes in the structure of business since the Bolton Report on Small Firms in 1971.<sup>1</sup> To some degree this has been a result of the widespread adoption of the internet for business purposes, although the trend actually started in the eighties with the breakup of large firms and the growth of small firms and self-employment.

Bolton identified a declining small business population of around 820,000 businesses, characterised by firms typically employing fewer than 200 people and contributing 31% of employment. Today the business stock is dominated by around 4.5 million small and medium-sized enterprises (SMEs), 99.9% of all businesses – and of these no less than 95.4% are micro businesses employing fewer than ten employees.<sup>3</sup>

“...the small firm sector in this country represents a significantly smaller proportion of the national economy than in other industrialised countries. It is also in a state of long term decline in terms of the number of small firms in existence and their proportionate contribution to output and employment.”<sup>2</sup>

– Bolton Report, 1971

**50%** of private sector turnover is generated by SMEs, or almost £1,500 billion (excl. turnover from financial services).

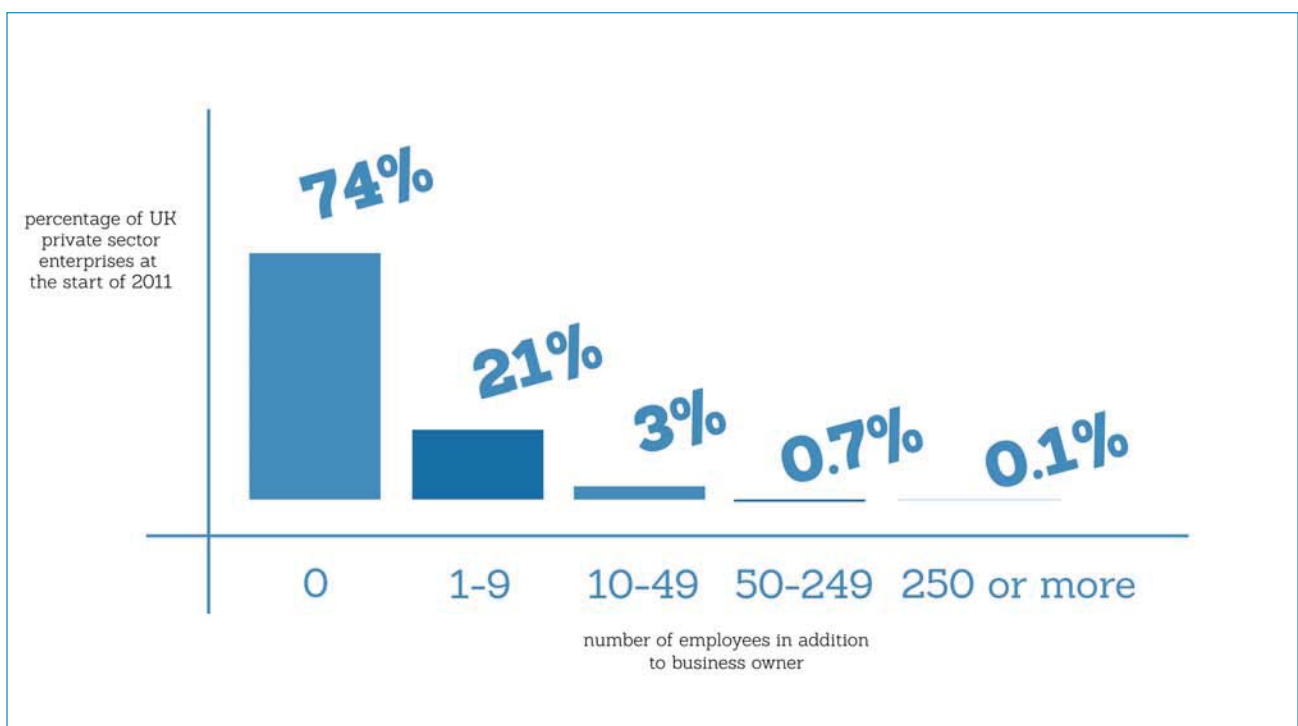
**60%** of private sector jobs, almost 14 million, are provided by SMEs.<sup>4</sup>

Figures from the Office for National Statistics show the number of self-employed people has reached a high of 4.13 million.<sup>5</sup> In 2011/12, Companies House announced 450,000 newly registered companies in Great Britain; this was the highest increase since before the last recession.<sup>6</sup>

As well as this shift in the business population, the dynamic of how business is conducted is also very different. There is now more emphasis on supply chains, a more prevalent service sector and an expanding and highly competitive global marketplace – all facilitated and hastened by the pace of e-commerce.

What this report will show is that this process is in its early days, is still evolving and it is far too early to surmise just where it will end. At the very least it is likely that the influence that social media is having on the political process will be replicated in the world of business.

Despite this transformation, many things are unchanged since Bolton's analysis, not least the continued emphasis on leadership and management, how small firms access support to help themselves, the challenge of nurturing the next generation of entrepreneurs, the real and perceived burdens of bureaucracy and the ever present difficulties of accessing finance.



# PURPOSE OF THIS REPORT

This report seeks to highlight some of the key developments that have helped to promote enterprise in this country and reflect on some of the issues which remain pivotal to our ambition to be the best place to start and grow a business. Much of the analysis and the support to business described in this report include all parts of the UK. However, my review and its conclusions focus on the position in England, accepting that other arrangements apply in the Devolved Administrations.

This report illustrates examples of new and exciting approaches to entrepreneurship, where technological developments like social media have brought about opportunities to develop a business, find customers and make sales, often without the need to leave home. It includes the rise of social entrepreneurship, where some are driving business solutions to meet social and economic needs, as well ethical and environmentally friendly consumerism. It also looks at private sector help to small firms and how collaboration can produce commercial win-wins for a corporate brand and a small business partner.

## Confidence and Encouragement

There is a real need for a more positive message to bring awareness of the tremendous opportunities that exist despite the current economic situation. I know from personal experience, having started new businesses at the depth of a recession, that this is a time of new opportunities, when changing circumstances open up new markets as well as closing some long established. For many, entrepreneurship can be at its strongest during tough economic conditions. Dyson, for instance, started at the height of the last recession in 1992 and built up a highly successful company based on the principles of good value and design.

An accompanying guide to this report is aimed at people of all ages and backgrounds to offer them confidence and encouragement to make a sound business idea happen. This is a guide providing sources of help in key areas like start-up advice, tools and guidance to develop and improve a new business, and video case studies of entrepreneurs who have experiences to share about building a successful business.



## **SMEs perform well, even when the economy doesn't**

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### ***Easily said and easily done – 3 good reasons to start up a business today:***

- **Low start-up costs** – most businesses now start on a bootstrap of a budget and for less than £100. With a smartphone and business card in hand, you can make sales and set up operations with ease and at home.
- **Enabling technology** – social media platforms and trading sites offer start-ups a powerful route to market. Selling and promoting yourself online is affordable and achievable, and successful businesses are being built on Facebook and promoted via Twitter, YouTube and LinkedIn.
- **High level of support** – there has never been so much support available to start-ups and growing businesses; from the government, the private sector and from peers. Campaigns such as StartUp Britain and Business in You shine a spotlight on this support, which encompasses events, training, offers, mentoring, awards and much more.

**(from appendix “A Guide to Starting and Developing a New Business”)**

## The Right Conditions and Support

This report examines whether the right conditions and support are in place to enable the current and next generation of entrepreneurs to build and sustain successful businesses and highlights recent changes that can help to make this happen. This report has focused on several key areas:

**Support for young entrepreneurs** – Many young people already have the drive and ambition to create a business, yet don't know how to put this into action. The new StartUp Loan ([www.startuploans.co.uk](http://www.startuploans.co.uk)), being launched with the publication of this report, will enable many thousands of young people aged 18 to 24 to get access to advice and funding to start a business.

**Facilitating managed space for SMEs** – The UK has a good supply of office facilities, however many more companies could benefit from affordable space which includes with it development support and coaching. Incubator space provides advice targeted at helping businesses to establish themselves alongside the financial benefits of sharing costs and facilities. Government has now agreed to open up vacant or under-used space in its estates to business start-ups and along with other private sector providers, these will be listed at [www.startupbritain.org/spaces](http://www.startupbritain.org/spaces).

**Simple advice and information** – providers of business support and advice need to ensure that their help is presented in a relevant way to small business. This has begun with two new business-friendly guides and tools: 'A Guide to Home Based Business' and 'Taking on an employee'. The switchover to Government Digital Service is designed to ensure that future online Government advice to small business has a clearer focus.

**Accessing finance** – SMEs continue to report that they cannot get finance from the banks. However, many small firms are also finding alternative and often more appropriate finance options. This report looks at four ways small firms can be better supported to access finance:

1. Locating the finance available. *Finance Finder* and *Business finance for you* are new online search tools to enable businesses to identify sources of finance by region, sector or purpose. These are supported by *Business Finance Explained*, which will guide firms in deciding what form of finance is best suited to them based on their size, stage of development and requirements.
2. Promoting better awareness of alternative forms of finance. Microfinance lenders, like Community Development Finance Institutions (CDFIs), are actively providing loans and support to micro enterprises that have failed to access bank finance. In this area the British Bankers' Association and the Community Development Finance Association have initiated a national referral process so that a micro enterprise whose proposition is not right for bank finance can be referred on to an appropriate CDFI for consideration. SMEs are also increasingly using Invoice Finance as a solution to their working capital needs.
3. The growing interest in community lending, often described as 'Crowdfunding' or 'peer to peer lending' also offers an alternative to the unmet demand for bank finance. These new sources of funding will need to demonstrate track record and accountability to investors and investees as they develop. This is but one form of non-bank lending which the £100m

allocated from the Business Finance Partnership to invest in non-traditional lending channels could support.

4. Business Angels are often the most appropriate source for small amounts of venture capital. They bring management expertise, mentoring and experience alongside their investment. A £50m angel co-investment fund and a tax relief for seed investment are new measures in place to incentivise angels to invest in growing SMEs. From summer 2012, a new 'Be an Angel' campaign will focus specifically on attracting more high net worth individuals and entrepreneurs to invest in small businesses.

**Opening up Government business** – this means more access to the £230 billion of goods and services that, according to Government Accounts, are procured by the public sector each year. SMEs can expect to find more contract opportunities through central Government's universal use of [ContractFinder.businesslink.gov.uk](http://ContractFinder.businesslink.gov.uk), which advertises procurement business, and will benefit from the removal of pre-qualification questionnaires for contracts below £100,000 for goods and services. It is important that these developments permeate to local government level to make its diverse procurement arrangements simpler and more accessible to SMEs.

**Opening up public service delivery** – a public service mutual can be a start-up SME which has spun out of the public sector and continues to deliver public services with a high degree of employee ownership or control. Giving staff freedom in this way can dramatically improve productivity by encouraging workers to innovate, be entrepreneurial and improve the services that they run.

# ENTERPRISE AT ALL AGES AND ALL STAGES

There are a million more businesses in the UK today than there were ten years ago.<sup>9</sup> Access to the internet gives anyone an immediate ability to trade online and there has never been an easier time to start.

Anyone can mean children learning about enterprise as part of their education and going on to be young entrepreneurs. It can be people over 50 seeking to apply their skills and experience in a business of their own. People out of work may seek self-employment through a business venture as their best opportunity to enter the job market. There are also those in employment – the ‘5 to 9’ entrepreneurs – running a business in the evenings after work.

Enterprise is a universal activity which is open to new entrants at all ages and at all stages of people’s lives. The UK business environment is recognized as being amongst the best in the world – the World Bank ranks it seventh globally for ‘ease of doing a business’,<sup>11</sup> the OECD found the UK has the lowest barriers to entrepreneurship of all OECD countries<sup>12</sup> and the UK has the second highest entrepreneurial activity rate in the G7.<sup>13</sup>

However, enterprise ambition in the UK still lags behind the United States<sup>14</sup> and many don’t realise the opportunities that enterprise offers.

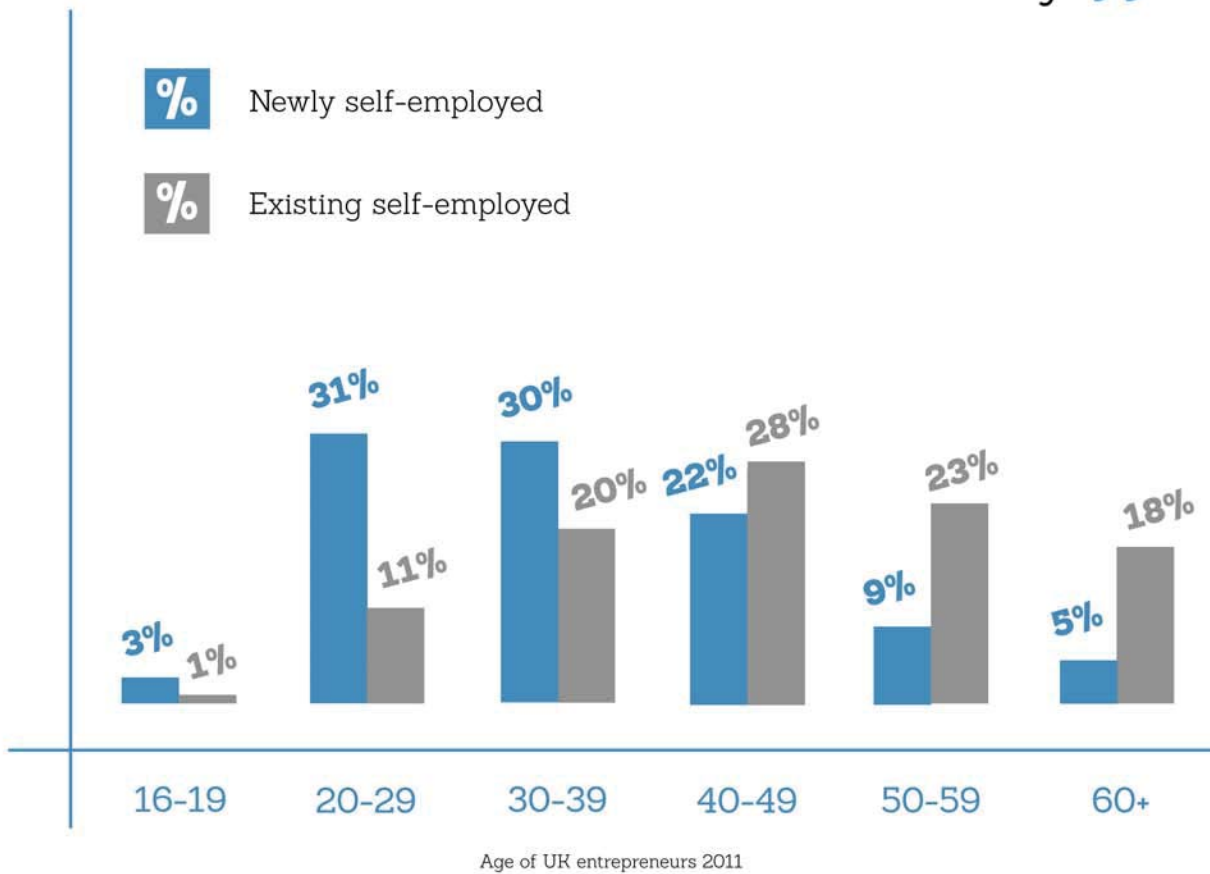
**900**  
t h o u s a n d

Additional firms if the UK had the same rate of entrepreneurship as the US.

It is estimated that if the UK had the same rate of entrepreneurship as the US, there would be approximately 900,000 additional businesses in the UK.<sup>15</sup> This would reflect improvements in specific areas, for instance where women are under-represented in entrepreneurial activity compared to men.<sup>16</sup> In addition, individuals from non-White ethnic minority groups have lower conversion rates in terms of thinking about and actually starting a business, compared to people of White ethnicity.<sup>17</sup> I am glad that Government is looking at the reasons for this, including demands on women created by family responsibilities and the issues about discouragement for Black and Minority Ethnic (BME) groups based on perceived and sometimes real barriers to starting a business.

Part of the solution is to deliver and communicate business support in a more inclusive way and a good example is the Get Mentoring programme which has now trained 40% female and 11% BME

## “Enterprise is a universal activity”



entrepreneurs to its pool of SME mentors. I want to use my report to demonstrate that the wide availability of business support is inclusive of all people from all backgrounds.

**600** thousand extra woman-owned businesses if the UK had the same level of female entrepreneurship as the US, contributing an extra £42 billion to the economy.<sup>18</sup>

**Be the Boss** is a programme run by the British Legion providing funding, training and mentoring support to former members of HM Armed Forces on how to run a successful small business. Service leavers can apply for start-up funding of up to £7,500. So far over 2,400 have done so, and those receiving start-up funding can also apply for growth funding of up to £30,000.

[www.civvystreet.org/betheboss](http://www.civvystreet.org/betheboss)



## Enterprise for Over 50s

The growing numbers of older people in the UK brings growing numbers of mature entrepreneurs. The rate of self-employment in the 50-plus age group is about 1 in 5 as a proportion of people economically active, higher than rates across all ages<sup>19</sup> and facilitated by factors like earlier retirement and a longstanding desire to be one's own boss. Sometimes it's through necessity, for instance where low interest rates on

savings have meant that older people need to continue to be economically active.

In 2011 Barclays Bank reported that a quarter of its new business comes from over 50-year-olds and nearly half a million over 50-year-olds are actively seeking to start their own business. Older people are also more likely to succeed than other age groups. A GEM survey found that 48% of over 50s who set up their own businesses were likely to succeed after five years, compared with only 29% of those started by people aged 18–49 years old.<sup>20</sup> This is due to factors such as experience, contacts and capital built up over long careers.

**The Prince's Initiative for Mature Enterprise (PRIME)** helps people over the age of 50 set up in business. PRIME was founded by HRH The Prince of Wales in response to letters he was receiving from people over 50, desperate to work but unable to find anyone to employ them – because of their age.

PRIME is the only national organisation dedicated to helping unemployed older people start and run their own businesses. It offers free information, workshops and business networking events. In 2011 PRIME helped 848 new businesses to start, generating employment opportunities for over 1,300 people. Since its foundation in 2001, PRIME has helped its clients start over 7,000 new businesses.



## Enterprise for the Unemployed

People are increasingly working for themselves – in the early 1990s approximately 3.5 million people were self-employed, compared to over 4 million today.<sup>21</sup>

The benefits system needs to adapt to these changing attitudes to self-employment. The New Enterprise Allowance (NEA) aims to do this through financial support for early months of trading, access to a start-up loan, and business mentoring to help guide a business in the early stages.

The test for NEA will be the same as for any business start-up support: to ensure that funding for bright ideas is matched by high quality advice and support; and, that those with the bright ideas have the determination and ambition to make a business a success. A welcome accompaniment to the NEA are Enterprise Clubs, a network of locally led support clubs targeted at unemployed people interested in self-employment. These provide opportunities to meet like-minded people to exchange skills, make contacts and encourage each other to work through business ideas.

## Youth Entrepreneurship

Many young people have the ambition and drive to create a business, yet don't know how to go about it. With youth unemployment over one million,<sup>22</sup> there is a real need to provide young people with help to become economically active. It is important that young people realise that they have the option to create their own job, rather than waiting for someone else to provide them with employment.

## Student Entrepreneurs

Colleges and universities see themselves as exemplars of enterprise support, providing guidance, mentoring, finance and incubation space. Unfortunately, just about every survey of students indicates that they have been untouched by enterprise whilst studying. In too many institutions, enterprise has been corralled into a single, typically high technology faculty. Similar mistakes were made in the United States with a concentration of enterprise into the business school, even though most start-ups come from the humanities.

I sat on the Enterprise Board of one of our leading universities and realise now that our efforts were focused on new high tech enterprises to the exclusion of the vast majority of students. In fact it is the low-tech and low-cost businesses that provide employment and the vast majority of those starting to work for themselves do not come from a science-based education. That university has now transformed its approach to enterprise: with enterprise champions in each and every faculty, enterprise support accessible to any student who needs it, and a campus-wide campaign to encourage enterprise thinking.

Thankfully, we are now seeing the beginnings of a seismic shift in attitudes to enterprise in colleges and universities. Whilst traditionally, a college or university qualification equipped young people to enter the world of paid employment, today the situation is changing. I have been very impressed by the work that the Gazelle Group of Further Education colleges have been undertaking, as I am by some of the Enterprise Societies I have seen in the universities. Similarly, I welcome the initiative taken by Northampton University to become a 'social enterprise university'

where all students have the opportunity to do accredited work placements in social enterprises ([www.northampton.ac.uk/socialenterprise](http://www.northampton.ac.uk/socialenterprise)).

**The Gazelle Group** of colleges are not just talking about enterprise; they are transforming their curricula so that enterprise provides the foundation for learning. Their ethos embeds a truly entrepreneurial culture throughout the whole college. In the short term, it is transforming job prospects and employment outcomes: in the longer term it will equip Britain's youth with the skills to survive in the changing economic reality in which they are likely to have many different 'careers' in their working life, rather than one, unchanging job.

[www.thegazellegroup.com](http://www.thegazellegroup.com)

### **The National Association for College and University Entrepreneurs (NACUE)**

supports students to create dynamic enterprise societies to drive enterprise awareness, ambition and capability. Supported by Government, already over 70 student enterprise societies have been created in universities and 10 in further education colleges. By 2015, they hope that every student will be able to access the support of a society which inspires, educates and trains. [www.nacue.com](http://www.nacue.com)

One such enterprise society is **Surrey Entrepreneurs**. Rather than just focusing on the traditional enterprise society model of workshops and networking, Surrey Entrepreneurs, working with local enterprise Transformers & Rectifiers Ltd, have managed to secure funds to loan to student enterprises, such as the video production company Envisage Studios. They utilised £4,000 to purchase equipment for producing film industry standard videos and to win clients like Fulham FC, eBay & Nuffield Health. After four months of trading, Envisage have

already begun making small contributions back to the fund.

[www.surreyentrepreneurs.com](http://www.surreyentrepreneurs.com)

[www.envisagestudios.co.uk](http://www.envisagestudios.co.uk)

## **Entrepreneurship in Schools**

To increase levels of enterprise ambition among young people and to enable strong bids for StartUp Loans, we must begin by educating and supporting young people to prepare for the world of work throughout their schooling.

An institutional bias towards providing the employees, rather than the employers, of tomorrow persists in education. Yet many schools, colleges and universities are already ahead of Government and are using enterprise to drive engagement in the academic syllabus, to build vocational skills and to improve employability.

Very young children believe that anything is possible but by the time they leave primary education most have lost confidence that running their own business could be a viable career option. However, introducing children to enterprise whilst at school can make a real difference to long-term perceptions of starting and running a business.

### ***Enterprise Activity at Southfields Community College***

"Enterprise education is integral to learning at Southfields. We have seen firsthand how even the most challenging of our students engage with unique activities that inspire, motivate and more importantly equip them with the skills that help to develop confidence and a 'can do' attitude." – **Marie Goffe, Enterprise Co-ordinator**



Southfield students were the winners of the 2012 Apax-Mosaic Enterprise Challenge, an annual competition designed to give 11–16 year-olds first-hand experience of the world of business and encourage enterprise skills, with guidance from experienced business mentors. Southfields pitched to judges the idea of producing electronic chips for cashless micro-payments to transform how students spend money in schools.

[www.southfields.wandsworth.sch.uk](http://www.southfields.wandsworth.sch.uk)



Whilst there are examples of truly entrepreneurial teachers and schools, many lack the confidence and support to engage pupils in enterprise. 73% of schools surveyed by the Department for Education report that they have a school-based business or social enterprise,<sup>23</sup> but provision is often limited.

**The Enterprise Village** provides access to free online resources to help schools develop a wide range of enterprise activities. It highlights news, provides resources and lists events to encourage and support teachers and students with enterprise education and starting businesses in schools and colleges in England. There are free tools available for schools to assess the delivery of enterprise

education and the opportunity to submit an application for the National Standard in Enterprise Education.

[www.enterprisevillage.org.uk](http://www.enterprisevillage.org.uk)

**Inspiring the Future** aims to encourage 100,000 people from all sectors and professions to volunteer to talk in schools about their jobs, careers and the educational routes they took. Inspiring the Future has the potential to build local relationships between pupils, teachers and business and to bring working life into school.

[www.inspiringthefuture.org](http://www.inspiringthefuture.org)

**The Premier League Enterprise Academy** programme was set up to help teach 11–19 year-olds the basic principles of business and self-employment. Inspired by a model pioneered at Middlesbrough FC, the Enterprise Academy has seen 135,000 pupils taking part in its first two years, with more than 1,500 young people securing university entry-level qualifications as a result of the programme.

[www.premierleague.com/page/Enterprise Academy](http://www.premierleague.com/page/EnterpriseAcademy)

## StartUp Loans

The Prince's Trust Enterprise Programme has been developed over many years and is now widely regarded as an exemplar ([www.princes-trust.org.uk](http://www.princes-trust.org.uk)). It supports unemployed young people aged 18–30 to work out if their business ideas are viable and whether self-employment is right for them. Depending on the outcome of this process, the programme can then offer mentoring and, for those that really need it, financial support to start a business. The figures show that more than 8 out of 10 young people completing the programme went on to self-employment, work, training, education or volunteering.<sup>24</sup>

**8/10**  
young people

who completed Princes Trust Enterprise programme went on to self-employment, work, training, education or volunteering.

Despite its success, the Prince's Trust Enterprise Programme operates at a relatively small scale, relatively small in the sense that even the Trust reports that demand for finance significantly outstrips supply. Government receives similar reports of unmet demand from other organisations that support young people.

This suggests a widespread market failure in accessing finance for young people. This is perhaps not surprising given many lack collateral and a credit history, which mainstream lenders usually require as the first step in considering a loan.

I am not prepared to waste the enterprise potential of young people and that is why I have developed a new StartUp Loan which will provide agencies supporting young people with access to capital for onward lending. StartUp Loans will be supported with £10m for a pilot scheme this financial

year. If the pilot proves successful in demonstrating how StartUp Loans can be delivered efficiently and that they are an effective tool for improving outcomes for young people, the Government will seek to roll the scheme out more widely. Additional funding of up to £32.5m in 2013/14 and £40m in 2014/15 has provisionally been set aside for this. The initial exercise to recruit organisations to participate in the pilot has received over 40 bids identifying £30m of lending. This response suggests there is no shortage of demand for start-up finance from young people and that the delivery network is already primed to respond.

On 8 April 2012 I hosted an event to call on organisations with expertise and/or resources to support young people into business to prepare expressions of interest to pitch for capital for onward lending. We know that successful start-ups need more than just financial support and that is why delivery partners will be expected to demonstrate excellence in pre and post start-up support, including access to training and mentoring.

Any young person (aged 18–24) accessing the StartUp Loans can expect to receive expert and personal support to develop a business plan. They will also have access to training, which will enhance their employability prospects even if they don't progress to starting a business. Where the business plan is robust and approved, they will be able to access financial support in the form of loan (typically in the order of £2,500 with a repayment period of up to five years).

■ [www.getmentoring.org](http://www.getmentoring.org)

■ [www.mentorsme.co.uk](http://www.mentorsme.co.uk)

Can recruit and supply mentors for StartUp Loans.

28 May 2012 marks the launch of the StartUp Loan. StartUp Loans have the potential to transform the experience and enterprise potential of a new generation, just as the Enterprise Allowance Scheme transformed a generation in the 1980s.



[www.startuploans.co.uk](http://www.startuploans.co.uk)

“ The StartUp Loans initiative provides guidance, access to expertise, and finance. These are the three vital ingredients for starting your own business. Armed with all of these, young people are already on the way to shaping their own future. ”

– James Caan,  
Entrepreneur and Chairman  
of the StartUp Loan Company Board

# NEW WAYS FOR NEW TIMES

The emergence of new communication technology has sparked innovative ways of doing business. This is having a big impact on entrepreneurs in terms of where they locate, how they trade with suppliers and customers, and the way they attract finance.

“ You only need a smartphone or a laptop to run a business ”

## Technology Enabling New Businesses

The rise of social media, online marketing and peer support is enabling more people than ever to start a business. From these small beginnings, enterprises can become bigger and more established and can reach more customers in innovative and profitable ways.

At a very simple level, small ‘cottage’ businesses are forming in people’s homes using low cost trading platforms like eBay, free social media marketing tools like Facebook and payment mechanisms such as PayPal. SMEs may then move on to more specialist online sales platforms like notonthehighstreet.com and Etsy which enable creative individuals and businesses to showcase their goods worldwide.

Technology is also making small business solutions more accessible and affordable. Cloud-based collaboration and content management applications like huddle.com can provide access to greater computing power for SMEs and start-ups. Rather than investing in hardware or dedicated IT specialists, cloud computing enables businesses to pay for specific tools as and when they need them. This enables SMEs to reduce costs while maintaining a professional system which is able to compete with larger organisations.

Further still, e-commerce is presenting freelance opportunities for skilled experts offering specialist services. Websites such as PeoplePerHour.com allow self-starters to ‘bid’ for work. This makes it easier for small businesses to find the expertise they need, when they need it, and gives freelancers a ‘shop window’ to advertise themselves and build up their client base.

Online platforms are also connecting investors to SME investees. The chapter on *Accessing Finance* explores the opportunities driven by emerging ‘Crowdsource’ providers in areas like peer to peer lending, equity funding and invoice finance.

## Home Based Business

These technological advances have made it easy for entrepreneurs to start up from home. In 2010, almost 6 in 10 self-employed people, approximately 2.3 million, said they were based at home. And 55% of the newly self-employed (less than 3 months) said they worked from home.<sup>25</sup>

As well as saving money on rent, the entrepreneur can organise their working time flexibly which can be ideal for many business start-ups, particularly in the very early stages. It also fits with some of the dynamic, new business models that are responding to a more web-based and service-driven economy. Amazon, for instance, started in a garage and has become one of the biggest internet retailers.

**55%**

of newly self-employed said they worked from home.

To encourage more people to start up, there needs to be a clearer and more positive framework about how entrepreneurs can get started using their home dwelling as a legitimate business premise. Guidance has so far been lacklustre about the positive benefits of setting up from home and advice has been ambiguous about the circumstances in which a business may have to gain permission to operate.

It doesn't have to be this way – with common sense most entrepreneurs should be able to comply fully with rules and regulations. To produce this report I have sought unequivocal guidance about charges and changes to a business setting up in a home dwelling – and this is now captured in a new *Home Business Guide* ([www.bis.gov.uk/home-business-guide](http://www.bis.gov.uk/home-business-guide)).

On business rates the position is clear. A business working from a room in the business owner's home will generally not be subject to business rates unless the room is used exclusively for non-domestic purposes. Planning is not breached unless substantial changes tip the balance from a home residence to an ongoing commercial concern. As for mortgage, tenancy or insurance agreements – a call to the provider or responsible agent will often be all that's necessary.

## Incubate to Accelerate

Many new SMEs, especially those with the potential for high growth, could use the various business incubators opening across the country. Yet many small businesses are unaware of such spaces and of the support and benefits they provide.

Incubation space helps many types of business from low to hi-tech. Incubators offer a wide range of facilities, often including shared offices alongside support and advice to help businesses establish themselves. Only a small percentage is entirely private sector, with higher education and the public sector being the largest providers. Often they will focus on specific sectors such as biotechnology, the creative industries or social enterprise, meaning occupants benefit from a clustering effect alongside the financial benefits of sharing space and facilities.

**Epiphany** is a search marketing agency that employs over 80 digital specialists. The company was supported by Leeds Metropolitan University's (LMU) business incubator QU2. The business incubator allowed Epiphany to establish itself as one of the fastest growing search marketing agencies in the UK, making business connections and networking with other

start-ups and other innovative enterprises. The agency predicts that it will employ its 100th member of staff in late summer 2012, seven years after it started life as a small team at QU2. In addition, Epiphany announced a record year of growth in 2011, increasing its turnover from management fees by 54% and reaching a turnover of almost £5 million.

Non-Executive Director and LMU alumnus Robin Skidmore said, "QU2 allowed us to establish ourselves within an incredibly competitive market by giving us a firm foundation to grow the business from. The support that projects like Leeds Met's QU2 provide is invaluable for entrepreneurs."

[www.epiphanysearch.co.uk](http://www.epiphanysearch.co.uk)

The UK has a good supply of office space, however many more companies could benefit from affordable space which includes with it development support and coaching. Incubation can add value to businesses, with far lower failure rates of a business in its first few years than average, and high levels of job creation. UK Business Incubation estimates that each UK business incubation environment provides an average of 167 jobs across a range of sectors and regions, and that 98% of businesses succeed whilst in the business incubator compared to a national average of less than 30%.<sup>26</sup>

The Government recognises that new start-up companies can benefit greatly from operating in these supported business spaces. In January 2012, the Prime Minister announced a scheme to open up vacant or under-used space in the Government estates to business start-ups. These spaces are being identified and business space providers will be appointed to manage this service.

The next step is for entrepreneurs and start-ups to know where they can find spaces like this, provided either by the public or private sector. StartUp Britain is responding to this need and has set up a dedicated internet search tool to locate available incubation spaces by region and specialism. [www.startupbritain.org/spaces](http://www.startupbritain.org/spaces)

Incubation providers also report business rate charges as a key issue as providers of affordable business space. The Government has now given local authorities powers to provide business rate discounts entirely as they see fit, which could include granting discounts to providers of incubation space. In addition, the Government's proposals for business rates retention, to be introduced in 2013-14, represent a fundamental shift in the way that local authorities are funded, giving councils a strong financial incentive to drive local economic growth.

## Supporting a Vibrant Social Enterprise Sector

An increasingly vibrant social business sector already exists in the UK. Almost all take the same basic structure as other companies, with the main difference that surpluses are principally reinvested in the business or the community rather than used to maximise profit for shareholders and owners. People will be familiar with household brands like Big Issue, Cafédirect and the Eden Project but these are underpinned by thousands of new and well established smaller social enterprises based in all parts of the country and operating across many sectors of business interest.

**Beyond Youth (BY)** was launched in 2004 and delivers highly successful intensive group based interventions through their specialist and unique Chance 2 Change project for young offenders and those at risk of offending aged 14–25. The programme reduces reoffending amongst those referred, increases life chances and produces significant cost savings to society. BY increase the emotional intelligence of all those referred to enable them to make better life choices.

BY are developing a franchise model to be rolled out nationally across the prison estate. The long-term goal is for Chance 2 Change to be the standard intervention across prisons, youth offending teams and pupil referral units.

[www.beyondyouth.org.uk](http://www.beyondyouth.org.uk)



It is estimated that there are 68,000 social enterprises in the UK, the vast majority of which are SMEs.<sup>27</sup> The current economic climate offers a stern examination of the social enterprise credentials and in 2009, 56% of social enterprises showed growth through the downturn,<sup>28</sup> compared to 28%<sup>29</sup> of SME employers. The widening availability of courses and programmes about social entrepreneurship in universities and institutions like The School for Entrepreneurship is also a reflection of the growing number of people seeking to use social enterprise as their preferred choice for doing business.

There are also other businesses which are more commercially orientated and don't fit the social enterprise definition in terms of their distribution of profit, but nonetheless promote a strong social ethos in their business model. These businesses, like Green Street Media, are quick to seize on growing demands like ethical consumerism and environmental protection.



**Green Street Media** is an environmentally-friendly advertising agency that offers a range of unique marketing services that are created using only eco-friendly methods. Their services include 'Clean Advertising' (the cleaning of messages onto dirty pavements using only high pressure water and stencils) and Temporary Paint (the world's first permanent, yet temporary, paint) which it holds the exclusive distribution rights for across much of Europe.

The company was launched in June 2010 by former Sheffield Hallam student Conrad Thornton who started with no budget, initially promoting his brand via social media sites and word of mouth. Only two years old, this innovative company boasts a range of high profile international clients plus many councils, universities and colleges. Green Street Media plant trees in Africa for every advert created with their partner charity 'Africa's Gift' and are currently expanding into a range of foreign territories by licensing their brand to international partners. Although not officially classed as

a social enterprise, it nonetheless has clear environmental and social goals.

[www.greenstreetmedia.eu](http://www.greenstreetmedia.eu)

The challenges faced by SMEs are also faced, and sometimes felt more keenly, by social enterprises. These include access to finance, access to space, and availability and retention of talent. Above all, the social enterprise sector is constantly challenged to prove that what it does works – that you can combine successful business with doing good.

Government is working with its partners to ensure that more social enterprises get the support they need to turn their idea into a viable enterprise. It is also working so that social enterprises have a strong voice and influence when decisions are made, and programmes developed, in Government for supporting small businesses. This should include a key role for social enterprises in helping to deliver Government objectives, for instance where social enterprises are well placed to act as providers to deliver StartUp Loans. Most notably, the recently launched Big Society Capital aims to address the shortfall in capital available to social enterprises through investment in social enterprise funds.

**Public Service Mutuals** are organisations which have left the public sector (also known as ‘spinning out’) but continue to deliver public services. They can take a number of different forms such as employee owned businesses or co-operatives. Many will be social enterprises. Already almost £1 billion of Health Service contracts are delivered by Public Service Mutuals and many others are operating or are developing in more than 10 different sectors of the public service.

**Inclusion Healthcare**, one of the Mutual Pathfinders, is a Leicester-based mutual developed by Dr Anna Hiley and Nurse Consultant Jane Gray in June 2009 to improve local homeless healthcare services. With 15 staff and a £745,000 budget, Inclusion Healthcare provides primary care services to Leicester City’s homeless population.

*‘By setting up a social enterprise we have been able to save money, improve the service for patients and become more efficient.’ – Jane Gray, Director and Consultant Nurse*

Jane has worked as a nurse for more than 30 years and has worked with Leicester’s homeless service for the past 10.

Having extensive experience of working with the city’s homeless, and a passion for their work, Anna and Jane exercised their “Right to Request” to spin out from the Leicester City Primary Care Trust. In September 2010 they took on a five-year contract from the PCT to provide primary healthcare services. They officially launched in January 2011. The service is based at the Dawn Centre in the heart of Leicester, but staff also hold outreach clinics at hostels. They also work with a number of partner agencies to provide specialist care to vulnerable clients who often lead chaotic lives and are difficult to reach. Their target patients include rough sleepers, residents of the city’s hostels and other vulnerable groups. Since their launch, Inclusion Healthcare has reported better motivated staff, who feel an ownership of the business, and enhanced patient experience, through being able to offer a more flexible, responsive service.

For further information on how the mutual is progressing and future plans, visit [mutuals.cabinetoffice.gov.uk/studies/inclusion](http://mutuals.cabinetoffice.gov.uk/studies/inclusion).



## Busting the Myths

**Myth – You have to be a charity.** There is no one legal definition for a social enterprise. You can adopt a whole range of legal structures, although the option to take on the additional form of a Community Interest Company or a Registered Charity is also available.

**Myth – You'll never make any money.** Profits are principally reinvested in pursuit of the social mission at the centre of the enterprise. This makes social enterprise value-led but also market driven. As in any commercial business, the scale of salaries and investor returns will be driven by the value the market places on the services or products produced by the enterprise.

**Myth – The social focus is more important than the entrepreneurship.** The economic downturn has put a stronger focus than ever on sustainability and growth as well as social outcomes. Grant making is reducing, and 'social investment' is on the increase – with investors looking for both a social impact and a financial return on their investments.

**Myth – You can't access finance.** There is increasing diversity in the sources of finance available to start-up social enterprises including mainstream sources of finance available to SMEs, as well as dedicated social investors supported by Big Society Capital. Trusts and charitable foundations are key sponsors for start-ups, with an increasing focus on seed capital for social start-ups also emerging in the social investment market.

# ACCESSING FINANCE – “IF NOT BANKS, WHAT?”

I am continually told by entrepreneurs and small business owners that access to finance is their number one issue. This might be funding to develop an idea, working capital to sustain a business, or funds for expansion.

Many small businesses continue to complain that they cannot get finance from the banks. However, I do not believe that the reduced availability of bank finance should mean that businesses cannot access appropriate sources of finance. Many small firms are finding other, and often more suitable finance options available and I want to raise awareness of these alternative sources so that businesses can access the finance they need.

## Assessing SMEs’ Ability to Access Finance

I believe an entrepreneur or business owner’s starting point is determining whether seeking external finance really is what their business requires. Sometimes the solution can be managing the cash flow of the business more effectively rather than taking on debt or giving up an equity stake in the business.

Second, firms cannot expect providers of finance to lend or invest without a strong and viable business proposition – an

obvious point but sometimes forgotten in the highly charged debate about the supply of finance to SMEs. This is often described as ‘investment readiness’ – for me and for investors it is about confidence that a firm seeking funds has the correct balance of skills, ambition and growth potential, and ultimately the ability to deliver a return. This is a particular challenge for social enterprises, where investors also expect to see a viable social return for their money.

Third, businesses requiring finance need to know where they can find it. There are many options for businesses looking to borrow or raise investment, including a range of schemes supported by Government – would you be surprised to learn that Government backs schemes across the UK with a total of £1.1 billion available for investment?<sup>30</sup> In addition, Government uses the Enterprise Finance Guarantee, a £20 billion National Loan Guarantee Scheme and a Business Finance Partnership to help stimulate bank and debt finance. The key questions are: “Are small firms aware of all the sources of funding on offer? What are they? And how can they be accessed?”

**£1.1**  
b i l l i o n

Government-backed  
SME finance schemes

The chapters on *Guidance and Support* and *Business to Business Help* highlight advice available to help firms make an assessment of their finance needs and benefit from mentors to improve their business propositions. *Finance Finder* and *Business finance for you* are new online search tools to enable businesses to identify sources of finance by region, sector or purpose. These are supported by *Business Finance Explained*, which will guide firms in deciding what form of finance is best suited to their specific needs.

## Debt Finance

This issue of unmet demand for bank finance and other traditional sources of funding has led to more attention on the availability of other forms of finance and, to some extent, bred the development of new sources of debt finance. Of particular interest are recent developments in the community lending space, which have led to greater choice in funding options for small firms.

## Microfinance

Micro businesses often look for very small sums to start – sometimes as little as a few thousand pounds – which banks are not necessarily well placed to serve. These small and ‘micro’ loans can often be a crucial step towards future growth and business success.

There are several examples of microfinance providers working in the marketplace to provide these types of loans. One such organisation is the Fredericks Foundation ([www.fredericksfoundation.org](http://www.fredericksfoundation.org)), a Community Development Finance Institution (CDFI). They offer micro loans and support to people who are unable to obtain finance

from the mainstream banks to set up or expand a small business. They operate across much of the South of England offering loans of up to a maximum of £10,000. Since 2001 Fredericks has made over 800 loans totalling £3 million – creating or protecting over a thousand jobs.

A key constraint for providers is reaching the people who need their services. A welcome development is the beginnings of closer working between banks and microfinance providers, underpinned by a commitment by the British Banking Association for banks to act as a source of referral for unsuccessful bank loan applications direct to CDFIs. For me, the challenge will be for the banks and CDFIs to ensure the capacity is in place to make this work in practice, and with greater frequency.

**Community Development Finance Institutions (CDFIs)** are independent financial institutions, often serving a specific disadvantaged geographic area. There are currently over 50 CDFIs providing micro-finance to start-up companies and established enterprises, including social enterprises, which are unable to access finance from more traditional sources, i.e. banks. Loans can typically be from £1,000 up to £50,000, and come with business support to help them maximise their performance.

CDFIs have reported that they have dispersed over 11,000 loans to microenterprises and SMEs, totalling over £157 million worth of lending. This has created almost 16,000 new jobs and safeguarded more than 25,500, contributing an additional £1.25 billion of turnover to the UK economy.<sup>31</sup>

The primary support to the CDFI sector is currently through the Regional Growth

Fund. Amongst other bids, Government is making a contribution of £30 million to facilitate £77 million of lending by CDFIs over the next six years.

[www.cdfa.org.uk](http://www.cdfa.org.uk)

The sector is further supported through the Community Investment Tax Relief (CITR). CITR provides tax relief to individuals and companies worth up to 25% of the value of the investment in the CDFI. The relief is spread over five years, starting with the year in which the investment is made. CITR has raised around £86.2 million in investment since its inception in 2002.

[www.hmrc.gov.uk/specialist/citc\\_guidance.htm](http://www.hmrc.gov.uk/specialist/citc_guidance.htm)

CDFIs are also exploring their potential to act as a conduit for channelling further capital to the local communities they serve via wholesale peer to peer and 'Crowdfunding' vehicles. This will be distinct from existing models given the locally based investment readiness support and economic and social impact focus which helps tackle the predatory nature of some commercial lenders.

### **Peer to Peer Lending**

'Crowdfunding', including 'peer to peer lending', is one of the emerging sources of finance for SMEs. It is a fast growing player in the SME finance market. Borrowers and lenders can transact without traditional financial intermediaries such as banks. This transaction is done using a web platform and is popular with businesses that are looking for new and innovative ways to fund their business using quick and easy methods of transaction.

**Funding Circle** (launched in August 2010) is one of the major operators in this area, facilitating more than £30 million of lending to around 700 businesses in the UK. It is currently intermediating around £4m per month to businesses and is forecasting £35-40 million of lending by August 2012 and circa £200 million in the following year.

### **Asset-based, Asset-backed, and Supply Chain Finance**

Asset-based finance, such as invoice discounting (which allows firms to draw on funding from secured invoices) and factoring (which involves selling invoices to a financier for them to process and secure payment) are designed to help firms' working capital needs. These can be suitable for firms looking to find support managing their working capital by using the strength of their order books.

This type of finance is becoming increasingly popular – almost £240 billion was made available through these products in 2011, which represents a 13% increase year-on-year.<sup>32</sup> As well as the traditional suppliers of these services – the banks and specialist asset based financiers – the advent of new technology has also increased its usability and the opportunity to grow this market. The launch of Invoice Finance exchanges, where companies bid for invoices via internet platforms such as Market Invoice and Platform Black are providing direct and fast marketplaces for small firms to negotiate and secure finance they require.

**Jessnic & Co**, a handbag manufacturer, is a successful business, with customers including large businesses such as

Arcadia. However, the entrepreneur behind Jessnic did not find traditional bank finance appealing.

“I didn’t want a loan during tough economic times – and with bank factoring there can be additional costs.”

Jessnic discovered an innovative online invoice finance exchange platform that offered her a flexible finance solution. MarketInvoice, one such online platform, allows firms to auction their invoices to investors. In these auctions, buyers – asset managers and hedge funds – compete to determine how much they will advance – usually around 90% of the invoice value – and the fee they will charge, usually between 1%–2%.

Jessnic & Co managed to secure £111,000 of funding on the strength of their invoices.

Source: *Sunday Times* April 2012  
[www.Marketinvoice.com](http://www.Marketinvoice.com)

### **Asset-Backed (or Leasing) Finance**

Many businesses will need to purchase equipment to support their activities and this can often present a problem if the upfront costs of buying that equipment are quite high. Many businesses now use asset-backed finance to help them either lease or purchase equipment. Asset-backed finance is a flexible alternative to a traditional bank loan, potentially providing cash flow and tax benefits for businesses purchasing – or leasing – a new piece of equipment, a vehicle, or other fixed assets.

### **Supply Chain Finance**

Supply Chain Finance is also gaining traction with large companies and their SME subcontractors. Many larger companies use extended payment terms to

ease their cash flow. However, companies within their supply chains, typically SMEs, sometimes struggle to raise working capital finance. For this reason, a range of Supply Chain Finance products has evolved to help companies manage cash flow. These products use the credit strength of the large buyers to help provide access to cheaper sources of funds for businesses in their supply chain.

**Network Rail** has recently developed iSupplier Portal, a tool that enables suppliers to see, on-line, their purchase orders, invoices, and when they are going to be paid. They have over 800 suppliers live on this Portal.

They have implemented an in-house Supply Chain Finance solution that enables suppliers to be paid earlier than their contracted terms. Suppliers have requested early payment on invoices equating to over £265 million since it was initiated.

Specifically for the construction industry, Network Rail has shortened terms on new contracts and encouraged Primary Contractors – who have committed to support Network Rail’s Fair Payment Charter – to cascade this liquidity through their supply chains. This reduces the payment terms from application from 56 days to 21 days, for the delivery of rail projects.

Source: *Boosting Finance Options for Business*, March 2012

### **Equity Funding**

#### **Promoting Business Angels**

For a small proportion of early stage, high growth businesses, access to equity or

venture capital finance is a desirable means of growing and expanding into new markets. This is where business angels have played an increasingly important role, most noticeably when venture capitalists have tended to invest in higher value and later stage deals and where banks have reduced their business investment activity. A new group of 'Social Business Angels' are also beginning to emerge who exclusively support social enterprises in this way.

**Business Angels** are high net worth individuals who invest on their own, or as part of a syndicate, in high growth businesses across sectors and in all parts of the country. Typically, Business Angels invest between £10,000 and £750,000 in an investment. In addition to money, Business Angels often make their own skills, experience and contacts available to the company – this is often described as “Smart Money”.

[www.bbaa.org.uk](http://www.bbaa.org.uk)

The challenging economic climate has presented difficulties for angels to find profitable exits to release capital and reinvest in new companies. Working with business angels networks, Government has committed £50 million through the Regional Growth Fund to a new Business Angel CoFund ([www.angelcofund.co.uk](http://www.angelcofund.co.uk)). This fund is specially designed to encourage angels to pool their finance and skills in syndicates, offering between £100,000 and £1 million alongside angel syndicated deals.

*“Qi3 Accelerator recently led a large angel syndicate investment in an East Midlands early stage technology venture. The Angel CoFund helped us to provide additional scale to ensure that the company is now*

*properly capitalised. As lead angels we hope that the Angel CoFund will also enable us to provide critical mass to cornerstone similar investments.” – Nathan Hill, Angel Investor, Qi3*

Tax reliefs such as the Enterprise Investment Scheme (EIS) are significant enablers for encouraging private investment in small firms. Newest amongst these tax measures is the Seed Enterprise Investment Scheme (SEIS), encouraging investment into new seed stage companies. SEIS will provide a higher rate of income tax relief of 50% for individuals who can invest up to £100,000 annually in qualifying seed companies. To kick-start the scheme the Government is offering a Capital Gains Tax exemption on any gains realised in the year 2012-13 that are invested through SEIS in the same year.

*“The Seed EIS scheme provides excellent further incentive to invest in start-ups. Start-ups are exciting and challenging in equal measure, and this scheme means I can afford to fund more of them as the investment is partially de-risked. I will still invest in the best entrepreneurs, I will still undertake full due diligence, but Seed EIS simply means that I can do more.” – Dale Murray, Angel Investor of the Year 2011.*

I see Seed EIS as a tremendous opportunity for SMEs to benefit from this incentive to the investor. However, there are many more high net worth individuals and business owners looking for investment opportunities that could be encouraged to become angels. When I asked the Prime Minister to host a Number 10 business angel event in January this year, the clear steer was for a more concerted appeal to these people by guiding them to the incentives and support to become angels.

As a result the British Business Angels Association (BBAA) has launched a 'Be an Angel' campaign –

[www.bbbaa.org.uk/be-an-angel](http://www.bbbaa.org.uk/be-an-angel)

– to raise awareness of the benefits of Angel investing and the incentives available, providing potential angels with advice and support about how to start and be an effective angel investor. I am pleased that this campaign will be taken forward and sustained by the sector and strengthened by a new strategic partnership between the BBAA, British Bankers' Association and the Business Growth Fund. I also believe that the new Growth Accelerator programme should be instrumental in its work to provide a pipeline of high potential small firms ready to be accessed by investors.

### **Crowdfunding for Equity and Sales**

As well as peer-to-peer lending, small firms are using crowdfunding to access equity funding facilitated by a growing number of crowdfunders which provide investors, including retail investors, with the opportunity to use an internet platform to invest in start-ups and entrepreneurs. Providers like Crowdcube.com and Seedrs.com also offer potential to benefit from tax relief through EIS and SEIS. Like any equity deal, the investee firm can benefit from advice and support from its investors. Equally the share of risks, losses and returns are distributed to the underlying investors.

**Kamm & Sons**, the brand behind a unique ginseng-based alcoholic spirit, has successfully raised capital to ensure the next stage of its expansion. Developed over the last five years by ex-bartender, author and drinks expert Alex Kammerling, the firm has secured funding from 85 'armchair' investors through the equity crowdfunding website, Crowdcube. In return for 23% of the business, Kamm &

Sons raised £180,000 to fund its expansion plans.

"We initially approached the high street lenders with our business plan in the hope of raising enough capital to move our project forward and grow the business. With banks demanding interest rates of more than 15%, we decided to look elsewhere. Crowdcube offered us a totally unique way to secure the funding we needed. It allowed us to engage with ordinary people who we believe recognise exciting new investment opportunities." said Alex Kammerling, founder and director of Kamm & Sons.

Source: *The Sunday Times* / [www.crowdcube.com](http://www.crowdcube.com)

Further still, crowdfinance lends itself to 'rewards based funding' where the public and investors pledge funds and offer feedback and support to get a business project off the ground through sales and marketing. In the US, *Kickstarter.com* has been a trailblazer in this area, connecting individuals to innovative products and services and this has provided a model for the UK through providers like *Peoplefund.it*.

**The Bicycle Academy** has recently started trading as a skills company that teaches people how to make bicycles from scratch. They didn't want the responsibility of a loan to start their business and they were interested in finding out whether there was a market for their services. They managed to raise over £40,000 through the online crowd funding site **Peoplefund.it** in just 6 days by offering places on their courses to the public before they had started operating. In this way they raised enough capital to start a business and had confirmed bookings for their initial start-up time.

*“What peoplefund.it has achieved for The Bicycle Academy is impressive. It’s a sign that people are prepared to roll up their sleeves to back and support ideas which make a difference to the world – that’s what Big Society is about” – Zac Goldsmith  
MP*

**The Next Generation Finance Consortium (NGFC) ([www.ngfc.org.uk](http://www.ngfc.org.uk))** was formed and launched in March 2012 as a private sector-led initiative to raise awareness, educate and (when and where appropriate) fast track new and growing entrepreneurs to the most appropriate source of alternative finance. Its members include Crowdfunding platforms (such as Peoplefund.it and Crowdcube), peer-to-peer lending platforms (Funding Circle and Market Invoice), Business Angels (Angel Capital Group), the CDFA and the representative body for London business support sector (Capital Enterprise).

As well as a website and up-to-date funding guide, the NGFC also provides the opportunity for SMEs to attend open forums and “funding readiness workshops”. Later in the year NGFC plans to open up its membership to all UK present and emerging alternative financiers and to expand its event programme to the rest of the country.

## **Assessing Crowdfunding**

For peer to peer lending and equity crowdsourcing, it will be for firms to decide whether this type of finance, alongside or as an alternative to traditional sources of funding, is best suited to their needs.

The providers of this type of finance and those that advise SMEs have an important role to play to enable these businesses to make that decision. A key area is education. Initiatives like NGFC need to help business owners and entrepreneurs

understand where they can source capital from and on what terms. This then leads to awareness and the task of how the market can promote these new innovative funding platforms as viable sources of finance for start-ups and growing SMEs.

I also believe that collaboration will be a critical success factor. Companies often need different funding solutions at different stages in their development perhaps before, during and after any demand for crowdfinance. This makes it imperative that there are channels of referral in place from all sources of funding from microfinance, bank and non-bank debt finance and other forms of angel and equity funding, as a connected marketplace for SMEs to understand their funding options.

For Government, it should stand ready to encourage new entrants and new models to the SME finance market including providers of crowdfinance. But as with its support for traditional and existing mainstream finance provision, Government backing can only be based on providers demonstrating that the funds and their operation are transparent and accountable to investors and business customers. This means sufficient checks and balances to exercise financial and legal controls which can safeguard investors and investees from abuse and misguidance. This will be the key challenge for new players in this sector as they seek to strengthen their appeal to, and market share of, SME finance.

The £1.2 billion Business Finance Partnership announced by Government in November 2011 to support non-bank sources of finance will be a good opportunity to encourage these sources of finance to develop their offer and increase their visibility to small businesses.



## Social Investment

Social investment is the provision and use of capital to generate social as well as financial returns. As the social enterprise sector has grown and developed over the last twenty years, so too has a social investment market which is beginning to provide social enterprises with access to appropriate and affordable finance, whether in the form of debt, equity or quasi-equity.

Organisations in the social investment market, known as social investment finance intermediaries, are creating and raising investment for funds that lend to or invest equity in social enterprises. They are designing and structuring new financial instruments that, for example, enable social enterprises to deliver public services under payment by results contracts, and they are developing platforms and exchanges that directly connect investors and social enterprises.

Social investment finance intermediaries include social banks such as Charity Bank ([www.charitybank.org](http://www.charitybank.org)), Triodos Bank ([www.triodos.co.uk](http://www.triodos.co.uk)) and Unity Trust Bank ([www.unity.co.uk](http://www.unity.co.uk)).

These sit alongside social investors such as Big Issue Invest ([www.bigissueinvest.com](http://www.bigissueinvest.com)), Bridges Ventures ([www.bridgesventures.com](http://www.bridgesventures.com)) and CAF Venturesome ([tinyurl.com/CAFVenturesome](http://tinyurl.com/CAFVenturesome))

The recently launched Big Society Capital will develop and grow the social investment market by investing in social investment finance intermediaries and increasing their capacity to provide investment and support to social enterprises. Big Society Capital has also

developed a directory of social investment finance intermediaries to help social enterprises find the right finance and support.

[www.bigsocietycapital.com/finding-the-right-investment](http://www.bigsocietycapital.com/finding-the-right-investment)



# GUIDANCE AND SUPPORT

There are many resources available to SMEs to enable them to start a business and expand into new markets. Often the focus for a business, not least in tough economic conditions, is how to achieve self-reliance and keep going in those early phases of trading which requires resilience and sometimes an experienced helping hand.

Government is targeting support for small business in new Enterprise Zones, supported by Local Enterprise Partnerships. These need to rise to the challenge of stimulating enterprise activity in local areas to create new businesses and jobs.

## A New Approach to Business Advice

The research is compelling; businesses that use external support are more likely to build the right foundations to survive and succeed.<sup>33</sup> However, too few businesses seek this external advice. This challenges providers of business advice to promote the benefits and take up of this type of support in a more captive way.

In effect, this means seeing things from the perspective of the business customer – by making advice practical, relevant and accessible, for instance by keeping apace with social media devices which we know are fast becoming people's first point of reference.

## ***Achieving this in Practice***

Government is learning how it can improve its business support offer by targeting the important stages of SME development.

Young entrepreneurs may have already been encouraged and supported by Further Education and Higher Education institutions to build their entrepreneurial skills and confidence, and can go on to make their business idea happen by accessing the finance and support through the new StartUp Loan ([www.startuploans.co.uk](http://www.startuploans.co.uk)). People seeking employment might also access the New Enterprise Allowance Scheme as a route into self-employment and business.

These people will have access to *My New Business* ([tinyurl.com/mynewbusinessguide](http://tinyurl.com/mynewbusinessguide)) as an online resource providing practical help and tools for those interested in starting a business. *Growth and Improvement* ([www.improve.businesslink.gov.uk](http://www.improve.businesslink.gov.uk)) can then help these businesses to develop, with advice and guidance in key areas like improving cash flow, managing costs and winning new customers.

Businesses may also seek specialist guidance to meet their individual needs and activities. The following is a summary of the key areas of business support identified in this report and available to SMEs.

## Where to base a business

*Home Business Guide* provides straightforward guidance to enable entrepreneurs to set up a business from home.

■ [www.bis.gov.uk/home-business-guide](http://www.bis.gov.uk/home-business-guide)

Start-ups may also consider incubation space and facilities to develop their business idea.

■ [www.startupbritain.org/spaces](http://www.startupbritain.org/spaces)



## Finding a mentor

An entrepreneur may seek a mentor to provide them with experience and tailored help for their business. Mentorsme.co.uk has been developed to provide a single, easy-to-use search engine that provides access to over 100 organisations that offer mentor services and 11,000 mentors. Businesses can refine their searches according to the life stage of their business and their location.

■ [www.mentorsme.co.uk](http://www.mentorsme.co.uk)



## Incorporating a company and registering for tax

As a further step in a small firm's development, they may want to expand and to become an incorporated company. Registering a company is made possible in a quick and inexpensive process – for £18 and in less than 24 hours using Companies House web incorporation service.

Incorporation is only one part of setting up a company and Companies House has added an option to the incorporation service to allow customers to complete registration for Corporation Tax at the same time.

■ [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) (select 'Start a company')



## Growing a business on the web

Small business managers can access tools to help them make greater and more effective use of the internet. This is about more than just selling online; it's about driving marketing through social media and increasing website exposure through search engine optimisation. Web Fuelled Business provides these tools to help small firms achieve global and local reach.

■ [www.businesslink.gov.uk/webfuelled](http://www.businesslink.gov.uk/webfuelled)



## Recruiting staff

SMEs that are looking to either take on their first employee or increase the number of their employees can be put off by perceived complexity and expense and are likely to be constrained heavily by time.

*Taking on an employee* provides employers with an online, one-stop point-of-contact focusing on employers' core legal obligations, addressing myths about the employment process and allowing users to act according to what is required of them.

■ [www.businesslink.gov.uk/employ](http://www.businesslink.gov.uk/employ)



## Finding finance and support

A new growth and improvement service offers SMEs access to several resources to find the help they need, including how to understand and locate funds relevant to their needs and other business support finder tools based on their size, stage of development and requirements.

*Business Finance Explained*, *Finance Finder* and *Business Support Finder* are available at: [www.improve.businesslink.gov.uk/resources](http://www.improve.businesslink.gov.uk/resources).

The British Bankers' Association has created a search tool, *Business Finance for You*, to help small firms to identify sources of finance by region, sector or purpose. *Better Business Finance* offers practical help, advice and tips to businesses when seeking finance.

■ [www.businessfinanceforyou.co.uk](http://www.businessfinanceforyou.co.uk)

■ [www.betterbusinessfinance.co.uk](http://www.betterbusinessfinance.co.uk)



## Setting up a social enterprise

Social enterprises are businesses that trade for a social and/or environmental purpose – and all profits made are reinvested towards achieving that social purpose.

■ [Social Enterprise UK | www.socialenterprise.org.uk](http://www.socialenterprise.org.uk) (select 'Advice & Support')



## Spinning out as public service mutuals

Mutualisation can give public sector workers the autonomy and control to do what they do best – the freedom to innovate and improve the services that they run. The Mutuels Information Service (MIS) website gives information on the process and guidance for becoming a mutual.

■ [www.mutuals.cabinetoffice.gov.uk](http://www.mutuals.cabinetoffice.gov.uk)

The MIS hotline (0845 5390 543) will assess business needs of fledgling mutuals and provide appropriate expert advice, guidance and support.



## Winning public sector business

The *Contracts Finder* website now gives businesses a single place to survey everything on offer from Government and has 97,000 viewings per week.

■ [www.contractsfinder.businesslink.gov.uk](http://www.contractsfinder.businesslink.gov.uk)



## Support for manufacturers

MAS can help SME manufacturers in England to improve productivity and develop advanced manufacturing capabilities. Local MAS Advisors can work with firms to create business and product strategies, reduce waste and maximise profitability in their businesses and supply chains. Many of the services are free and supplemented by grant funding.

■ [www.mymas.org](http://www.mymas.org)



## Exporting

Businesses can receive enquiries from potential overseas customers from day one. UK Trade & Investment supports many thousands of companies each year, and has locally based trade advisers, helping companies to take their first order and to start building an international business.

■ [www.ukti.gov.uk/export](http://www.ukti.gov.uk/export)



## High growth business support

A *Growth Accelerator* programme offers specialist support for high growth firms. Growth Accelerator provides coaching support for up to 10,000 SMEs a year and helps to connect these firms to external finance opportunities such as business angel networks and venture capital funds.

■ [www.growthaccelerator.gov.uk](http://www.growthaccelerator.gov.uk)



## Simplifying Demands on SMEs

A lot has already been done to simplify regulations and ease burdens on small business. I know from my enquiry and report into the operation of health and safety laws that common sense and attention to the impact on business should act as key guiding principles for existing and new regulations or demands on businesses.<sup>34</sup>

I am pleased that the Red Tape Challenge (RTC) is delivering tangible results in its aim of trimming back those regulations which are the most outdated and burdensome. So far Government has identified over 1,200 regulations which were holding back enterprise ambition. Of these, over 50% will be scrapped or reformed – freeing businesses to compete and create vital jobs. The Department for Business, Innovation and Skills has completed three RTC areas so far, in the areas of retail, employment, and manufacturing. This process has significantly cut red tape and generated substantial savings for business. For example, changes to the employment tribunal process have generated £40 million of savings for businesses.<sup>35</sup> A new ‘Disruptive Business Model’ challenge is taking this further, to make it easier to establish new ways of doing business and make proposals to prevent red tape from building again in the future.

Alongside RTC I believe there are two other opportunities for easing demands on SMEs:

- **Employment** – ‘Taking on an employee’ is now in place to provide straightforward guidance on taking on a first employee. I fully endorse proposals to enhance this service to enable small companies to hire employees, pay tax and fulfil other regulatory obligations via one simple internet portal.

[www.businesslink.gov.uk/employ](http://www.businesslink.gov.uk/employ)

- **Tax** – In February, the Office of Tax Simplification (OTS) published recommendations on both technical and administrative simplifications to help the small business sector deal more easily with their tax obligations. OTS recommended a series of practical changes to the way the system runs to help businesses with their everyday tax affairs, to improve the relationships between HMRC and the small business community and to give businesses more certainty about their tax affairs. It is now down to Parliament and HMRC to drive through the necessary changes.

[www.hm-treasury.gov.uk/ots\\_smallbusinessreview.htm](http://www.hm-treasury.gov.uk/ots_smallbusinessreview.htm)

## Grassroots Enterprise

Local Enterprise Partnerships (LEPs) and Enterprise Zones are recent additions to the enterprise landscape and will bring grassroots support to businesses and local economic development.

LEPs are private sector led locally-owned partnerships bringing together all resources in a specific economic area: consisting principally of local authorities and businesses, but also including education and transport. There are now 24 Enterprise Zones in these designated LEP areas which provide a supportive environment for creating businesses and jobs through simplified planning rules, super-fast broadband and tax breaks for new businesses.

I believe the strength of these areas and partnerships lies in their close proximity to local people and their business ideas. The absence of local support coordinated in a connected and knowledgeable way is a gap that LEPs could usefully fill. Some LEPs are already doing this in a way that is visible to SMEs and I would encourage more to follow. If LEPs can get this role right, they can become the best informants on what small businesses need and how Government and others can support them. The LEPs are found at [www.lepnetwork.org.uk](http://www.lepnetwork.org.uk).

### ***What might LEPs and Enterprise Zones do?***

Many Zones (including the Marches, Greater Cambridge & Peterborough and New Anglia) are developing plans to offer bespoke incubator space for small businesses (fully equipped including telephone lines, internet connections, security and insurance).

Some LEPs are looking to use the planning system to support start-ups; for example Birmingham is drafting 'change of use' local development orders that will benefit start-ups and new businesses.

Harlow Enterprise Hub, close to the Harlow Enterprise Zone, is able to provide business support and start-up advice to those wishing to locate in the Zone; and both employment and business start-up opportunities will be actively promoted by Harlow Council and its partners, including Jobcentre Plus.

# BUSINESS TO BUSINESS HELP

The onus for providing small business support should not be on public funds alone. There are very good reasons why corporates and other businesses should seek to support SMEs for motives that extend beyond corporate social responsibility.

This is about seeding commercial relationships with entrepreneurs and start-ups which can offer business opportunities and commercial returns for both the corporate business and the small business. This can be by nurturing a small firm as a potential customer in the future or gaining access to the small business's innovative products and services. Leading brands also place a commercial value on the goodwill of existing customers who want to buy from a corporate with enterprise credentials.

## How Can Private Sector Business Help Small Firms?

This can be through general programmes of support to help start-ups to develop their businesses and build their capacity. Examples include Shell LiveWire which targets enterprise support for people aged 16–30 ([www.shell-livewire.org](http://www.shell-livewire.org)), the Cisco-led BIG (British Innovation Gateway) to help high-tech industries and nurture innovation through awards, innovation centres and a national virtual incubator

([www.ciscobig.co.uk](http://www.ciscobig.co.uk)), and Ernst and Young's Accelerate initiative to help young business leaders with a thorough programme of free business workshops.

There are other specific ways big business is helping start-ups and small business:

### **Incubation Space**

Start-ups and growing businesses can benefit from programmes with corporate brands that offer incubation space and resources. For instance Google Campus London offers seven floors of flexible work spaces, free high-speed internet and support to fuel new business ideas. Similarly, the O2 Workspace at the O2 shop on Tottenham Court Road, London offers 4,500 square feet of workspace to local entrepreneurs and small businesses along with expert advice, free WiFi and networking events and seminars.

**Telefonica** has invested £150 million in a network of Wayra start-up Academies across the globe (with the most recent launched in London). Wayra offers project management support, tech support, work space and funding to innovative early stage technology startups. In return, the SME offers an equity stake of 10%, as well as the first rights on investing in any of the companies after the incubation period ends, plus the first right to market. However, there is no demand for exclusivity.





“ The businesses we support through Wayra are highly innovative and they are coming up with the products and services that our customers will be buying. We launched this ambitious programme because we want to see enterprise thrive across Europe but we also benefit from working alongside talented and nimble entrepreneurs. ”

– Simon Devonshire, Director of Wayra in Europe

[www.wayra.org/en](http://www.wayra.org/en)

These are useful examples to encourage more corporate sector businesses to step up to provide space and facilities to SMEs. One incentive may be eligibility for business rate relief through qualification for charity relief. For this to apply, buildings and facilities must be operated by a charity, or trustee for a charity, and the premises mainly used for charitable purposes. In these circumstances the ratepayer receives an 80% mandatory relief. Local authorities can then choose to top that up by the extra 20% to 100% using its discretionary powers and in line with its support for business growth in its area.

### ***Access to Customers and Capital***

Brands such as John Lewis have invited start-ups and small business owners to take part in pitching days that reward ‘winners’ with shelf space and access to thousands of potential customers. Boots runs an ‘Innovation needs’ programme which invites entrepreneurs to submit ideas for new innovations that meet Boots’ customer demands. If an innovation proposal appeals to Boots they will work in collaboration with the entrepreneur to develop and commercialise the idea from concept to product development and sales.

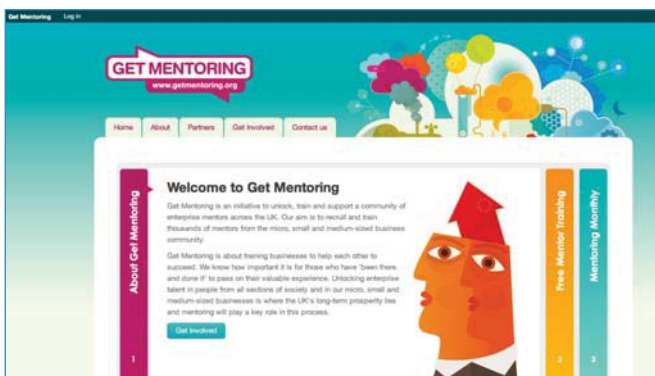
There are also good examples where big businesses are making significant funds available to small business. Outsourced provider, MITIE, has offered £10 million to companies that have ideas which appeal to the group; Orange has a ‘different business’ competition for a new company to win £200,000 worth of services and cash. This follows on the heels of Barclays’ £300,000 plus giveaway in 2011 which saw winners from six regions win £50,000 prize money and national profile in the Take One Small Step competition.

## For more information

- Boots Innovation needs | [www.bootsinnovation.com/innovationneeds.asp](http://www.bootsinnovation.com/innovationneeds.asp)
- Orange different business competition | [www.winyourbusiness.com](http://www.winyourbusiness.com)
- MITIE Millions | [www.mitie.com/entrepreneurs\\_mitie-millions-pitching-event](http://www.mitie.com/entrepreneurs_mitie-millions-pitching-event)
- Barclays Take One Small Step competition | <http://www.barclays.co.uk/TakeOneSmallStep/TakeOneSmallStepCompetition/P1242586676364>

## Mentoring

Mentoring traditionally involves an experienced corporate mentor spending a valuable amount of time with a small firm. Government is right to recognise that SME owners are also highly receptive to advice by like-minded business people of similar business experience.



To encourage the establishment of a wider network of mentors, Government is supporting the Get Mentoring programme ([www.getmentoring.org](http://www.getmentoring.org)), which recruits and trains volunteer business mentors from the SME community.

[Mentorsme.co.uk](http://Mentorsme.co.uk) sits alongside this

initiative, providing the hosting of the mentoring organisations with whom the mentors work. The demand for these mentors will become an increasing priority as the StartUp Loan takes effect.

## Public and Private Sector Collaboration

Government is also learning that partnerships with the private sector can support small business.

As well as putting in place the right support to help SMEs, Government needs to ensure that it promotes awareness of these schemes to the right people, at the right time. The 'Business in You' campaign is a partnership between private enterprise and Government, using channels like social media and mainstream advertising to inspire people to start and grow their own business.

**A face of 'Business in You'** showcases real-life entrepreneurs who are thriving despite the current economic situation. Jamal Edwards started SB.TV at the age of just 16 with a video camera he got for Christmas. Jamal filmed MCs on estates around London and uploaded them to YouTube.



Six years on, his YouTube channel has over 87 million views and 150,000 subscribers. It is seen as one of UK's biggest youth channels offering broadcasting, production, editorial services, merchandise and live events.

[www.businessinyou.bis.gov.uk](http://www.businessinyou.bis.gov.uk)

Launched in March 2011, **StartUp Britain** is a private sector campaign founded by eight business owners with the aim to encourage more people to start a business and support existing businesses to grow. With the support of lead brand sponsors AXA, PayPal, Dell, Intel and Intuit, the campaign has hosted industry weeks, provided mentoring, been on a national tour on the StartUp Britain bus loaded with experts and entrepreneurs, recruited over 75 StartUp Local champions, developed an online marketplace of offers and inspired thousands of people to turn their dream into business reality. The campaign receives strong support from government and the founders remain driven in their vision to create the most entrepreneurial country on earth.

[www.startupbritain.org](http://www.startupbritain.org)

Government is also seeking to deliver specific objectives to address SMEs' needs through private sector partners. One example is where finance providers and advisers have pointed to a shortage of good quality propositions and to issues about the preparedness of small businesses to attract the finance they seek. A campaign initiated by Government has brought together business representative bodies, accountancy organisations and the British Bankers' Association to increase businesses' 'finance fitness' through awareness of the information and advice available to them in key areas of finance and business management.

**The Institute of Chartered Accountants in England and Wales (ICAEW)** and its members are active collaborators in this campaign. ICAEW provides a Business Advice Service, which offers free advice sessions to businesses in over 3,000 locations across the country. ICAEW accountants can offer guidance on topics from finding finance, dealing with regulation and export planning.

[www.businessadvice.service.com](http://www.businessadvice.service.com)

# SUPPLYING THE PUBLIC SECTOR

Imagine if “*nobody ever got fired for buying from a small business*” became the new mantra for all public procurement. A public sector marketplace where SMEs were routinely considered as the front runners for supplying goods and services, and where flexibility, stellar service and value for money were purchasers’ key requirements. I believe we can fulfil this ambition, but much more needs to be done.

All of Government Accounts indicate that the whole public sector spends £230 billion on goods and services a year – roughly 15% of the UK economy – and £1 for every £7 spent in Britain.<sup>36</sup> However, when it has come to bidding for this work SMEs have been historically shut out.

Bureaucratic, complex and costly procurement practices alongside a tendency for large scale aggregated contracts have invariably favoured the big suppliers – a lost opportunity to contract with some of the most competitive and innovative small suppliers. To put this into perspective, in 2010 SMEs were accounting for almost 50% of private sector turnover in the UK economy<sup>37</sup> but were winning little more than 6.5% of the value of central Government’s direct procurement spend.<sup>38</sup>

## Central Government Procurement

Government is compelled to re-think its procurement approach. The drive to reduce the deficit means that public resources are scarcer, necessitating all parts of the public sector to spend their cash better. This requires a far greater determination to open up competition to suppliers that can offer innovation and best value for money.

**£230**  
b i l l i o n

Value of Government procurement of goods and services a year.

In February 2011 Government set itself the challenge to get 25% of central Government procurement spend going to SMEs by the end of this Parliament – a significant test given historical small business share, and one on which SMEs must hold this Government to account. The central Government approach has been two-fold.

### **Visibility and access for SMEs to compete by:**

- All contracts above £10,000 are now advertised on Contracts Finder

- The elimination of Pre-Qualification Questionnaires (PQQ) for procurement of goods and services below £100,000.
- Above £100,000, and where they are still used, the PQQ template has been standardised and streamlined so that suppliers know what to expect and what information is required..

The **Contracts Finder** website now gives businesses a single place to survey everything on offer from Government and has 97,000 viewings per week. Latest figures show that over a third of all contracts posted have been awarded to SMEs.

[www.contractsfinder.businesslink.gov.uk](http://www.contractsfinder.businesslink.gov.uk)

**Accountability and transparency** through a new Mystery Shopper service for suppliers to hold public procurers to account. 200 cases of poor procurement practice have been investigated to date and in 75% of cases the outcome has resulted in a positive intervention to change future procurement practice. The results of these investigations are published online.<sup>39</sup>

These interventions have delivered real progress – central Government’s direct spend with SMEs is on track to double since 2010 from 6.5% to 13.7%. Or in pounds, a leap from £3billion to £6billion – at a time when overall spending on goods and services is on track to reduce by 14%.<sup>40</sup>

The **G Cloud Framework** was launched in February 2011 and revolutionises the purchasing, management and delivery of public sector IT services and the way suppliers, particularly SMEs, work with Government. Buyers are now able to purchase “tried and tested” IT services

from CloudStore on a “pay-as-you-go” basis. CloudStore comprises 260 suppliers, 70% of which are SMES, delivering around 1,700 services. CloudStore enables competition through transparency, allowing buyers to compare services and suppliers to make fully informed purchasing decisions.

[gcloud.civilservice.gov.uk](http://gcloud.civilservice.gov.uk)

**Redfern Travel Limited** was awarded a four-year contract in November 2011 to deliver national travel services to Government. Government Procurement Service recognised the efficiencies to be gained by aggregating spend from 17 Central Government Departments (and in the region of 600 Arm’s Length Bodies) with similar travel requirements and by breaking down their requirements into two lots for national and international travel. Redfern’s innovative online delivery approach and low cost base meant they could deliver a high quality service significantly cheaper than the next best bidder.

[www.redfern-travel.com](http://www.redfern-travel.com)



### What next?

Government needs to redouble its efforts if it is to build on this progress and demonstrate that Whitehall procurement business is open to a greater diversity of small firm suppliers. I am fully behind Government’s next steps:

- **Bite-sized procurement** – Contract size is one of the greatest impediments to SMEs winning work. In future, Government IT contracts will be more flexible, starting with two areas (application software and infrastructure IT). The Government is introducing set breakpoints in IT contracts so there is less money locked into large lengthy contracts. This approach will extend to other parts of Government procurement on a sector specific basis and where it can drive greater value for money.
- **Improving supply chain participation from SMEs** – Nine big public procurement suppliers have agreed to, where appropriate, advertise their sub-contracting opportunities on Contracts Finder. SMEs should expect more to follow.
- **Better dialogue between Government and smaller businesses** – A new online tool will help buyers to engage with SMEs about emerging opportunities in advance of a formal procurement.
- **Prompter payment for SMEs** – Right now it's not unusual for SMEs in the supply chain to have to wait up to 100 days to receive payment for their work. The Highways Agency has successfully piloted Project Bank Accounts in a number of their major construction projects. These electronic bank accounts pay subcontractors at the same time as prime contractors. Similar initiatives to speed up payment will be extended to other areas of government procurement.
- **Quicker and simpler procurement** – Public sector procurement practices are notoriously costly, complex and time-consuming. Progress has been made at stripping away bureaucracy and Government is now committed to

getting all but the most complex procurement turnarounds – from when the requirement is formally advertised to contract award – to within 120 working days across Government, a 40% reduction.

- **Considering social value** – The new Public Services (Social Value) Act will place a legal obligation on Government commissioners to consider the social and environmental wellbeing of the services they are looking to procure before the start of the formal procurement process. This will help open the door for SMEs and social enterprises when the procurement strategy is set.

## Local Government Procurement

Local authorities are responsible for around £62 billion of spending a year on procurement, including social care and adult learning. SMEs like social enterprises and other Third Sector organisations are active suppliers of local provision.

Typically, a council might contract 60% or even more of its business to small firms but it should not be unreasonable to expect SMEs to be the dominant suppliers of local goods and services – they operate in all parts of the country and are well placed to deliver local solutions to local needs.

There are many examples of excellent practice amongst local authorities using the principles of pre-procurement dialogue with suppliers and clear visibility of contract opportunities through local purchasing portals alongside their use of Contract Finder.

**Dudley MBC** specifically seeks to support SMEs and the Voluntary Sector through its procurement practice, which includes clear guidance on their website. They have also published a Forward Procurement Plan detailing all major Council contracts over the next few years. To further support and engage with a wide range of sectors, they are working on a separate plan aimed specifically at the voluntary and third sectors.

[www.dudley.gov.uk/business/tenders-and-contracts/forward-procurement-plan](http://www.dudley.gov.uk/business/tenders-and-contracts/forward-procurement-plan)

Despite a high volume of Council contracts awarded to SMEs and Local Government's positive intent to support local enterprise, there remains a perception, *and in some cases a reality*, that local authorities are

“ The Government has made an effort to raise awareness in the public sector that Britain's entrepreneurs and small businesses are willing and able business partners.

“ But clearly more must be done. While central government has raised its game, without a true culture change across the public sector as a whole the Government's initiatives will have little impact. ”<sup>41</sup>

– John Walker, National Chairman,  
Federation of Small Businesses

too difficult to do business with. It is the single most frequent criticism I hear from my engagements with SMEs and their advisers about Government.

SMEs can and do win local authority contracts, however, the Local Government Association (LGA) agrees with me that there should be a more powerful signal from councils that they are “open for business”. To support this, the LGA have promoted to councils that they can remove PQQ below £100,000 and agree a standard PQQ approach when procurement exceeds this threshold.

I see no justification for imposing onerous PQQ practices on SME bidders. Very simply, why should an SME bidder have to fill out dozens of questionnaire pages several times over to be able to compete for procurements across neighbouring authorities? And why should those questionnaires, similar to the advice in Annex B, stipulate compliance with an authority's wider political objectives when the nature of the procurement is a simple commercial transaction?

The LGA has also agreed that it will use its influence to challenge and support Councils to remove superfluous PQQ practices. Their Chairman, Sir Merrick Cockell, has written to all councils urging them to dispense with the use of PQQs for lower value contracts. Feedback from a small sample of councils indicates that 42% have done so or are about to do so and I expect LGA to expand this survey and monitor and publish results going forward so that SME suppliers can judge the pace of change for themselves.

The LGA have also agreed to highlight good practice as this will enable local authorities to learn from their peers who deem PQQ unnecessary and apply

pressure on Council leaders when continued use of PQQ impedes SMEs from competing for and winning contracts.

Another way local authorities can be held to account is by applying pressure directly from business and their representatives. The Federation of Small Business is taking a lead by carrying out a survey of local authorities to ascertain how they spend their money, in particular in relation to small businesses. I would like these results to be published and to act as a benchmark for measuring Councils' procurement activity with small suppliers.

I would also expect a key role for LEPs in this area. As partnerships between Local Councils and private business and as champions for small enterprise, LEPs are ideally placed to scrutinise how Local Government procures its goods and services and act as a strong voice to improve the way purchasers engage and contract SMEs at the local level.

## Busting the Myths

For too long SMEs' ability to win contracts has been constrained by the perception and reality of barriers which discourage and prevent small firms from competing successfully for public sector business. A first course of action is to put the record straight.

**Myth – I can't talk to the public sector about their future contract requirements as it is illegal under procurement law.** It is legal for buyers to openly talk to suppliers before procurements commence; it makes commercial sense to do so.

**Myth – Unless I have three years of audited accounts I can't compete for public sector contracts.** You may be required to demonstrate your financial status but you can do this by any means.

**Myth – My bid can be rejected simply because it does not meet a pre-determined turnover limit.** Buyers should assess your financial status on a range of measures and not just on turnover alone.

**Myth – Buyers can reject my bid if I do not already have the required insurances or bank guarantees in place.** Having the necessary insurance and guarantees should be a condition of winning, rather than competing for, a contract.

**Myth – I must have three case studies of previous contracts with the public sector that demonstrate my capability.** Your bid should be evaluated on the overall level of your capability, not by how many case studies you can provide or whom they were with.





# Acknowledgements

I would like to acknowledge the enthusiastic help that I have received from the many people and organisations listed in this report: and the even greater help and advice from those with whom I worked and whom convention dictates that I cannot name. Needless to say the mistakes are mine alone and although I would like to take personal credit for any good idea contained in the report it is a collective effort of many contributors.



# Notes

<sup>1</sup> Source: Bolton J.E. (Chairman), Small Firms: Report of the committee of Inquiry on Small firms (1971)

<sup>2</sup> Source: Bolton J.E. (Chairman), Small Firms: Report of the committee of Inquiry on Small firms (1971), p. 85

<sup>3</sup> Source: BIS Business Population Estimates for the UK and the Regions 2011.

[www.bis.gov.uk/analysis/statistics/business-population-estimates](http://www.bis.gov.uk/analysis/statistics/business-population-estimates)

<sup>4</sup> Source: BIS Business Population Estimates for the UK and the Regions 2011. NB: Figures are estimated. SMEs had turnover of just under £1,500 billion – this accounts for 48.8% of the total turnover in the UK private sector. SMEs employ 13.8 million – 58.8% of the total private sector workforce. NB: turnover figure excludes financial services sector.

<sup>5</sup> Source: ONS Labour Market Statistics, April 2012. [www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-222487](http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-222487)

<sup>6</sup> Source: Companies House data.

<sup>7</sup> Source: BIS Business Population Estimates for the UK and the Regions 2011.

[www.bis.gov.uk/analysis/statistics/business-population-estimates](http://www.bis.gov.uk/analysis/statistics/business-population-estimates)

<sup>8</sup> Source: Barclays Bank estimates and ONS GDP estimates.

<sup>9</sup> Source: BIS Business Population Estimates for the UK and the Regions 2011.

[www.bis.gov.uk/analysis/statistics/business-population-estimates](http://www.bis.gov.uk/analysis/statistics/business-population-estimates)

<sup>10</sup> Source: ONS Labour Market Statistics, April 2012. [www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-222487](http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-222487) Newly self-employed are those who started their spell of self-employment within the three months.

<sup>11</sup> Source: The International Bank for Reconstruction and Development / The World Bank, Doing Business (2012), p. 6. [www.doingbusiness.org/ /media/FPDKM/Doing%20Business/Documents/Annual-Reports/English/DB12-FullReport.pdf](http://www.doingbusiness.org/ /media/FPDKM/Doing%20Business/Documents/Annual-Reports/English/DB12-FullReport.pdf)

<sup>12</sup> Source: OECD Indicators of Product Market Regulation (2008 edition), p. 13. [www.oecd.org/dataoecd/29/41/42779045.pdf](http://www.oecd.org/dataoecd/29/41/42779045.pdf)

<sup>13</sup> Source: The International Bank for Reconstruction and Development / The World Bank, Doing Business (2012)

<sup>14</sup> Source: GEM UK 2010 report,

[www.strath.ac.uk/media/departments/huntercentre/research/gem/GEM\\_UK\\_2010.pdf](http://www.strath.ac.uk/media/departments/huntercentre/research/gem/GEM_UK_2010.pdf)

<sup>15</sup> Source: BIS ED analysis of UK data from ONS Population Estimates and BIS SME Statistics and of US data from US Census Bureau Population Estimates and Small Business Administration data.

- <sup>16</sup> Source: GEM UK 2010 report, [www.strath.ac.uk/media/departments/huntercentre/research/gem/GEM\\_UK\\_2010.pdf](http://www.strath.ac.uk/media/departments/huntercentre/research/gem/GEM_UK_2010.pdf), p 12.
- <sup>17</sup> Department for Business, Innovation and Skills (2007) 'Household Survey of Entrepreneurship', [www.biz-mag.co.uk/pdf/berr-survey.pdf](http://www.biz-mag.co.uk/pdf/berr-survey.pdf)
- <sup>18</sup> Source: BIS ED analysis of UK data from ONS Population Estimates, BIS SME Statistics & BIS Small Business Survey and of US data from US Census Bureau Population Estimates and Small Business Administration data & Center for Women's Business Research.
- <sup>19</sup> Source: BIS ED analysis of ONS Labour Force Survey 2011.
- <sup>20</sup> Source: Global Entrepreneurship Monitor Survey (GEM) analysis contained in *All Party Parliamentary Small Business Group Inquiry into the Role of Entrepreneurs in Driving Economic Growth*. [prime.org.uk/2012/01/prime-submits-evidence-for-a-policy-framework-for-over-50s](http://prime.org.uk/2012/01/prime-submits-evidence-for-a-policy-framework-for-over-50s)
- <sup>21</sup> Source: ONS Labour Market Statistics, April 2012. [www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-222487](http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-222487)
- <sup>22</sup> Source: ONS Labour Market Statistics, April 2012. [www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-222487](http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-222487)
- <sup>23</sup> Source: Quantitative Survey of Schools quoted in DFE Research Report, Evaluation of Enterprise Education in England, May 2010. [www.education.gov.uk/publications/eOrderingDownload/DFE-RR015.pdf](http://www.education.gov.uk/publications/eOrderingDownload/DFE-RR015.pdf)
- <sup>24</sup> Source: Prince's Trust data.
- <sup>25</sup> Source: BIS ED analysis of ONS Annual Population Survey, 2010.
- <sup>26</sup> Source: UKBI website [www.ukbi.co.uk/resources/business-incubation.aspx](http://www.ukbi.co.uk/resources/business-incubation.aspx)
- <sup>27</sup> Source: BIS ED analysis of the BIS Annual Small Business Survey 2006/07, Annual Small Business Survey 2007/08 and Small Business Survey 2010. [www.bis.gov.uk/assets/biscore/enterprise/docs/e/11-1077-estimates-women-ethnic-minority-led-social-enterprises-in-uk.pdf](http://www.bis.gov.uk/assets/biscore/enterprise/docs/e/11-1077-estimates-women-ethnic-minority-led-social-enterprises-in-uk.pdf)
- <sup>28</sup> Source: State of social enterprise, 2009 in figure 14 of Social Enterprise UK, Fight back Britain – A report on the State of Social Enterprise Survey 2011. [www.socialenterprise.org.uk/uploads/editor/files/Publications/Fightback\\_Britain.pdf](http://www.socialenterprise.org.uk/uploads/editor/files/Publications/Fightback_Britain.pdf)
- <sup>29</sup> Source: BIS Feb 2009 SME business Barometer in figure 14 of Social Enterprise UK, Fight back Britain – A report on the State of Social Enterprise Survey 2011. [www.socialenterprise.org.uk/uploads/editor/files/Publications/Fightback\\_Britain.pdf](http://www.socialenterprise.org.uk/uploads/editor/files/Publications/Fightback_Britain.pdf)
- <sup>30</sup> Figures taken from funds under the management oversight of BIS's SME finance arm – Capital for Enterprise Ltd. [www.capitalforenterprise.gov.uk](http://www.capitalforenterprise.gov.uk)
- <sup>31</sup> Community Development Finance Association CDFI Annual Report data since 2004
- <sup>32</sup> Source: Asset Based Finance Association [www.abfa.org.uk/statistics/ABFAStatsQ42011.pdf](http://www.abfa.org.uk/statistics/ABFAStatsQ42011.pdf)
- <sup>33</sup> Source: Durham Business School 'Solutions for Business Cross-product Monitoring Survey' (2010)
- <sup>34</sup> Common Sense Common Safety, October 2010 [www.number10.gov.uk/wp-content/uploads/402906\\_CommonSense\\_acc.pdf](http://www.number10.gov.uk/wp-content/uploads/402906_CommonSense_acc.pdf)
- <sup>35</sup> Source: Cabinet Office figures.
- <sup>36</sup> Source: Cabinet Office website, [procurement.cabinetoffice.gov.uk/sme-growth-agenda.php](http://procurement.cabinetoffice.gov.uk/sme-growth-agenda.php)
- <sup>37</sup> Source: BIS Business Population Estimates for the UK and the Regions 2011. [www.bis.gov.uk/analysis/statistics/business-population-estimates](http://www.bis.gov.uk/analysis/statistics/business-population-estimates)
- <sup>38</sup> Source: Cabinet Office; Making Government business more accessible to SMEs – One Year On. [update.cabinetoffice.gov.uk/resource-library/mystery-shopper-results](http://update.cabinetoffice.gov.uk/resource-library/mystery-shopper-results)
- <sup>39</sup> [update.cabinetoffice.gov.uk/resource-library/mystery-shopper-results](http://update.cabinetoffice.gov.uk/resource-library/mystery-shopper-results)
- <sup>40</sup> Source: Cabinet Office; Making Government business more accessible to SMEs – One Year On.
- <sup>41</sup> FSB News Release, Tuesday 1 May 2012, "Small firms losing battle for public sector work".

# Annex A: Meetings and Engagements

1. ACAS – Advisory, Conciliation and Arbitration Service
2. Angel Capital
3. BiZSpace
4. BRE
5. British Bankers’ Association
6. British Business Angels Association
7. British Chambers of Commerce
8. Business Centre Association
9. Business Growth Fund
10. Capital Enterprise
11. Chartered Institute of Taxation
12. Community Development Finance Association
13. Crowdcube
14. Enterprise Nation
15. Federation of Small Business
16. Forum for Private Business
17. FSE Group
18. Funding Circle
19. Gazelle Group
20. Hamilton Bradshaw
21. Homes and Communities Agency
22. The Institute of Chartered Accountants in England and Wales (ICAEW)
23. Institute of Directors
24. Lloyds Bank
25. Local Government Association
26. Market Invoice
27. North Hertfordshire College
28. Office of Tax Simplification
29. People Fund It
30. Plymouth University
31. PNE Group
32. Princes Trust
33. Professor Tim Wilson
34. Regulatory Policy Committee
35. Rothschild
36. Santander
37. School for Start-Ups
38. Seedrs
39. Social Enterprise – University Enterprise Network (SE-UEN)
40. StartUp Britain
41. Surrey Entrepreneurs
42. The Small Business Consultancy CIC
43. Young Enterprise

As well as the above organisations, Lord Young met with Government ministers, executive agencies and policy officials across Government Departments as well as MPs and business owners.

# Annex B:

## An example of a letter from one English council about meeting conditions for procurement

22 September 2011

Dear

**Equalities and Cohesion Charter**

Thank you for your expression of interest and submitting your Pre-qualification Questionnaire for

The Council would like all of its providers and potential providers to sign up to the Strategic Partnership Equality and Cohesion Charter (in addition to any Equality's Policies that you may have). The Charter formally sets out the Council's general commitment to equality and community cohesion. It also sets out a specific commitment to reduce inequalities in the borough through the implementation of the Sustainable Community Strategy.

I attach a copy of the Charter and ask that you indicate your organisation's agreement. You can do this by signing, dating it and returning it to us at your earliest convenience (either by post or by email).

Yours faithfully,

Procurement Assistant  
Council

## **EQUALITY & COHESION CHARTER FOR**

- 1. We recognise, respect and value                      diverse community.**
- 2. We shall promote good relationships between people of different backgrounds and lifestyles.**
- 3. We are committed to creating a borough where individuals are free from poverty, ignorance and conformity and are empowered to take responsibility and make a positive contribution.**
- 4. We are committed to identifying, understanding and responding to the different needs and experiences of our community, and in particular those of vulnerable individuals and communities represented within the "equality strands", like black and minority ethnic communities, asylum seekers and refugees, disabled people, older and young people, women faith communities, lesbian, gay, bisexual and transgender people.**
- 5. We acknowledge that individuals belong to more than one "group" and may have multiple identities and we shall take this into account in our work.**
- 6. We shall work in partnership to ensure that there is equality of opportunity and access and people are free to live the way they choose, provided that there is no detriment to others or to the wider society.**
- 7. We are committed to tackling discrimination and inequality in all the service areas for which we are responsible, including in our role as employers.**
- 8. We are committed to targeting our efforts to secure equitable outcomes when implementing our part of                      Sustainable Community Strategy.**

**I, the undersigned, do hereby declare that ..... supports  
Equality and Cohesion Charter**

**Name:**

**Signature:**

**Title:[preferably head of organisation]**

**Date:**







**MAKE BUSINESS  
YOUR BUSINESS**

**A GUIDE TO**

**STARTING  
AND DEVELOPING  
A NEW BUSINESS**



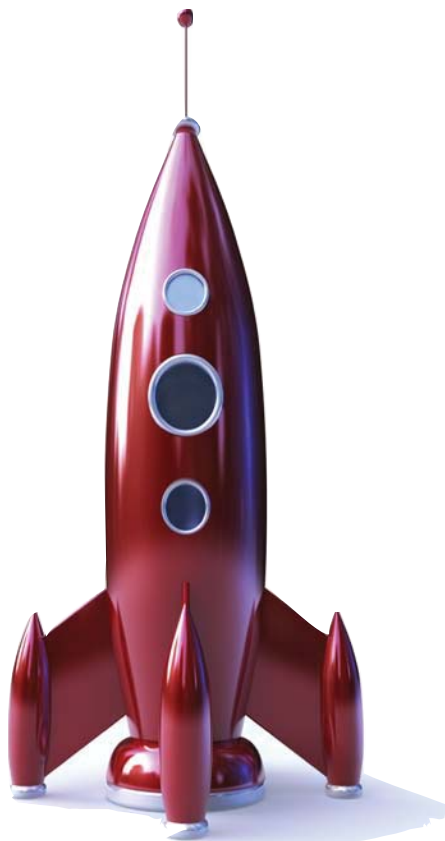
START

# A GREAT TIME TO START!

There has never been a better time to start a business. 2011/12 marked a record high for doing just that; over **450,000** people set up a company and became their own boss. This is your opportunity to join the 4.14 million self-employed people and the 4.5 million small businesses in the UK.

## THESE ARE ENTERPRISING TIMES

Students are turning their talent into a way of making a living whilst experienced professionals are opting for the freedom and flexibility that comes with self-employment. Mums are spotting gaps in the market and the over 50's are surging ahead when it comes to launching new ventures. No matter your age or standing, there is potential to turn a passion or skill from your professional or social life into a bright business idea. And by doing so embracing free and low-cost technology that enables you to sell to local markets and reach customers on a global scale.



*“ No matter your age or standing, there is potential to turn a passion or skill from your professional or social life into a bright business idea. ”*

# Easily said and easily done: 3 good reasons to start a business today:

- 1** *Low start-up costs* – most businesses can now start on a bootstrap of a budget and for less than £100. With a smartphone and business card in hand, you can make sales and set up operations with ease, and from home.
- 2** *Enabling technology* – social media platforms and trading sites offer start-ups a powerful route to market. Selling and promoting yourself online is affordable and achievable and successful businesses are being built on Facebook and promoted via Twitter, YouTube and LinkedIn, selling everything from morph suits to graphic design, financial services and artisan goods.
- 3** *High level of support* – when starting a business, you won't be alone! There is an abundance of support to help you start and grow, including:
  - public and private sector support – assisting with essentials like workspace, guidance and finance
  - corporate brands – who are opening up accelerators and their own retail outlets to help small businesses grow at speed
  - peers – other small business owners are on hand to deliver advice and expert mentoring

With all this on offer, can you resist the urge to become your own boss?! This guide will point you to the help and resources to make this happen and it comes complete with clips of companies who tell their story of success.

## SUCCESS STORIES



Head to <http://tinyurl.com/businessinyourstories> to see why and how they started and you could soon be following in their footsteps



## STEPS TO STARTING OUT

**W**hen starting out in business, there are important things to consider.

Ask yourself – is your idea a sound business proposition? Is there a market and demand for you to make sales and make a profit? Think about the cost and time elements of the business. Are you aiming for something innovative and niche and / or can your product or service match or beat your competition?

You don't need to know the answers immediately; you can make a plan and work on this whilst 'Working 5 to 9' - keeping hold of the day job, being a parent or studying by day and building the business at night and weekends. And you're not alone – there is plenty of guidance and support available to help you bring a business idea to life.

**My New Business** ([www.businesslink.gov.uk/mynewbusiness](http://www.businesslink.gov.uk/mynewbusiness)) is a comprehensive online resource which sets out, stage by stage, practical help for those interested in starting a business. The Start-up Learning Directory is a collection of resources featuring real-life examples, online tutorials, links to relevant websites and e-learning tools to help guide start-ups in key areas like: Developing a business idea; Creating a business plan; Customers, sales and marketing; Choosing the right business model and legal structure; Getting to grips with VAT, tax, IT and PAYE.



## 4 Top Tips

**1 Make a plan** – write a business plan that acts as your route map. The best business plans are simple and clear, addressing key areas like:

- Background on you, your team and its capabilities
- Your business idea and a description of your product and/or service
- Market assessment and opportunities for your business
- Costs, pricing and forecasts for sales and profit
- Investment strategy, i.e. what you need investment for and how these funds will be used

Head to [tinyurl.com/businesslinkplan](https://tinyurl.com/businesslinkplan) for a template.

**2 Make noise** – get to know the media that cover your industry and/or local area and send them good stories with top quality images. Make the most of social media to become known as an expert in your field and as free marketing. **Peoplefund.it** is an example of firms using a 'crowdsourcing' platform for individuals to pledge funds and offer feedback and support to get a business project off the ground through sales and marketing.

**3 Make sales** – target friends and family as customers and branch out from there. Price your product at a rate that's competitive and covers the cost of your time. Make sales at events, through local shops or online via your own website or other powerful sales platforms.

**4 Keep the business in balance** – try to spend a third of your time across three main activities; business development, customer care and admin. That way, both you and the business will stay in productive and profitable balance!

You don't have to register a company straightaway to be up and running and trading. If and when you do, Government is making it quicker, simpler and cheaper for small businesses to set up and operate. Here are three examples which may benefit you:

- Registering a company is a quick and inexpensive process – for £18 and in less than 24 hours using Companies House web incorporation service.
- Incorporation is only one part of setting up a company and Companies House has added an option to the incorporation service to allow customers to complete registration for Corporation Tax at the same time. Head to [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) and click 'Start a company'.
- When the time comes to employ and grow the team, **Taking on an employee** ([www.businesslink.gov.uk/employ](http://www.businesslink.gov.uk/employ)) provides employers with a single point of contact for a seamless and online employment process.



## SUPPORT ON OFFER

Whether you are looking for funds or recruiting an experienced helping hand, there's a wide range of support on offer.

### Space

The longer term ambition may be to secure a workshop or commercial premises but for now this might not be affordable or desirable as a start-up or a firm in its early stages.

### Home-Based Business

Your home may offer you your biggest business resource – join 55% of businesses that start from home and take advantage of reduced costs, no commute and the flexibility that comes with building a business around the family. Find out how to make homeworking work for you by downloading **The Home Business Guide** ([www.bis.gov.uk/home-business-guide](http://www.bis.gov.uk/home-business-guide)), which offers guidance on everything from home office layout to trading responsibly when it comes to insurance, business rates and health and safety.



### Incubators

If your business outgrows your home or working from home isn't practical, consider incubator space, co-working/enterprise hubs, and accelerators. These offer office and workshop facilities alongside support, advice and peer-to-peer learning to help businesses establish themselves.



Visit [www.startupbritain.org/spaces](http://www.startupbritain.org/spaces) to view the range of spaces and places that accommodate start-ups in your area to spur small business growth.

Here are some examples:

- Wayra | [www.wayra.org/en/wayra-uk-2012](http://www.wayra.org/en/wayra-uk-2012)
- Springboard | [www.springboard.com](http://www.springboard.com)
- Accelerator Academy | [www.acceleratoracademy.com](http://www.acceleratoracademy.com)

## CASE STUDY: RE-JIG

Carol Powell decided to start her business from home so she could be on hand for the family whilst earning a living. Re-jigged is now selling stylish clothing made from unwanted garments all over the UK and is creating employment for local mums too.



[http://youtu.be/9qdWG\\_h8fRQ](http://youtu.be/9qdWG_h8fRQ)



# FINDING FINANCE

There are several funding options available to help you start or run your business, and several ways to find it.

Try using **Finance Finder** and **Business Finance Explained** to understand and locate funding options and wider business support on offer. [www.improve.businesslink.gov.uk/resources](http://www.improve.businesslink.gov.uk/resources)  
And from June 2012 you can download Finance Finder as a free mobile app by searching for 'BL Support' in the App Store or Google Play.

*Business Finance for You* ([www.businessfinanceforyou.co.uk](http://www.businessfinanceforyou.co.uk)) enables businesses to identify sources of finance by region, sector or purpose. This is supported by **Better Business Finance** ([www.betterbusinessfinance.co.uk](http://www.betterbusinessfinance.co.uk)) which offers practical help, advice and tips to businesses seeking finance.

Other modest sources of funding are available from sources such as **Shell LiveWIRE** which give up to 4 x £1000 cash awards via the monthly Grand Ideas Awards [www.shell-livewire.org/awards](http://www.shell-livewire.org/awards)

**The Institute of Chartered Accountants in England and Wales (ICAEW)** and its members provide a Business Advice Service, which offers free advice to businesses in over 2,400 locations across the country. ICAEW accountants can offer guidance on topics from finding finance, dealing with regulation and export planning. [www.businessadviceservice.com](http://www.businessadviceservice.com)

If it's small amounts of credit you're after, microfinance providers like **Community Development Finance Institutions** can offer loans from a few hundred pounds up to £25,000 ([www.findingfinance.org.uk](http://www.findingfinance.org.uk)).

## The StartUp Loan Fund

There is also finance and support available to back young people with bright business ideas. Very often, young people have the drive and ambition to create a business but not the resources to make it happen because of a lack of credit history and track record. **The StartUp Loan Fund** is for those aged 18 to 24, offering loans of around £2,500 plus online training, business support and mentoring as an ideal route to get started in business. [www.startuploans.co.uk](http://www.startuploans.co.uk)

# START-UP LOANS

The section of Useful Links also provides contacts and organisations which can help young entrepreneurs to realise their enterprise ambition.

You may have heard of 'crowdfunding' or 'peer-to-peer lending' – fast-growing web platforms connecting lenders and investors with businesses that are looking for new and innovative ways to fund their business using quick and easy methods of transaction. There are several emerging players in this market specialising in areas like loans, equity and invoice financing. The **Next Generation Finance Consortium** ([www.ngfc.org.uk](http://www.ngfc.org.uk)) is one place where you can search and access these providers.



## Finding Funds

Here are some examples of online crowdfunding platforms offering finance to business:

- [www.crowdcube.com](http://www.crowdcube.com)
- [www.fundingcircle.com](http://www.fundingcircle.com)
- [www.growvc.com](http://www.growvc.com)
- [www.Marketinvoice.com](http://www.Marketinvoice.com)
- [www.platformblack.com](http://www.platformblack.com)
- [www.iwoca.co.uk](http://www.iwoca.co.uk)
- [www.seedrs.com](http://www.seedrs.com)
- [www.thincats.com](http://www.thincats.com)

**Kamm & Sons**, the brand behind a unique ginseng-based alcoholic spirit, has successfully raised capital to ensure the next stage of its expansion. Developed over the last five years by ex-bartender, author and drinks expert Alex Kammerling, the firm has secured funding from 85 'armchair' investors through the equity crowdfunding website, **Crowdcube**. In return for 23% of the business, Kamm & Sons raised £180,000 to fund its expansion plans.

"We initially approached the high street lenders with our business plan in the hope of raising enough capital to move our project forward and grow the business," says Alex. "With banks demanding interest rates of more than 15%, we decided to look elsewhere. Crowdcube offered us a totally unique way to secure the funding we needed. It allowed us to engage with ordinary people who we believe recognise exciting new investment opportunities."



# CASE STUDY: BLACK TOMATO

For Tom Marchant and James Merrett, it was a small government-backed loan in 2008 that made the difference to launching their venture, Black Tomato, which has grown 75% year on year.



<http://youtu.be/4NJAOtT3DPo>

## Helping hands

Large corporates and other businesses are actively seeking to support small businesses in a range of ways – like offers of space, mentoring and access to customers and capital – because they recognise that firms like yours can be customers for them in the future and the products and services you offer could be solutions to their business needs. Brands like Orange, Boots, Google, John Lewis and many others are running competitions and offering their services and support to entrepreneurs and small start-ups. **Why not search the websites of corporate firms that buy or supply products and services related to your business and see how they might work with a small firm like you?**

## The might of millions

Consider accessing start-up funding from private sector projects such as MITIE Millions ([www.mitie.com/entrepreneurs\\_mitie-millions-pitching-event](http://www.mitie.com/entrepreneurs_mitie-millions-pitching-event)) which has £5 million to invest in companies that have ideas which appeal to the group. Or, the Wayra accelerator ([wayra.org/en/wayra-uk-call-2012](http://wayra.org/en/wayra-uk-call-2012)) which offers capital, space and support to companies with products relevant to 300 million plus Telefonica customers.



Business mentors spend a small amount of valuable time with small firms to provide them with experience and tailored help for their business. **Mentorsme** is an, easy-to-use search engine providing access to around 80 organisations that offer mentor services and 15,000 mentors. Businesses can refine their searches according to the life stage of their business and their location. [www.mentorsme.co.uk](http://www.mentorsme.co.uk)

Small business managers can gain access to tools to teach them how to use the web to develop their business in areas like marketing, sales and managing back office functions. **Web Fuelled Business** provides this to enable small firms to have global and local reach and increase their productivity. [www.businesslink.gov.uk/webfuelled](http://www.businesslink.gov.uk/webfuelled)

## Doing well by doing good

**Have you considered social enterprise as your business model?** A social enterprise is a business that trades for a social and/or environmental purpose – and all profits are reinvested towards achieving that social purpose. You may be familiar with household brands like Big Issue and Cafédirect and these are underpinned by thousands of new and well established social enterprises based in all parts of the country.

**Or what about a public sector 'spin out'?** Mutualisation can give public sector workers the autonomy and control to do what they do best – the freedom to innovate and improve the services that they run by forming their own organisation, often as a small business or social enterprise. **The Mutuels Information Service (MIS)** website gives information on the process and guidance for becoming a mutual.

Interested? See the Useful Contacts section for links to more information.

**Beyond Youth (BY)** was launched in 2004 and delivers highly successful intensive group-based interventions through their specialist and unique Chance 2 Change project for young offenders and those at risk of offending aged 14-25. The programme reduces reoffending amongst those referred, increases life chances and produces significant cost savings to society. BY increase the emotional intelligence of all those referred to enable them to make better life choices.

BY are developing a franchise model to be rolled out nationally across the prison estate. The long term goal is for Chance 2 Change to be the standard intervention across prisons, youth offending teams and pupil referral units.

[www.beyondyouth.org.uk](http://www.beyondyouth.org.uk)



Search for 'Business in You' and 'Start Up Britain' for more inspiration, information and advice about starting and developing a business.

## IMPROVE AND GROW

**Y**ou are up and running and your focus has been to build up sales, keep in profit and do well. You may also be considering how to develop the business and build for future growth.

**The Growth and Improvement Service** ([www.businesslink.gov.uk/improve](http://www.businesslink.gov.uk/improve)) helps businesses with ambitions to improve and grow through straightforward and practical guidance addressing key areas like: finance and improving cash flow; marketing; recruiting and training staff; winning new customers and planning for growth. Firms can then access support and opportunities in specific areas and stages of their development.

### Exporting

Some business may be 'born global', in other words created with overseas trading in mind, while others will develop their capacity and domestic business before venturing into export trade. Either way, help is at hand.

Businesses can receive enquiries from potential overseas customers from day one. UK Trade & Investment supports many thousands of companies each year, and has locally-based trade advisers, helping companies to take their first order and start building an international business. [www.ukti.gov.uk/export](http://www.ukti.gov.uk/export)



# CASE STUDY: HUDDLE

Alastair Mitchell received help from UKTI to attend a fair in the US that successfully launched his business, Huddle, into a market that now makes up for a significant proportion of company sales. And there are plans to open a Boston office.



<http://youtu.be/jUFoOAU17Bw>



## Customers for You

'The Public Sector is Open for Business' – Government spends £230 billion per year across a range of goods and services. The **Contracts Finder** website ([www.contractsfinder.businesslink.gov.uk](http://www.contractsfinder.businesslink.gov.uk)) gives businesses a single place to survey everything on offer from Government and has 97,000 viewings per week.

And from now on, some of the public sector's biggest prime contractors will be using Contracts Finder to post subcontracting opportunities for smaller suppliers.

# CASE STUDY: PUBLIC PROCUREMENT

Redfern secured a four-year contract with central government in November 2011 with one of the key factors in their success being Redfern's innovative online delivery approach. Watch this video for the Government's approach to contracting with SMEs.



<http://vimeo.com/38233741>



## In good supply

HP is the UK's largest IT company and as part of a small business commitment launched in January 2012, the company has targeted an increase in its use of small business suppliers from 600 to 750 by the end of 2013. To enable this, HP has set up an online registration ([www.hp.com/go/supplierdiversity](http://www.hp.com/go/supplierdiversity)) and will run bootcamp events for approved small business suppliers to network with HP and its customers, offering yet further exposure and opportunities.



## Support for Manufacturers

**Manufacturing Advisory Service (MAS)** ([www.mymas.org](http://www.mymas.org)) can help small and medium-sized manufacturers in England to improve productivity and develop advanced manufacturing capabilities. Your local MAS Advisor can work with you at a strategic level to create business and product strategies, reduce waste and maximise profitability in your own business and in your supply chains. Many of the services are free and supplemented by grant funding.

## High growth

**Growth Accelerator** ([www.growthaccelerator.com](http://www.growthaccelerator.com)) is a new programme that is designed to help companies that have the potential for rapid and high growth achieve their ambitions. It will provide coaching that is tailored to the needs of individual businesses (e.g. accessing finance, leadership skills) and it will also connect them with the right networks and other forms of support – for example, business angel investors, incubators or specialist professional advisers.

Business angels are high net worth individuals that invest on their own or as part of a syndicate in growing businesses across all sectors and in all parts of the country. Angels often make their own skills, experience and contacts available to the company alongside their investment. Head to [tinyurl.com/businessangelsinfo](http://tinyurl.com/businessangelsinfo) for more about business angels and where you can find them.

# OVER TO YOU!

We hope that you have found this short guide useful. It has been written as part of Lord Young's work to advise the Prime Minister on small business and enterprise. With hard work and dedication, creativity and imagination – and sometimes the benefit of a trusted helping hand – anyone with a good idea can start their own business and become a success. Hopefully you've been inspired to create a business yourself.

Good luck and don't forget that there this a whole range of support out there to help you. We hope this guide can set you on your way.



# USEFUL LINKS

The following are just a sample of contacts showcased in this Guide and publicised more widely for you to consider. *StartUp Britain* ([www.startupbritain.org](http://www.startupbritain.org)) and *Business in You* ([www.businessinyou.org](http://www.businessinyou.org)) also point to these and many other useful resources, awards and events for start-ups and growing businesses.

## Start-up advice, inspiration and support

My New Business | [tinyurl.com/mynewbusinessguide](http://tinyurl.com/mynewbusinessguide)

Business in You | [www.businessinyou.org](http://www.businessinyou.org)

StartUp Britain | [www.startupbritain.org](http://www.startupbritain.org)

Inspiring the Future | [www.inspiringthefuture.org](http://www.inspiringthefuture.org)

## Support organisations

Prime, supporting mature entrepreneurs | [www.prime.org.uk](http://www.prime.org.uk)

The Prince's Trust | [www.princestrust.org.uk](http://www.princestrust.org.uk)

everywoman | [www.everywoman.com](http://www.everywoman.com)

Enterprising Women | [www.enterprising-women.org](http://www.enterprising-women.org)

Women in Rural Enterprise | [www.wireuk.org](http://www.wireuk.org)

Mumpreneur UK | [www.mumpreneuruk.com](http://www.mumpreneuruk.com)

CivyStreet | [www.civvystreet.org/betheboss](http://www.civvystreet.org/betheboss)

British Chambers of Commerce | [www.britishchambers.org.uk](http://www.britishchambers.org.uk)

## Tools and guidance

Business Support Finder | [www.businesslink.gov.uk/resources/business-support-finder](http://www.businesslink.gov.uk/resources/business-support-finder)

Taking on an Employee | [www.businesslink.gov.uk/resources/tools/taking-employee](http://www.businesslink.gov.uk/resources/tools/taking-employee)

Web Fuelled Business | [www.businesslink.gov.uk/webfuelled](http://www.businesslink.gov.uk/webfuelled)

Companies House | [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

Business insurance: the basics | [www.businesslink.gov.uk/startinsurance](http://www.businesslink.gov.uk/startinsurance)

Skills and development – [www.businesslink.gov.uk/skills](http://www.businesslink.gov.uk/skills)

## Space

StartUp Spaces | [www.startupbritain.org/spaces](http://www.startupbritain.org/spaces)

The Home Business Guide | [www.bis.gov.uk/home-business-guide](http://www.bis.gov.uk/home-business-guide)

## Finance advice and searches

StartUp Loans to 18-24 year olds | [www.startuploans.co.uk](http://www.startuploans.co.uk)

Business Finance Explained & Finance Finder |  
[www.improve.businesslink.gov.uk/resources](http://www.improve.businesslink.gov.uk/resources)

Business Finance For You | [www.businessfinanceforyou.co.uk](http://www.businessfinanceforyou.co.uk)

Better Business Finance | [www.betterbusinessfinance.co.uk](http://www.betterbusinessfinance.co.uk)

Intuit Financial Fitness | [www.intuit.co.uk/about/small-business-finance-training.jsp](http://www.intuit.co.uk/about/small-business-finance-training.jsp)

ICAEW business advice service | [www.businessadvice.service.com](http://www.businessadvice.service.com)

Microcredit CDFI loans | [www.findingfinance.org.uk](http://www.findingfinance.org.uk)

The Next Generation Finance Consortium | [www.ngfc.org.uk](http://www.ngfc.org.uk)

British Business Angels Association | [www.bbaa.org.uk](http://www.bbaa.org.uk)

Becoming a Business Angel | [www.bbaa.org.uk/be-an-angel](http://www.bbaa.org.uk/be-an-angel)

## Young enterprise

NACUE | [www.nacue.org](http://www.nacue.org)

The Gazelle Group | [www.thegazellegroup.com](http://www.thegazellegroup.com)

Enterprise Village | [www.enterprisevillage.org.uk](http://www.enterprisevillage.org.uk)

## Mentoring

Mentorsme | [www.mentorsme.co.uk](http://www.mentorsme.co.uk)

Being a Mentor | [www.getmentoring.org](http://www.getmentoring.org)

## Social enterprise and mutuals

Social Enterprise UK | [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

Locality | [www.locality.org.uk](http://www.locality.org.uk)

UnLtd | [www.unltd.org.uk](http://www.unltd.org.uk)

School for Social Entrepreneurs | [www.the-sse.org](http://www.the-sse.org)

Big Society Capital | [www.bigsocietycapital.com](http://www.bigsocietycapital.com)

Mutuals Information Service | [www.mutuals.cabinetoffice.gov.uk](http://www.mutuals.cabinetoffice.gov.uk)

The MIS hotline (0845 5390 543) will assess the business needs of fledgling mutuals and provide appropriate expert advice and guidance.

## Winning Business and Customers

Contracts Finder | [www.contractsfinder.businesslink.gov.uk](http://www.contractsfinder.businesslink.gov.uk)

HP Supplier Diversity | [www.hp.com/go/supplierdiversity](http://www.hp.com/go/supplierdiversity)

People Fund It | [Peoplefund.it](http://Peoplefund.it)

## Exporting

Advice for exporting | [www.ukti.gov.uk/export](http://www.ukti.gov.uk/export)

## Growth

The Growth and Improvement service | [www.businesslink.gov.uk/improve](http://www.businesslink.gov.uk/improve)

Growth Accelerator | [www.growthaccelerator.com](http://www.growthaccelerator.com)

## Key contacts on Twitter

[@BisGovUk](https://twitter.com/BisGovUk)

[@StartUpBritain](https://twitter.com/StartUpBritain)

[@UKTI](https://twitter.com/UKTI)



URN 12/827 - Make business your business: a report on small business start-ups

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## Self Employment Statistics for Walsall

*Percentage of residents in employment who are self-employed - aged 16-64*

<b>Date</b>	<b>All in employment</b>	<b>Total self employed</b>	<b>Walsall</b>	<b>Conf (+/-)*</b>	<b>West Midlands</b>	<b>Conf (+/-)*</b>	<b>England</b>	<b>Conf (+/-)*</b>
Apr 2011-Mar 2012	98,600	9,700	9.8	2.3	12.5	0.6	13.6	0.2
Apr 2010-Mar 2011	101,900	8,600	8.4	2.1	12.0	0.6	13.1	0.2
Apr 2009-Mar 2010	99,200	10,000	10.0	2.3	12.1	0.6	13.1	0.2
Apr 2008-Mar 2009	104,200	9,800	9.4	2.2	11.2	0.6	12.6	0.2
Apr 2007-Mar 2008	109,000	11,400	10.4	2.2	11.2	0.6	12.9	0.2
Apr 2006-Mar 2007	102,000	7,700	7.6	2.0	11.3	0.6	12.7	0.2
Apr 2005-Mar 2006	106,100	10,300	9.7	2.2	11.3	0.6	12.7	0.2
Apr 2004-Mar 2005	106,700	11,900	11.2	2.3	11.2	0.4	12.4	0.2

*Source:* ONS, Annual Population Survey

NOTE: The APS is a sample survey of approximately 1,300 people in Walsall. Confidence intervals therefore apply to this data  
95% confidence interval of percent figure (+/-)

Around 10% of Walsall residents are self-employed – less than England and West Midlands. Many who are self-employed will work from home/have their home address as business address.

## Appendix 4 – WNF Start up Grant Statistics

### Summary Report

This report summarises the recipients of the Working Neighbourhoods Fund Start up Grants, administered in 2010/11.

- 64 business start up grants were given out, totalling £72,000.

### Survival

- 22 grants given out in 2011                      100% are still trading 2012 (22%)
- 42 grants given out in 2010                      67% are still trading 2012 (28%)\*

Nationally-produced data for all new businesses in the borough only goes as far as 2010. However, the survival rates for new businesses receiving the grant is very positive, with a 100% survival rate after one year. Over two-fifths survive for two years, which is in line with the overall survival rate for Walsall – which suffered as a result of the recession.

(\*note that 7 businesses could not be contacted for follow up so the rate may be higher).

From the businesses we have been monitoring it was identified that the main reason for failure was due to limited knowledge in developing the business – despite being offered advice and support – and a general lack of planning (including finances, resources, competition and markets).

The withdrawal of government funded agencies such as Business Link and Advantage West Midlands is 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.

### 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.

Females were generally interested in establishing lifestyle businesses that allowed them to work around their childcare commitments, which are often a significant barrier to them taking up employment opportunities. In the downturn females in Walsall have been relatively worse hit the males seeing larger proportional increases in Jobseekers Allowance Claimants and so anything that helps them to overcome barriers to employment is beneficial.

Males benefiting from the grant have been long-term unemployed. This group of unemployed are of particular concern in Walsall as a group whose numbers are increasing and who find it very challenging to get back into the labour market following a long period of unemployment.

## 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%

The grants have therefore targeted the parts of Walsall's economy which are essential for future economic growth.

## Employment

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 person.

Assuming the 160 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 have provided earnings of £3,581,964 in 2011 – a substantial amount of which is likely to be spent in the local economy. Providing these people with employment also reduces the potential burden of benefit payments.

## Turnover

Overall turnover for the start up businesses was £683,500. This is over 8 times the original amount distributed in grants, and therefore represents an 850% return on the initial investment of £72,000.

## Next steps

These businesses provide a cohort of recently-established companies in Walsall that can be used to understand the characteristics of start ups and the challenges they face. This evidence is particularly valuable given the significant time delay of nationally produced datasets on business survival rates.

Further quantitative and qualitative research will be carried out on these companies and the issues they face, which will support future activity.



## Contact

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## **Appendix 5 - Business Start up Support available with the Borough (9.8.12)**

### **Walsall Council Business Support**

The business support team at Walsall Council can offer the following services:-

Property searches by utilising the Co-Star data base which gives us access to all the properties advised by the commercial agents/developers across the UK, we can search for properties that will meet the client's specific requirements. We also have a good relationship with the local agents and often assist the client when negotiating deals with the agent.

We also work closely with the business rates team and can assist businesses, to see whether they are eligible for any rate relief /reductions.

The Town Centre Innovation Fund which is specifically for retail businesses, that will be based within Walsall Town Centre. The fund will pay the business rates on selected properties for up to 12 months. However this is a new initiative that will be available in the autumn of 2012 once all of the legalities and criteria are finalised.

Trade Walsall is funded through (Working Neighbourhood Fund) and offers a range of programmes and activities aimed at meeting the needs of Social Enterprise type of business. All the support through the Trade Walsall programme is free. Please note this programme is due to finish at the end of July 2012.

### **Other support offered by partners**

#### **Job Centre Plus**

New Enterprise Allowance is available to Jobseekers Allowance (JSA) claimants aged 18 and over who have been claiming for 26-weeks or more.

Participants will get access to a volunteer business mentor who will provide guidance and support as they develop their business plan and through the early months of trading. Once a claimant can demonstrate they have a viable business proposition with the potential for growth in the future, they will be able to access financial support. This will consist of:

- a weekly allowance worth £1,274 over 26 weeks, paid at £65 a week for the first 13 weeks and £33 a week for a further 13 weeks, and
- the facility to access a loan of up to £1,000 to help with start-up costs, subject to status. This has to be repaid.

The total package of support could be worth up to £2,274 to each participant who starts their own business

They also run enterprise clubs, where individuals can meet other start up businesses and share experiences, ideas etc..

## **Princes Trust**

The Enterprise Programme through the Princes Trust (18-30 years old)  
Applicants need to be aged between 18 -30 years, unemployed or working less than 16 hours a week Live in England and have a business idea they want help to explore

The support available includes:-

Advice on employment options

Business skills training

Business planning support

Start-up funding

Ongoing support from a mentor

Access to a wide range of free, and discounted products and services. (This includes our free legal helpline, sponsored by Barclays)

## **Prince's Initiative for Mature Enterprise, Prime (50+)**

Provides advisory support for people aged thirty and over who require financing or assistance for a new business. Specialist business loans are available from PRIME's regional business partners, known as Community Development Finance Institutions (CDFI). Loans given by these organisations primarily target those whose loan applications have been turned down by traditional lenders, such as banks, and especially target those people aged fifty and above in deprived areas. Applicants still need to complete application forms and submit a business plans. They will also be offered the support as listed for Princes Trust

## **Black Country Enterprise (BCE)**

Will provide, free advice and support and training, (on a one to one basis) to any person who is considering starting a business. There is no limit on the support the individual can access from the Black Country Enterprise.

The Black Country Enterprise also offers a ½ day general information session on a group basis. This also gives opportunities to individuals to network with other likeminded people.

## **Business Link**

Offers website based information covering all aspects of starting a business. The website also makes reference to other key websites e.g HM Revenue & Customs

## **Access to Business**

Through ERDF offers support to the long term unemployed to become self employed. The project is aimed mainly at Women, Black Minority Ethnic (BME) groups and people with disabilities. This project will work in conjunction with other local providers and will be accessible through the one stop shops. Offering 1-2-1 support and free training courses (finance, social media, and marketing).

## **SWEDA**

Through ERDF funding are offering advice, support and workshops in partnership with the Vine Trust specifically for starting a Social Enterprise businesses. This is support is available across the Black Country.

## **Be the Boss**

This programme is run by the British legion providing funding, training and mentoring support to former HM Armed Forces on how to start a new business. This project offers a start up grant of up to £7,500, with additional grant funding of up to £30,000 being available if the start up business can demonstrate growth.

## **Additional Information**

This is not a comprehensive list of organisations offering business support throughout the Region, but these are the ones that we (the business support team) have had experience with and would normally recommend, as we know that they can deliver a quality service. The business support team will recommend other organisations (not included in the above list) to the client if they feel the organisation can offer a more suitable support package. We continually review the services and support available to meet the needs of Walsall businesses.

**Z SLATTERY 9.8.12**