Support to Small Businesses

A Report from Overview & Scrutiny

Birmingham City Council, 12 September 2006

Contents

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Preface

By Councillor Mark Hill

Chairman, Regeneration Overview and Scrutiny Committee

Our City has a long and proud association with industry and manufacturing. However, our economy has recently become more diverse, out of necessity, emerging as a vibrant and modern city with a strong service sector. Our new diversity is underpinned by the crucial contribution of local small businesses. Continuing it in the future necessitates having a flourishing small business sector.

Entrepreneurship is vital to Birmingham's local economy. Encouraging entrepreneurs, particularly throughout all deprived areas of the City, is one of the ways that we can tackle the deprivation and get people into work. This task is not just for the Council but for our partners, such as Advantage West Midlands and Business Link.

Small businesses have many different needs and finding support can be complex and confusing. This hasn't been helped by changes to how support is provided and the time is right for the Council to consider its future role in providing support, given these changes.

In looking at the issues businesses face, it was clear that businesses and the Council cannot exist in isolation. We must also remember that the Council is a significant purchaser of goods and services and the impact of our procurement decisions on the local economy is recognised. In doing what we do, the Council provides benefits to businesses as members of the community that they exist within. Improving the interactions that we have with business as customers also needs to be a priority.

This review sets the context for many of the important decisions that the Council now faces in providing business support. As Councillors, many of us have brought to the review our individual experiences of running a small business. Both members and witnesses involved in the review have given much considered thought to the issues raised, and I hope that this is reflected in how these important decisions are taken forward.

Summary

Small and medium-sized firms are a crucial part of the UK economy: at the start of 2004 they accounted for 99.7% of all enterprises, 47.5% of employment and 49% of turnover. At the local level, the importance of small businesses cannot be underestimated, playing a critical role in employment provision and the health and diversity of Birmingham's economy.

Making Birmingham a City of 'vibrant urban villages' is one of the three priorities set out by the City Council in the Council Plan 2006+. Within this there are elements underpinning the creation of a flourishing economy, whilst Birmingham's Community Strategy also seeks to address economic development through its 'Prosperous City' theme.

Previously, the City Council has delivered support through a variety of mechanisms funded by central government, including financial aid and area-based regeneration initiatives. More recently however, a shift in central government policy has seen this level of support provided by Business Link on behalf of Advantage West Midlands. In turn, Business Link is currently moving from a local to a regional delivery model.

Evidently the changing landscape of business support has had consequences for both small firms seeking support, and the City Council in terms of the support it can provide. Examining these issues and providing clarity on business support arrangements in Birmingham were central to this Review.

Our findings, conclusions and recommendations focus on three key areas:

i. The role and nature of Council support for small businesses;

ii. Mainstream business support delivered by external agencies, and its transition to a regional delivery framework; and

iii. Tackling the issues faced by small businesses.

Council Support for Small Businesses

We feel that the Council needs to take stock of the support that it provides to small businesses and ensure that it is more effectively co-ordinated on an organisation-wide basis. This is particularly important in light of the changing way in which support is provided. Part of this is consideration of how it should supplement the support to small businesses provided by other organisations.

A key aspect of this conclusion is the need to ensure that the Council and its partner organisations do not ignore the needs of small businesses which do not have growth aspirations. Existing business support arrangements are not always accessible to many small businesses – particularly 'micro' businesses where expansion and growth may not be the highest priority. We feel it is important that such businesses are recognised for their contribution to the local economy and appropriate, co-ordinated support is still needed.

The Transition to a Regional Delivery Framework

The routes through which small businesses can access support are complex and not necessarily comprehensively linked. This may go some way in accounting for low levels of awareness of available support, both locally and nationally. We also found that small businesses that were aware of the available support services sometimes still had difficulties to accessing it. In the main, these related to how appropriate support initiatives were and the extent to which they were targeted at needs.

To access formal support (especially funding), small businesses need to be able to put forward a strong business case and provide well-developed business plans and proposals. Whilst this is understandable, it can also effectively deter or alienate many small businesses. Here, there may not be a well developed understanding of business planning and how to get the most from formal support mechanisms.

Business Link is transferring from local to regional delivery. Whilst this has yet to be completed, we do have some concern that the move to regional delivery could prove detrimental to local service provision. Alongside successfully managing this transition, it is important that Advantage West Midlands, through Business Link, ensures that awareness of how to access support improves.

Tackling Small Businesses Issues

By virtue of the Council fulfilling its role in delivering services, businesses benefit as part of the community that the Council serves. A clear message was that there is a need for the Council to improve its interactions with businesses as customers. We feel that Business Matters will be a key element of this for the future.

Small businesses do however face many other, diverse issues. These included the impacts of crime on local businesses; the problems associated with bureaucracy when applying for support/ funding; and issues around the lack of relevant skills and training.

However, there are also aspects about the influence the Council can have in its procurement of goods and services. Raising awareness of opportunities for local businesses to supply the Council, minimising bureaucracy and simplifying the tendering processes proved to be key areas here. We look for these to be more specifically addressed within the Co-ordinating Overview and Scrutiny Committee’s forthcoming Scrutiny Review of Procurement.

Overall

Small businesses form a vital part of the complex picture that the economy of a city the size of Birmingham forms. Such a picture can always be expected to be composed of many different aspects, with a range of different issues and problems, not all of which readily fit within the role of the Council to resolve.

However, key issues did emerge from this review for the Council to tackle, in partnership with other agencies. We do recognise that there are a number of current business support initiatives in Birmingham that provide excellent examples of best practice, as well as opportunities to further extend support. We hope that this capacity, along with the ambition of the city to succeed, gives opportunities for these examples to form the foundations of further success.

Summary of Recommendations

	Recommendation	Responsibility	Completion Date
R1	Consideration should be given to the role that the Council should take in supporting small businesses. This should result in clear policy lines on how: • The Council will connect the support that it currently provides (for example, the relationship of Business Insight to other support); • Council support will be linked to the regional delivery framework of Business Link; • These support services will be developed further in the future.	Cabinet Member for Regeneration	30 September 2007
R2	The Regeneration Overview and Scrutiny Committee should be kept informed of the progress against targets for business and enterprise in the Local Area Agreement.	Cabinet Member for Regeneration	30 June 2007
R3	The Regeneration Overview and Scrutiny Committee should be kept informed of the progress of the Council's bid for funding in the second round of the Local Enterprise Growth Initiative (LEGI).	Cabinet Member for Regeneration	28 February 2007
R4	Advantage West Midlands should be asked to demonstrate clearly how: • The measures they are taking to improve awareness of how to access business support; • Standards of service provision have been maintained in the move to a regional delivery model; • Service delivery is planned to develop in the next year. • This should show clear progress since regionalisation of support against a current baseline.	Cabinet Member for Regeneration	31 March 2007
R5	The Birmingham Economic Development Partnership should be asked to produce a 'route map', explaining the avenues through which businesses and prospective small	Cabinet Member for Regeneration	31 January 2007

	Recommendation	Responsibility	Completion Date
	businesses can access support. This should: • Be in place as part of the movement to a regional delivery model; • Provide clear signposting to allow those who cannot access support through Business Link to get this through other avenues.		
R6	The Council should work with the Birmingham Economic Development Partnership to improve access to formal business support mechanisms in deprived areas and among BME communities. This should result in demonstrably increased uptake of business support services in deprived areas, and from BME communities.	Cabinet Member for Regeneration	30 June 2007
R7	As part of considering what the Council's role in supporting small businesses should be (R1), the Cabinet Member is asked to consider establishing a focal point for co-ordinating interactions with business within the Council. This focal point should: • Be responsible for co-ordinating and simplifying communication between small businesses and the Council; • (As part of simplifying communication) make better use of existing communication channels such as the web page and business rates; • Emphasise improving and streamlining information for all members of the small business community.	Cabinet Member for Regeneration	31 March 2007
R8	The Regeneration Overview and Scrutiny Committee should be kept informed regularly of the progress of the implementation of Business Matters (the Single Business Account).	Deputy Leader	31 March 2007
R9	The Council should explore (along with partners in the Community Safety Partnership) ways of reducing the impact of crime in relation to small businesses within the City. The action taken as a result of this consideration should be reported to the Regeneration Overview and Scrutiny Committee.	Cabinet Member for Local Services and Community Safety	31 March 2007

	Recommendation	Responsibility	Completion Date
R10	Progress towards achievement of these recommendations should be reported to the Regeneration Overview and Scrutiny Committee in March 2007. Subsequent progress reports will be scheduled by the Committee thereafter, until all recommendations are implemented.	Cabinet Member for Regeneration	31 March 2007

Glossary

ART	Aston Reinvestment Trust
AWM	Advantage West Midlands
BEDP	Birmingham Economic Development Partnership
BES	Birmingham Economic Strategy
BID	Business Improvement District
BME	Black and Minority Ethnic
BSCI	Business Support for the Creative Industry Programme (Birmingham)
BSP	Birmingham Strategic Partnership
CBI	Confederation of British Industry
CDFI	Community Development Finance Institution
DCLG	Department of Communities and Local Government
DTI	Department of Trade and Industry
ERDF	European Regional Development Fund
ESF	European Social Fund
FSB	Federation of Small Businesses
GOWM	Government Office for the West Midlands
HEI	Higher Education Institute
LAA	Local Area Agreement. This may also be referred to variously as the Birmingham Area Agreement or Birmingham Local Area Agreement.
LEGI	Local Enterprise Growth Initiative
LGA	Local Government Association
LSC	Learning and Skills Council

ODPM	Office of the Deputy Prime Minister (since 05 May 2006, the Department for Communities and Local Government)
ONS	Office for National Statistics
RES	Regional Economic Strategy (West Midlands)
RCO	Retail Crime Operation
RDA	Regional Development Agency
RFF	Regional Finance Forum
RVCF	Regional Venture Capital Fund
SBA	Small Business Account
SBS	Small Business Service
SME	Small and medium – sized enterprise

1 Introduction

1.1 Why Examine Support to Small Businesses?

1.1.1 Small and medium-sized enterprises (SMEs) are a crucial part of the UK economy: at the start of 2004, they accounted for 99.7% of all enterprises, 47.5% of employment and 49% of turnover (Small Business Service, 2005).

1.1.2 The importance of small businesses at a local level cannot be underestimated, playing a critical role in providing employment. As other economic benefits stem from this, it is little surprise that many of the actions that the City Council and its partners take in relation to regeneration and tackling poverty often relate to stimulating entrepreneurial behaviour and creating a positive environment in which small businesses can flourish.

1.1.3 Making Birmingham 'a city of vibrant urban villages' is one of the three priorities set out by the City Council in the Council Plan 2006+. Within this overall priority, there are elements underpinning the creation of a flourishing economy relating to (i) capturing growth for the city and (ii) regeneration. Birmingham's Community Strategy also seeks to address economic development through the theme of 'The Prosperous City'.

1.1.4 The UK Government is also committed to helping SMEs – because they demonstrate a 'powerful engine for economic growth' (ODPM, 2005). This commitment has been through a variety of funding sources, including financial aid and area-based regeneration initiatives, delivered by local authorities and partner agencies with central government funds. More recently, the government's Business Link model has been the main channel through which support has been delivered to small and medium-sized businesses. This is currently undergoing changes towards a regional model of delivery.

1.1.5 With these changes in mind, and recognising the vital importance of small businesses to the local economy, the Regeneration Overview and Scrutiny Committee set out to investigate how small businesses in Birmingham are supported, with a view to making recommendations for future action by the City Council.

1.1.6 It was clear in looking at this that the landscape of business support has both changed and is continuing to do so. Examining the potential impact of these changes and the role that the City Council might play in support in the future were key subjects for the review.

1.2 What is a 'Small Business'?

1.2.1 It is important that we define at the outset what we mean by a 'small business'. Unfortunately there are many varying definitions, used by different organisations, authorities and legislation. The general term in UK legislation (and therefore applicable to many funding programmes) is the definition adopted by the European Commission in 1996. This is shown in Table 1 below.

Table 1: European Commission definition of SMEs

Enterprise Category	Employees	Turnover
Medium	< 250	≤ 43million euros
Small	< 50	≤ 10million euros
Micro	< 10	≤ 2million euros
Source: European Commission, 2006		

1.2.2 In broad terms therefore, when we refer to small businesses here we mean those that have:

- Fewer than 50 employees; and
- Turnover of under approximately £6 million.

1.2.3 Additionally, we also use the term 'micro-businesses', to refer to those businesses that generally have fewer than 10 employees. It is important to recognise that these businesses (and particularly sole traders) can have particularly different needs and expectations of support to 'small' businesses.

1.3 What Do We Mean by 'Support' for Small Businesses?

1.3.1 One of the aspects that we found in examining this subject is that there are subtle distinctions between the different ways in which the Council and partners relate to small businesses. We have simplified these as follows:

- **Support** to businesses: the direct support that businesses receive in terms of specialist advice, funding and 'beneficial conditions' (such as incubation schemes), from partners of the City Council, the City Council itself and other private partners (such as banks, universities, etc.);
- **Services** to business: services that the City Council provides, of which businesses are a consumer. Such services may be consumed collectively (for example, environmental services or those relating to transportation networks), or individually (for example, refuse collection).

1.3.2 There is also the matter of how the Council buys goods and services from businesses – procurement – and the impact that this has upon the local economy. Because of the wide nature of this, we have included this under 'Services to Business'.

1.4 How We Did the Review

1.4.1 Evidence was gathered between September 2005 and June 2006. We heard from:

- The Regional Development Agency - Advantage West Midlands;
- Business Link Birmingham and Solihull;
- Specialist business 'hubs' with whom the City Council works, including Aston Science Park and the Jewellery Quarter Partnership;
- Universities with experience of working with small businesses, both from a perspective of providing support, guidance and mentoring and from an academic perspective;
- Academics specialising in small business issues – particularly those experienced by ethnic minority –owned businesses;
- Representatives from ethnic minority business forums;
- Officers within the Development Directorate and the (then) Learning and Culture Directorate of the City Council, dealing with varying aspects of the Council's involvement with small business.

1.4.2 A full list of witnesses and those who helped provide information for the review is shown in **Appendix 1**.

1.4.3 The following chapters explore these subjects in more detail. They cover:

- The background to small businesses and their role in the Birmingham economy;
- Issues that impact upon small businesses;
- Support to Business, for example financial, support and advisory services.
- The Council's role in the provision of support to small businesses;
- Other business support initiatives;
- Services to Business and the interactions with businesses that arise through the Council's delivery of services; and
- Our conclusions and recommendations.

2 Background

2.1 Birmingham's Economy

2.1.1 Birmingham's economy has had a strong base in manufacturing since its rapid growth in the 19th Century. This continued and there was a thriving employment economy particularly during the period following the Second World War.

2.1.2 However, from the 1970s onwards, manufacturing employment in the city entered a period of sustained decline and has continued to fall from 250,000 in 1978 to only 65,000 in 2004. This has been due to factors in the national and international economies over this period.

2.1.3 The emphasis on a strong manufacturing base affected regions such as the West Midlands, principally due to a lack of diversity. This has necessitated a conscious shift to a much broader economic base, one not so dependent upon specific sectors providing the majority of employment. There has also been a sustained effort to attract and develop 'high value-added' businesses, creating not only employment but raising income levels.

2.1.4 The service sector now accounts for the majority (80%) of the jobs in the city, driven by the expansion of the financial and professional services, based on higher skilled occupations, and the visitor economy (Birmingham Economy, 2006). However, although unemployment has shrunk considerably since the 1980s, it is still consistently above the national average.

2.1.5 Table 2 below shows the composition of employment by sector in Birmingham. This shows that:

- Employment in Public Services (Public Administration and Health Services) is the principal sector at nearly a third of all employment;
- Financial and Business Services, Distribution (including retailing, wholesale and hotels) and Manufacturing together comprise just over half of all employment (56.33%);
- Manufacturing still accounts for just over one in eight jobs;
- Micro businesses comprise a significant proportion of the total number of workplaces: 80% overall and generally over 70% in all sectors except Energy and Water and Public Services).

Table 2: Employment and Small / Micro Businesses by Sector in Birmingham

Sector	Employees	Proportion of All Employees	% of Workplaces with 1 to 10 Employees	% of Workplaces with 11 to 49 Employees
Agriculture etc.	85	0.02%	90.8%	9.2%
Mining etc.	11	0.00%	86.7%	13.3%
Manufacturing	65,248	13.20%	72.0%	21.0%
Energy and Water	2,165	0.44%	28.8%	18.6%
Construction	16,562	3.35%	88.7%	8.8%
Distribution (incl. Retail and Wholesale)	104,441	21.14%	82.0%	15.1%
Transport and Communications	28,819	5.83%	82.1%	10.7%
Financial and Business Services	108,299	21.92%	86.8%	9.6%
Public Services	144,576	29.26%	48.5%	32.0%
Other Services	23,941	4.84%	87.1%	10.1%
All Employment	**494,147**	**100.00%**	**80.0%**	**14.7%**
Source: Annual Business Inquiry, ONS				

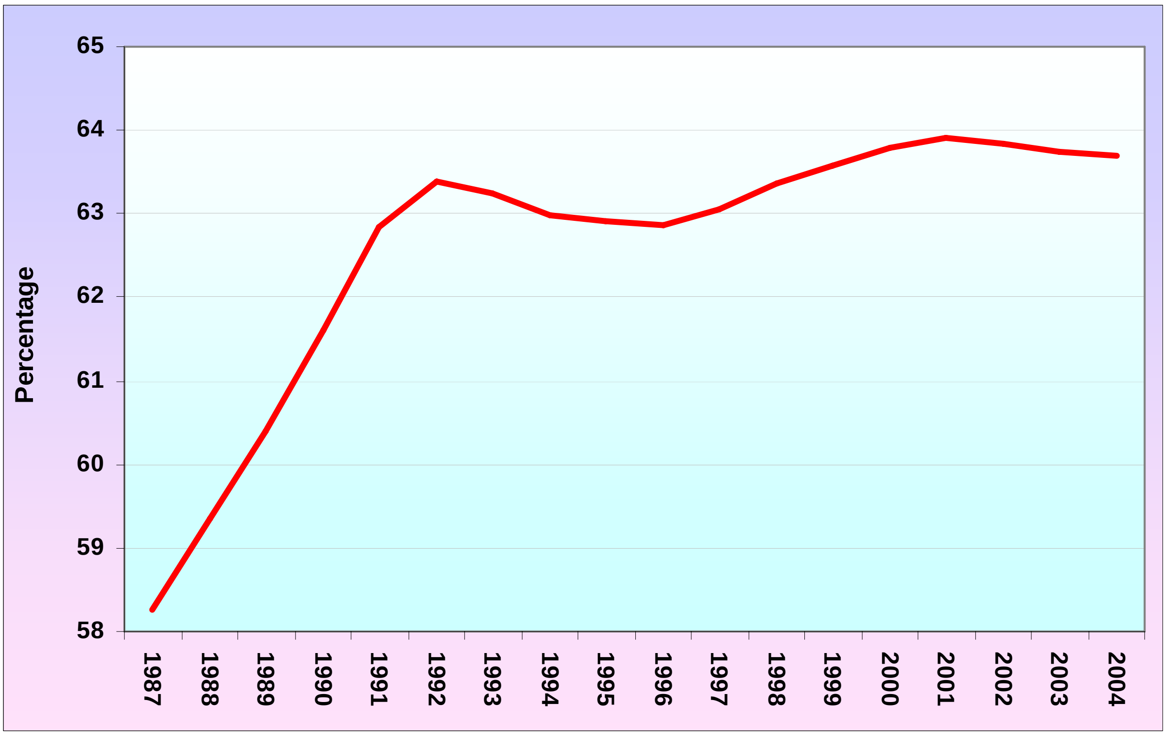
2.1.6 Birmingham's unemployment performance, relative to the UK, has been poor since 1997. Unemployment in the city stopped falling after March 2002, even though nationally the number of unemployed claimants continued falling until November 2004:

- Between March 1997 and November 2004 unemployment in the UK fell by 51% - but by only 32% in Birmingham.
- Between November 2004 and May 2006 unemployment in the UK rose by 9% - but it increased by 21% in Birmingham.
- In May 2006 the Jobseeker claimant unemployment rate was 3.5% in the UK and 9.1% in Birmingham.

2.1.7 Online information covering workplace employment only goes as far back as 1987. The closure of so many large manufacturing plants in Birmingham since the 1970s and the increase in employment in services (where workplaces tend to be smaller) pushed up SMEs' share of employment.

2.1.8 However, as Figure 1 shows, this process seems to have mostly worked itself out after 1992. Since then, the proportion of Birmingham's employment accounted for by workplaces employing under 200 employees has remained at about two thirds of the total.

Figure 1: Percentage of Birmingham Employment in Workplaces with less than 200 Employees (Smoothed time series) Source: Annual Business Inquiry (ABI), AES and Employment Census



2.1.9 However, there is a weak 'enterprise culture' in the West Midlands in comparison to other regions of the country. In other words, people are less likely to consider or actually start a business, with a low and falling proportion engaged in entrepreneurial activity (around 4.5% of adults in 2004 – Global Entrepreneurship Monitor Survey). In Birmingham, the proportion of workplaces comprised by SMEs is 99.0% - slightly behind the national figure of 99.7%.

2.1.10 Ethnic minorities make up a large and growing proportion of Birmingham's economy, and one of its great strengths is the diversity of its population. However, whilst the city is emerging on the international stage as an example of cultural diversity and successful regeneration, in terms of entrepreneurship Birmingham still has a number of challenges to overcome:

- A legacy of relatively low educational attainment in deprived areas of the city;

- Low business start-up and survival rates;
- Less likelihood of people from ethnic communities accessing traditional business support services.

2.2 The Strategic Economic Framework

2.2.1 Following from European and national economic priorities, the West Midlands Economic Strategy is published by the Regional Development Agency (Advantage West Midlands - AWM). It sets out a strategy and actions for the development and regeneration of the regional economy, delivered by a range of regional partners.

2.2.2 The West Midlands Regional Economic Strategy (RES) is founded on four pillars, the first of which is 'Developing a Diverse and Dynamic Business Base'. The challenges facing local enterprise are one of the five key priorities for the region. There are specific actions within this relevant to small business, including amongst others:

- Developing an enterprise culture;
- Developing a regional approach to tackling crime against business;
- Developing a strategy to encourage business start-ups and to improve survival rates;
- Supporting the growth of social enterprise; and
- Improving access to finance for small and medium-sized enterprises.

2.2.3 The Birmingham Economic Strategy (BES) is a document that provides the strategic economic framework for economic development and regeneration activities within Birmingham. It complements the issues set out in the regional economic strategy, with local priorities. In addition, the Manufacturing Strategy for Birmingham provides a framework for addressing the specific opportunities and challenges in the city's manufacturing sector.

2.2.4 The Council Plan 2006+ sets out the broad priorities of the Council, with its priorities defined by the Birmingham Economic Strategy. Target outcomes from actions here are to:

- Work with local businesses and partners to secure business growth;
- Support new developments that bring in investment, jobs and other benefits to the city; and
- Support investment to improve economic regeneration as part of developing sustainable communities, specifically by supporting our Local Area Agreement's economic development and enterprise block.

2.3 The Local Area Agreement

2.3.1 The Local Area Agreement (LAA) came into effect on 01 April 2006. In essence an agreement between the City Council, local partners and the Government, it aims to:

- Simplify government funding and accountability arrangements, potentially creating new freedoms and flexibilities;
- Agree between local partners to deliver specified outcomes which are based on national and local priorities;
- Improve key outcomes for the City through better use of funding, developing innovative service delivery and stronger partnership work.

2.3.2 The over-arching vision for the city's LAA is 'Closing the gap: improving quality of life for Birmingham Citizens, with a particular focus on making the fastest improvements for the people and for the places with the greatest need.' To deliver this vision the LAA is structured around four blocks in the LAA:

- Children and young people;
- Healthier Communities and Older people;
- Safer and Stronger Communities;
- Economic Development and Enterprise.

2.3.3 Delivery of targets in each of these blocks is the responsibility of thematic partnerships, cascading down from the Birmingham Strategic Partnership. Of immediate relevance to this review is one of the outcomes within the Economic Development and Enterprise block:

- An increase in the total entrepreneurial activity amongst the local population and increase the number, improve the competitiveness, and sustainability of locally owned businesses.

2.3.4 Indicators and targets have been developed for this outcome.

2.3.5 The following innovations have also been developed to deliver this block of the LAA:

- **Making the most of the labour market turnover** by developing a process to capture more of the available job opportunities;
- Developing an integrated model of enterprise support by the creation of a strong culture of enterprise;
- **Empowering business** to address the barriers to growth and sustainability of businesses in target wards by developing capacity and skills levels, whilst ensuring much closer involvement of businesses in the transformation and growth of their local centres; and

- **Planning for investment** to improve the investment offer of the target wards, initiated through a series of 'master planning' exercises to enable a better understanding of the current activity and issues within an area.

2.4 The Local Enterprise Growth Initiative (LEGI)

2.4.1 The Council's bid for funding under LEGI was submitted to the Government Office for the West Midlands (GOWM) in December 2005. At that time, it was hoped that this would form a key element in the funding to underpin the delivery of the Economic Development and Enterprise block of the LAA.

2.4.2 LEGI is funded by the Department of Communities and Local Government (DCLG - formerly ODPM), and offers up to £10m per annum from April 2006 to 2016. The purpose of the funding is for the promotion of enterprise and entrepreneurial development.

2.4.3 In March 2006, the decision was made not to shortlist the Council's LEGI bid. Given that the Council and its partners were not successful in obtaining the funding, partners will need to explore how other resources can be utilised to support the bid and LAA objectives.

2.4.4 The reasons for the failure for the bid to be short listed have not been formally given by GOWM. However, the Cabinet Member for Regeneration has indicated that the bid may not have demonstrated sufficient evidence of how the innovation and transformational activity would be delivered by the bid partnership.

2.4.5 There are further bidding rounds under LEGI and the Council is currently in the process of producing a further bid. Bids must be submitted by 14 September 2006, and a decision is expected in December 2006.

2.5 Summary

2.5.1 Small businesses represent a key element of economic vitality, within both the economy as a whole and in Birmingham. The importance of SMEs is recognised at all levels of economic strategy – European, national, regional and city. The City Council's priorities in terms of supporting the development of small businesses in partnership with others in the Birmingham Economic Development Partnership, are set out through a number of strategic documents.

2.5.2 The LAA will therefore play a key part of taking forward how the City Council is working with partners on a number of fronts, including developing the city's economy. Winning funding under the Government's Local Enterprise Growth Initiative will allow additional resources to be allocated to delivering its objectives.

3 Issues for Small Businesses

3.1 The Barriers to Small Business Growth

3.1.1 Given the importance of small businesses to economic vitality, much research has been done to understand the barriers that small businesses face. Indeed, it is only through a thorough understanding of the issues that any measures to improve the situation can be appropriately targeted. In addition to other evidence, we examined three particular areas:

- A Business Capability Audit conducted by Birmingham University Business School (2004);
- The Federation of Small Businesses' (FSB) biennial national survey of members (2004) and views of Birmingham FSB members; and
- Issues relating to small business among Black and Minority Ethnic communities.

3.1.2 Both the Birmingham Audit and national FSB survey identified a number of key barriers to small business growth. These included poor marketing, the powers exercised by buyers, and issues relating to cash flow. Additionally, further analysis suggests a range of factors which may inhibit a businesses success and growth, including:

- A lack of planning;
- Limited finance;
- A high dependence on a small customer base – the 2004 FSB Survey found that 16% of small businesses were dependent on one customer for over half their annual sales;
- Access to finance;
- Skills and training;
- Services provided by local authorities;
- Local authority bureaucracy;
- Crime affecting business - the FSB found that 58% of businesses had been the victims of crime during 2004, including vandalism (27%), vehicle damage (25%), and shoplifting (12%).

3.1.3 Unsurprisingly, there was a degree of resonance with these views when discussed with Birmingham members of the FSB. They cited additionally that it was not only crime but also fear of crime that is a problem, as well as bureaucracy, regulatory requirements, procurement processes and communication.

3.1.4 This section explores a number of the issues raised in detail, specifically:

- Workforce skills;
- Access to finance;

- Relationships with local authorities;
- Specialised support services; and
- Issues among Black and Minority Ethnic communities.

3.2 Workforce Skills

3.2.1 Skills shortages remain a serious problem in Birmingham, with job vacancies exceeding the number of people unemployed (BSEBC, 2006). Furthermore, the unemployed population are not generally able to meet the skill demands of available jobs. This increases the likelihood that available jobs will be filled by people from outside the city, which in turn means that there will be difficulties in closing the unemployment gap in the city.

3.2.2 The 2004 FSB Survey highlighted what some of the issues underlying this may be. Only 40% of business owners reported that they undertook formal staff training on a regular basis, as the costs and time associated with training were cited as a problem. Difficulties in recruiting skilled workers were also mentioned.

3.2.3 Birmingham does possess a number of world-class educational institutions, with people coming from all over the world to study in the city. The aim is to try to retain these skilled and educated people following their studies, when they enter into the workforce. We found a number of ways in which the City Council and partners have sought to tap into this, including:

- Programmes such as the Creative Industries initiative, which seeks to broaden the economic base of the city, through the development of this high value-added sector (see 5.2);
- Birmingham University Business School which, encourages small business enterprise and also work placements for undergraduates within local firms (see 6.3);
- The Jewellery Quarter Partnership also offers a small incubation scheme for designers so as to retain skills (see 5.3).

3.2.4 Programmes that seek to attract new, skilled workers within Birmingham will continue to be important. However, pre-18 school/ college education is equally important, particularly with respect to school leavers heading into full time employment.

3.3 Access to Finance

3.3.1 Accessing finance for capital is a key issue for any business. Many of the barriers that exist for small businesses are related to how socio-economic circumstances can impair people’s ability to access start-up capital. Small businesses can often also be perceived as an investment risk, which can be compounded by the inability to provide information that potential investors might expect, such as a business plan. The Local Area Agreement recognises that the lack of access to finance is a major factor in limiting the ability of developing enterprises (see 2.3).

Table 3: Sources of Finance Used

	% in 2004	% in 2002	% in 2000
Bank overdraft	50.8	57.1	65.6
Own savings	30.6	44.5	57.4
Bank loan	29.5	43.5	45.3
Retained profit	28.5	25.3	-
Credit card debt	25.5	18.0	29.4
Supplier credit	20.4	13.9	21.2
Leasing	11.5	-	-
Second mortgage	8.5	10.0	13.9
Family	8.4	12.5	32.9
Grant	5.6	5.0	7.1
Pension	4.1	3.1	5.1
Factoring	3.7	3.5	3.7
Other business/employment	3.7	3.8	-
Friends	3.1	3.1	7.4
Inheritance	3.0	3.8	6.7
Local Guarantee Scheme	2.3	2.6	3.3
Redundancy	1.7	5.9	-
Enhance capital allowances	1.4	-	-
Venture capital	0.8	1.1	1.4
Public sector low interest loans	0.7	0.7	-
Business angel/private investor	0.7	-	-
Selling equity	-	2.5	4.9
Household income	-	4.0	-
EU funding	-	0.6	-
Lottery win	-	-	0.3
Other income	-	-	10.3

(Multiple responses were possible so totals exceed 100%)
Source: FSB, 2004

3.3.2 Looking at national evidence of the sources of finance used by small businesses (Table 3 above), it is apparent that finance from government funds attracts low-level take up, with the primary means through which capital is accessed identified as private borrowing or savings.

3.3.3 It is also clear from this that a significant minority of people also fund their start-up capital from other sources, including families and friends, pensions, inheritance and redundancy. There may be expressed opinions that the public sector has an important role to play in supporting small business with financing. However, the reality is that it is private borrowing and private money that supports a significant proportion of start-ups, because this would represent an additional burden for the public sector.

3.4 Relationships with Local Authorities

3.4.1 The current Lyons Inquiry proposes that local authorities should have the freedom and flexibility to 'place-shape'. Although no formal proposals have yet been made, this could include the ability to vary local business rates as a means to support enterprise and regeneration agenda's, as well as the local economy.

3.4.2 Devolving such responsibilities down to local government is an important way in which local authorities can encourage and shape supportive relationships with their local small business communities. There are, however, many facets to such relationships, as identified in the following sections.

Bureaucracy and Procurement

> "Small firms can offer innovative products and solutions at reasonable cost but the myth that big businesses mean better value for money and a more reliable product still persists, even though many companies that win large public sector contracts subcontract the work to small firms."
> **FSB 2003**

3.4.3 The effect of public sector spending on local economics has long been recognised as an important factor. The fact that local government buys goods and services as diverse as computer services, software solutions and stationery orders illustrates only a fraction of the story. The public sector brings enormous buying power to the local economy and the multiplier effect of this can provide significant economic stimulus.

3.4.4 In many respects, public sector procurement has been structured to prevent local authorities from creating unfair markets that favour local firms. However, in the drive to create a freer market, some would argue that some measures used have not necessarily made it more competitive.

3.4.5 Small businesses make the point that they can respond to public sector needs and provide innovative, quality products at a competitive price. However, it was clear to us that small businesses often feel forgotten when a public body puts out a contract to tender or buys in a service.

3.4.6 However, the problem is wider than just being a matter of procurement. Bureaucracy and a lack of appreciation of the burden it poses to small business is a big barrier. The required completion of complex paperwork for local authority services and contracts can often prove to be problematic – particularly in instances where the applicant's first language is not English.

3.4.7 Furthermore, small businesses do feel that local authorities often specify services too high or require unnecessary accreditation. Simply knowing what these are, or how to go about getting them, has been found to be far from straightforward and the costs of maintaining accreditation can be disproportionately high to businesses with limited overhead capacity. The FSB identifies a number of public sector practices that effectively deny small businesses access to the government market (FSB, 2003):

- Lack of awareness of contracts, (especially those contracts under £100,000), and the available resources to search for such contracts;
- Contract aggregation and drives to cut transaction costs, which can exclude small businesses which are unable to manage consolidated contracts;
- Use of approved supplier lists, where it is often unclear how to get onto these lists;
- The push for e-procurement and in some instances the associated requirement for those tendering to be registered on approved supplier lists[1];
- Lack of procurement expertise across central and local government, particularly with regard to insufficient knowledge of the value of small businesses;
- The public sector perception that small businesses are 'high risk'.

3.4.8 The net effect is that whilst local authorities may have the best intentions to ensure that as much of their spending is retained locally, in many cases this is not possible. This can lead to considerable frustration among small, local businesses when they are unable to tap into such potentially lucrative markets.

Small Businesses as Customers

3.4.9 As stated previously, the relationships and interactions between local authorities and businesses in their communities are many and complex. However, there is a growing recognition of 'business as a customer'. In seeking to address these issues, it is important that local authorities seek to tackle them on a number of fronts, and not simply through the level of support for businesses.

3.4.10 Businesses are consumers of local authority services and Table 4 illustrates the general satisfaction of FSB members as service users. Whilst this is relatively subjective it does show that:

[1] The City Council's Corporate Procurement Services do not use approved suppliers lists, although they do accompany tendering exercises in other public sector organisations.

- Businesses were generally less satisfied than satisfied with services;
- The availability of recycling facilities is the aspect that businesses were most satisfied with;
- Businesses were least satisfied with Council refuse and licensing charges, the degree of consultation with small business, local regulation and the availability and cost of recycling facilities;
- Not all areas were relevant to all businesses – around 20-25% of businesses generally did not consume any particular service and just under 20% generally had neutral views of services.

Table 4: Satisfaction with local authority services (%)

	Not ticked	Not relevant	Very dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
Availability of premises	31	29	6	8	20	6	1
Cost of premises	31	27	10	11	16	4	1
Planning applications – timescales	34	27	11	9	16	3	0
Planning applications – cost	34	27	10	10	17	2	0
Economic development	40	25	7	7	18	2	0
Local regulations	37	21	10	10	20	2	0
Council refuse/license charges	28	16	19	15	17	4	0
Consultation with small businesses	33	17	17	14	17	2	0
Availability of recycling facilities	29	14	16	13	17	10	2
Cost of recycling facilities	33	19	12	9	21	4	1
Source: FSB, 2004							

3.5 Accessing Support

3.5.1 Mainstream sources of support predominantly focus upon businesses that will grow - employing more people and increasing Gross Value Added. From the perspective of some small businesses, this is unhelpful. Many owners of small businesses simply want a stable future to ensure that they have continued employment. This is a factor as important as business growth, and it is essential to ensure that there is appropriate provision of support to these businesses too.

3.5.2 The FSB 2004 survey found that only 10% of small businesses were satisfied with the usefulness of government-funded business support services. Indeed, Accountants were the most frequently used source of business advice.

Table 5: Reasons for non-usage of government funded business support services

	%
Inappropriate for my business	22.9
Confusion of service provision	15.3
My business needs are excluded from targeted support	8.3
Better advice offered elsewhere	7.8
Past experience of using service	7.7
My business sector is excluded from targeted support	5.7
Unqualified advisors	5.3
Not aware of these services	27.6
None ticked	32.1
Source: FSB, 2004	

3.5.3 This would appear to indicate that government funded business support services may, in some cases, be inappropriate for small business needs. Indeed, there is some indication that the support needs of small businesses are not for specific training inputs or one-on-one advice sessions, but rather for an ongoing mentoring service or coherent network/ support partnership.

3.5.4 Particular areas where existing support could be strengthened and re-focused towards small business needs include:

- Marketing;
- Strategy;
- Cash flow management;
- Forecasting of the economic environment.

3.5.5 There is also an issue that financial support schemes are not always appropriate either, with the specifications often excluding some small businesses.

3.5.6 Where business support is appropriate, and is accessed, it is important to note that it is not just a fledgling small business which is most in need of support. Evidence from the Birmingham branch of the FSB suggests that the need for support extends beyond the first year of trading, particularly as this is often the point where a business will start to consider expansion. However, it is usually the case that the support provided, whether financial or simply advisory, finishes at around the same time. This may impact upon the ability of a small business to grow and, in some cases, may result in the cessation of trading.

3.6 Black and Minority Ethnic-Owned Small Businesses

3.6.1 Given the ethnic diversity of Birmingham's population, it is important to examine the particular issues that black and minority ethnic small businesses face. Whilst many of the issues facing small business in the city are not unique to such businesses (and indeed are experienced in other deprived areas of the city), we did feel it pertinent to examine this particular facet of the problem. In doing so we sought evidence from both Asian and African-Caribbean Business Forums, in addition to representatives from academic institutions researching entrepreneurship within ethnic communities.

3.6.2 Asian businesses in particular form a significant proportion of ethnic minority businesses in the city. According to the Asian Business Forum, a third of Birmingham's small businesses are Black and Minority Ethnic owned, of which about 70% are Asian-owned.

3.6.3 It is clear that the term 'Black and Minority Ethnic' should not lead to generic assumptions for the businesses which fall under this category. Fundamentally, ethnic minority owned businesses face exactly the same issues as other small businesses. Where the difference lies is that such businesses may be more acutely affected by certain issues. In particular, these include:

- Language difficulties, where English is not the first language;
- Access to finance – a particularly significant issue for African-Caribbean owned small businesses, especially through channels such as banks;
- Educational under-achievement – particularly for Afro-Caribbean and Bangladeshi boys, and Pakistani girls, which can underpin difficulties in accessing formal business opportunities in later life.

3.6.4 In terms of language difficulties, there are a number of facets to the problem. As previously illustrated, bureaucracy can be confusing enough. However, when English is not the first language, it becomes even harder to deal with these issues effectively. Furthermore, there are access difficulties for some groups when it comes to accessing mainstream sources of support, which can tend to be orientated towards the fluent English speaker.

3.6.5 It is, however, important to recognise that this is a two-way process. Participating fully within the wider English-speaking community is essential to prevent ethnic minority businesses becoming isolated. Furthermore, networks among small businesses can provide a form of mutual support which may ease many of the problems faced. A particular example of the network support approach can be seen with the Heartlands Business Forum and various traders groups that exist within the city.

3.6.6 There are particular problems with African-Caribbean small businesses gaining access to finance. These are exemplified by lower success rates in applying for bank loans, where just 10% of African-Caribbean applicants are successful (Chivers, 2006).

3.6.7 Existing support arrangements provided by both the Council and Business Link do aim to address this. Again, however, the issue is raising awareness that these support mechanisms exist and, in particular, signposting how this support can be accessed. Furthermore, there is a need to tailor support more effectively to meet the specific needs of different groups, rather than adopting the 'one size fits all' approach.

3.6.8 The issues surrounding education in deprived areas have been examined in detail elsewhere, not least through the recent Scrutiny Review of *Education and Training in Regeneration Areas*, and therefore will not be discussed in detail here. However, it is important to note that the impact of education upon entrepreneurial and business skills, as well as retaining skills within Birmingham is very important to both small businesses, the wider local economy and the Council's regeneration agenda.

3.7 Summary

3.7.1 Small businesses face a range of issues which can act as barriers from start-up through to business expansion. There is also a strong message coming across about how the Council treats small businesses, both as a:

- **Customer**, in that it is important to have an awareness and understanding of small business needs, to listen to their feedback and respond to them; and
- **Potential supplier**, in ensuring that we don't exclude potential suppliers with unnecessary specifications when we specify the goods and services that we want to procure.

3.7.2 With regards to the latter point, it is evident that procurement by the Council of goods and services from small businesses is an opportune way in which to stimulate local markets and the local economy. However, there are a number of key issues which should not be ignored:

- Small businesses feel that they are often overlooked or excluded;
- Procurement tendering is an area that has become more complex. Local authorities must work better with local businesses in supporting them to access the process and not burdening it with unnecessarily high specifications and requirements; and

- Small businesses can offer value for money

3.7.3 Turning to the issues around government funded support, there are questions concerning the appropriateness of government funded support, both in terms of the uptake of financial support, and the relevance of business advice. Evidence suggests that there is low confidence/low take up of government grant schemes, with an apparent reliance upon private capital. This would seem to indicate that private capital is much easier to access than government support, despite the fact that private capital often attracts higher interest rates and/or financial penalties.

3.7.4 It would further seem that much of the mainstream support is focused upon the start-up period of a small business. However, businesses often reach a point of expanding and employing people just as their initial support is coming to an end. It is also often at this point that businesses fail. Clearly, some consideration needs to be given to ongoing small business needs.

3.7.5 One particularly important issue is the recognition of the difficulties that BME small businesses often face, such as inequalities in access to finance. However, it is essential not to paint too negative a picture – the issue is complex and must consider that:

- These issues, in general, are no different to those of other small businesses, just often experienced more acutely;
- Acute problems are not generic to all BME small businesses;
- BME small businesses are often the key beneficiaries of targeted government support, and also Council initiatives (e.g. Business Links specific focus on BME, Council's Enterprise initiative etc);
- A number of BME Trader Associations in Birmingham exist to provide support to BME small businesses;
- There is a distinct need to make existing support more accessible;
- Awareness must be raised within BME communities that this support does exist.

4 Regional Support to Businesses

4.1 Introduction

4.1.1 Section 1.3 outlines what we mean by 'support to businesses'. However, it is helpful to explain further what this involves. The core support activities include a range of services for specialised support and advice on areas such as:

- Business start-up;
- Legal matters;
- Financing and accountancy;
- Advertising;
- Management consultancy;
- Personnel services;
- IT hardware and software consultancy; and
- Research and development.

4.1.2 These support activities are often accessed through a range of support agencies, both publicly and privately funded. The means through which these activities are funded and provided has changed over time, so it is important to understand the present landscape and position in which the City Council finds itself.

4.2 Business Link and Regional Delivery

4.2.1 AWM now provides a regional strategic framework, with funding for enterprise development concentrated within three key delivery mechanisms:

- Regeneration Zones;
- High-tech Corridors; and
- Business Clusters.

4.2.2 Originally under the responsibility of the Small Business Service (SBS), Business Link was established in the mid-1990s as a gateway to information, advice and skills for small and medium-sized businesses,. Part of a national network funded by Government, Business Link provides new and existing businesses with access to free or subsidised practical information and advice.

4.2.3 Over the past four years, the Birmingham Chamber of Commerce and Industry has operated Business Link services within Birmingham and Solihull. Its general function has been that of a 'one stop shop', and has also been supported by the Chamber's development of a Business Support Network.

4.2.4 Responsibility for enterprise support in the region (including the work of five Business Links across the West Midlands) transferred from the SBS to Advantage West Midlands in April 2005. AWM reviewed the Business Link operation, and are currently introducing a new regional business support model to better meet the needs of businesses across the region. The new regional model will be in place from April 2007.

4.2.5 The revised support model will be delivered regionally and consists of four components:

- **Gateway:** A single point of access to information and advice services for those wishing to start a business;
- **Core Brokerage:** More intensive assistance, to enable businesses to develop and grow;
- **Specialist Manufacturing:** Assistance to improve the competitiveness of manufacturing companies.
- **Specialist Enterprise Brokerage:** Working alongside Core Brokerage, to increase the number of start-ups.

4.2.6 There are a number of key objectives underpinning the new regional model, by which AWM seeks to:

- Provide a consistent 'core offer' that is available to all businesses in the West Midlands
- Provide an additional focus on firms that have the potential and desire to grow and provide a return to the regional economy;
- Direct an additional focus towards a specialist 'sector' service;
- Continue to deliver business support services locally but provide expertise across the whole region in order to avoid geographical constraints;
- Provide a responsive and accessible service;
- Increase the ability to access under-served client groups, particularly women and minority ethnic business;
- Achieve closer alignment to the West Midlands RES, increasing the capacity to delivers its goals.

4.2.7 From a national level there is still further change expected, with the Chancellor of the Exchequer driving 'Business Support Simplification'. This will see the rationalisation of the number of business support funding and programmes in order to provide a better integrated service for businesses.

4.3 Regional Finance

4.3.1 Accessing finance for capital is a key issue for any small businesses. Many of the barriers that exist for small businesses are related to how social, economic and educational circumstances can impair people's ability to access start-up capital. Much of the money available through public channels is accessed through AWM at a regional level. Within this there are two key vehicles: the Regional Finance Forum (RFF) and the Regional Venture Capital Fund (RVCF).

4.3.2 The RFF is essentially a regional strategic forum, which was created in 2002 by AWM. The forum does not provide finance directly but has developed a family of venture capital funds including:

- The early growth fund;
- The advantage growth fund;
- The advantage creative fund.

4.3.3 The concept of venture capital funding for small businesses is not new, and the AWM models grew from a successful, original pilot by Birmingham City Council through the Birmingham Enterprise Fund (see section 5.4).

4.3.4 The RVCF provides risk capital finance in amounts up to £500k to small businesses who demonstrate growth potential. Essentially a government intervention that acknowledges the 'equity gap' at the lower, smaller end of the market, these funds are designed to stimulate private sector investors to provide small-scale risk finance to small businesses.

4.3.5 The West Midlands RVCF is the Advantage Growth Fund. This received £650k investment from the DTi, which is invested in West Midlands companies demonstrating a good growth potential. At the time of evidence gathering, the RVCF had made investments in only four Birmingham companies.

4.3.6 A key issue with financial support mechanisms provided through Business Link/ AWM grant schemes and venture capital is that they are restrictive in terms of criteria and minimum entry level funds. This makes funding of this kind very inaccessible to many small/ micro businesses. It appears that a lot of investment monies are poorly targeted, often only catering for a particular niche sector/ market.

4.3.7 It is telling that the region has a plethora of venture capital schemes, yet take up by small businesses is low. Evidence from the RVCF also suggests that typically one in every 20-25 business plans gains investment. Additionally, feedback from small businesses indicates that these do not comprise a significant element of start-up finance (see later).

4.4 Issues with Business Support

4.4.1 From a City Council perspective, there are potentially problems with the change to a regional support model. In many respects, such concerns are common to any move towards centralisation of control and operation, in that they mean the city will lose the ability to direct services to its own specific needs and to reflect Birmingham's priorities. AWM however would argue that it has finite resources and regionalisation will provide a more effective and consistent use of those resources.

4.4.2 The concerns regarding the regional framework of support to small businesses focus on a number of key areas:

- Whether the regional delivery framework is capable of reflecting the specific needs of Birmingham as distinct from other parts of the region;
- The ability of Business Link to deliver on priorities important for the city including:
- Improved access for Black and Minority Ethnic business;
- General awareness of the service; and
- Ease of access.
- The adequacy of the financing vehicles that are available; and
- How well local economic development partners (including the City Council) will be engaged in delivering support to small businesses as a result of the move to a regional approach.

4.4.3 One of the aims of the regional model is to double the number of businesses assisted over three years, with the assistance of a massive marketing exercise. However, there is no indication currently as to how this will be achieved. This is a concern, particularly as a report by the Confederation of British Industry (CBI) suggests that nationally, only one in seven firms (14%) currently use Business Link (CBI, 2006).

4.4.4 AWM use the phrase 'regionally managed, locally delivered' to describe the changes to their business support services. They have stressed that there should be no decrease in performance as a result of the move to a regional service and have contingency resources available should this occur.

4.4.5 The view of AWM is that there are high levels of satisfaction with the service received by Business Link clients. However, they do acknowledge that the service lacks consistency and refer to the duplicated overhead structures as an opportunity to reduce costs, which will in turn release more money to the task of supporting businesses.

4.4.6 Independent research has shown that only 38% of businesses are satisfied with the general business information that Business Link provides (Bennett and Robson, 2004). Business Link concedes that it:

- Is not widely known;
- Has limited engagement beyond Chamber of Commerce circles; and
- Focuses upon those businesses that will grow and employ people.

4.4.7 However, from a Council perspective, concerns have been raised by some Birmingham organisations (notably BME business support organisations). These were regarding the lack of dedicated resources for businesses, particularly where such organisations previously received financial support from the City Council. There are also concerns related to the lack of dedicated resources for Social Enterprise development, where third sector organisations with trading arms, have indicated difficulties in accessing appropriate services from strategic partners.

4.4.8 There is also the question of what happens to those small businesses which do not intend to grow. Despite its aim being to promote start-ups and enterprise, AWM indicate that the new regional model for Business Link is unlikely to change from its current focus on providing support to those businesses which have growth potential.

4.4.9 This raises concerns about the number of potential entrepreneurs that do not benefit from the regional gateway. Business Link does, understandably, want to encourage effective use of their time, however there is still a tangible need to provide basic levels of advice on starting a business for those who may not initially have the expertise to put together a business plan. Failure to do so means that an enterprise culture will not become a reality because natural entrepreneurs are discouraged from accessing formal systems.

4.4.10 Existing regional finance initiatives, illustrated in section 4.3 may exacerbate the problem. Many schemes are restrictive in their criteria and minimum entry level funds, which is a particular problem to many small/ micro businesses. Consideration needs to be given to the provision of support accessible to those businesses outside of the 'mainstream' and the ability of mainstream sources to focus financial support where it is needed.

4.5 Summary

4.5.1 Business support is in transition from a locally delivered service to a regional one. There are inevitably tensions in regionalising a service, as is reflected by many of the concerns about the Regional Framework. Some of these tensions (such as the focus on businesses that will grow) are endemic to the situation where regional resources must meet local priorities.

4.5.2 The picture is not yet complete and a full view of performance will not be possible until after Business Link services are delivered on a regional basis in 2007. Business Link and AWM have acknowledged some of the challenges that they face. As a partner in the process, the City Council needs to ensure that Birmingham gets its share of regional service provision.

5 The Role of the Council in Small Business Support

5.1 The Council's Changing Role in Providing Support

5.1.1 The role of the City Council in the provision of support – and in particular, financial support – to small businesses has changed, largely due to the structure through which Government funds business support but also budget pressures. This meant that the City Council had retreated from providing direct financial support to small businesses.

5.1.2 Despite these changes, the Council still has a legitimate and important responsibility towards small businesses in Birmingham, which it is pursuing through planning and regeneration projects, and regeneration schemes.

5.1.3 The aim of regeneration initiatives is to ensure the future prosperity of the City, closing the gaps within the most deprived areas. This can be achieved by working in partnership to create conditions for economic and employment growth, ensuring that areas and communities in greatest need benefit from Birmingham's economic prosperity.

5.1.4 Much of what the Council does in terms of economic regeneration is delivered in partnership, not just with AWM, but also certain specialised area/sector providers.

5.1.5 The Council's Planning and Regeneration Service has a number of key projects, which demonstrate a long-term focus on economic regeneration within the City. Through their very nature, such projects will offer benefits to local business and the local economy, and the following sections highlight a number of key projects which have specific remits for business support.

5.2 Creative Industries

5.2.1 Creative industries include those in the media, information technology, design and publishing, performing arts, art and photography, public relations and marketing sectors. This sector is key for continued growth and job expansion in the City. They are further recognised as a direct path to embracing the City's economic and cultural diversity, being high technology, and high value-added services.

5.2.2 The Business Support for the Creative Industry Programme is a Birmingham City Council-led initiative designed to assist both new and existing small businesses within Birmingham and Solihull.

5.2.3 Delivered with a number of key partners, and funded through the ERDF, the City Council and company contributions, the Programme consists of four key elements:

- **Creative Space** (incubation): Up to £5k grant support available to set up new business premises or expand existing premises.
- **Feasibility**: up to £2.5k available to help identify new market opportunities for products and services;
- **Business Development**: Up to 5-20 days consultancy support to develop a business.
- **Business Programmes**: Master classes and workshops covering sector specific subjects.

5.2.4 A range of projects underpin these four elements, providing business support, skills and learning with the intention of increasing knowledge and opportunities in the City's creative sector. These include:

- The Creative City: an outline introduction to the five key creative sectors;
- The Creative Route Map: a services database for creative industries in Birmingham, updated by the industries themselves;
- BIG Marketplace: Birmingham Industry and Genius marketplace – an online resource providing business opportunities and portfolios;
- The Knowledge Bank: a portal for creative industries providing free information, access to free courses and skills support;
- The Music Platform: a new distribution channel for all genres of music in Birmingham, incorporating digital radio stations and showcasing of local talent;

5.2.5 Other developments within the Creative Industries Programme include:

- The creation of a City Council-led Creative Birmingham Board to co-ordinate work across the City Partnerships – members include Business Link, Learning and Skills Council, the Arts Council and others.;
- Approval from Government Office for a £5m scheme of support to provide grants for space, relocation, business development, mentoring and showcasing;
- A new 'incubator' support programme to house start-up businesses and retain creative design talent, "Design Space" has been created in the Jewellery Quarter supported by LSC funding (see 5.3.5).

5.3 Jewellery Quarter Partnership

5.3.1 The Birmingham Jewellery Quarter Partnership is a multi-agency partnership with responsibilities for:

- Supporting businesses;
- Tackling dereliction;
- Improving the environment;
- Improving connectivity;
- Attracting more tourists;
- Developing a sustainable community.

5.3.2 With the City Council funding its operation team, the partnership also works closely with the AWM, local communities, the University of Central England and jewellery-based organisations in providing direct support through advice and innovation.

5.3.3 Around 1000 businesses, 400 of which are jewellery or jewellery-related, are located in the Quarter, with other creative businesses too. The quarter also benefits from popular bars and restaurants, which generate local employment and enterprise opportunities. It is estimated that the Quarter attracts around 1.25 million people per annum just to the main shopping areas.

5.3.4 Although not a business support operation *per se*, the partnership does offer support for business, including:

- Designer maker forum;
- Advice on available premises;
- Marketing;
- Grants to improve buildings;
- Frontline, one stop shop advice on business support available and/or referrals.

5.3.5 The Partnership Team has been supporting the development of design and incubation elements with the School of Jewellery. This is geared towards retaining skills within the city and is supported by the LSC through the European Social Fund (ESF).

5.3.6 Currently, the ESF is providing funds over two years towards the development of embryonic designer-maker businesses. As a result, it is hoped that new businesses will be created, which will be supported by free accommodation and business mentoring.

5.3.7 The Partnership is also actively involved in wider local issues of particular concern to local businesses, through its formation of Steering Groups for Community Safety, parking and

Transportation, Land Property and Business Support. Wider support to businesses in the area derives from a range of initiatives, for example:

- Craft-based skills survey and other research;
- Showcasing for local businesses;
- A proposed Centre for Design Excellence.

5.3.8 Furthermore, the Jewellery Quarter is a conduit for the Council's planning and conservation remits. The area has a Conservation Management Plan in place. This means that despite residential property being more attractive in value, the number of residential properties in the area is constrained, and local businesses protected.

5.3.9 However, one particular problem is that there are still around 100 derelict sites in the area. Many of these are listed buildings, meaning that re-development can be expensive or impractical without either public sector grant-aid or allowing inappropriate residential development (inappropriate as the Conservation Management Plan prohibits residential use in some parts of the Quarter, so as to ensure that land prices do not increase and drive out small creative and jewellery businesses). This has worked well to date with business members remaining buoyant, but this does mean that the public sector will need to intervene where key sites have remained derelict for some time.

5.4 Venture Capital

5.4.1 Venture Capital commonly takes the form of investment into the start-up or expansion of a company with a strong business plan. Also known as risk capital, the investment typically made by an outside company which is not directly involved in the overall operation and management of the business.

5.4.2 The City Council has played a major part in piloting the development of venture capital for small firms through Birmingham Venture Capital Limited, and the Creative Advantage Fund, a fund for creative firms. The models developed have been regionalised by AWM, who have created their own funds (for example, the Early Growth Fund). The work with the Creative Advantage Fund has led to a new fund, the £6 million Advantage Creative Fund (see 4.3).

5.4.3 Whilst new venture capital funds are likely to be regional (and therefore part of AWMs remit), the City Council has an important role to play to ensure benefits for Birmingham companies are maximised.

5.4.4 There has been the development in recent years of Community Development Finance Institutions (CDFIs) and other small loan funds, such as Aston Reinvestment Trust (ART) that provide finance to local viable micro businesses in addition to traditional mainstream sources such as banks. The City Council has been supportive of these initiatives. In the case of ART, for example, it provided some initial funding.

5.4.5 This suggests a plethora of investment funding streams but many are target focused at particular market segments leaving them inaccessible to many others. It is probable that supply exceeds demand in some sectors and in others there is insufficient funding available. Despite several recent initiatives evidence also indicates that there is still a gap in the market for micro-finance, particularly among the self-employed and small businesses.

5.5 Business Insight

5.5.1 Business Insight is an extension of the City Council's Library Service. Although many libraries have a 'business library', Business Insight has extended this concept to providing information, training and advice. As a consequence of the scale upon which it is able to do this, it now forms a key part of the business information support that is available within the city.

5.5.2 Business Insight fulfils a complementary role within the network of regional support services that are available to small businesses. Its emphasis is at ground level, providing a walk-in service at the Central Library. Overall, Business Insight has a different focus to Business Link/AWM and the Council's other support initiatives through regeneration. This is primarily because Business Insight focuses on assisting business start ups rather than existing businesses aiming to grow.

5.5.3 A range of services are offered to Birmingham's residents, 90% of which are free. These are summarised in Table 6.

Table 6: Business Insight Services

Commercial services	Business fairs
Free business telephone enquiry service	Community services
Company formation services	Company information services (credit checks, company information)
Job seekers service	Business and management skills clinics
Bite-size classes and advice sessions	Fact sheets
Web/ICT skills	Creative business support
Intellectual property, patents, copyright and trade marks clinics	Locating market research reports
Consumer advice and support	Business support, business planning and business learning service (Learning Insight)
Quick reference library	Students, schools and private study support
Source: Business Insight, 2006	

5.5.4 Funding in the region of £125k (as part of the Central Library main budget) covers only 25% of the services provided by Business Insight, and supports the purchase of books for its reference library. The remainder of its services are paid for by selling them to other departments of the council, other local authorities and private businesses. The income from these services is expected to generate approximately £220k in 2005/06. It is only because of this income that Business Insight can continue to provide free services to Birmingham residents/businesses.

5.5.5 Business Insight offers other, indirect benefits, including:

- Competitive rates and comparative cost savings for its services;
- Attracting external money to the City through EU projects;
- Contributing to Council Key Performance Indicators beyond those of the Library Service;
- Providing a socially inclusive service.

5.5.6 The role of Business Insight in supporting small businesses in Birmingham is an important one. However, there is some need for clarity as to its place within the Council's framework of support for small businesses.

5.6 Other Initiatives

5.6.1 Whilst the sections above have paid specific attention to particular initiatives providing support to small businesses, it is important to note that many more exist, providing equally important support services as part of wider regeneration and economic development agendas. Some of these are illustrated in Table 7, whilst full details are provided in Appendix 2.

Table 7: Examples of other Council initiatives providing business support

Programme	Objectives	Outcomes for Small Businesses
Enterprise City	A new £800,000 pilot aiming to develop 160 new and existing entrepreneurs from ethnic minorities, women and young people.	Entrepreneur Fund – a £300,000 loan fund to underpin the Enterprise City Initiative and to enable entrepreneurs to access business funding.
South West Birmingham Growth Area for Enterprise	A holistic approach, working with partners to identify opportunities for growth to stimulate the environment for investment, business growth and physical development.	Outcomes include: • £10m package to support enterprise and innovation following Rover collapse; • Work with Central Technology Belt to facilitate investment decisions; • MG Rover Task Force Community Support Programme (£1.4m).

Programme	Objectives	Outcomes for Small Businesses
Enterprising Communities South East Birmingham	A community-led regeneration programme in South East Birmingham, including funding from the European Community. Its main aim is to reduce the economic differential between the Enterprising Communities area and the rest of the city.	• Promoting social enterprise and entrepreneurship; • Building community capacity, skills and training and access to employment opportunities; • Delivering economic change to complement physical and infrastructure changes from previous and ongoing regeneration initiatives.
SRB6 Regeneration Programme North West Birmingham	A Central Government-funded, capital based programme to provide and improve the basis of ongoing, sustained regeneration, with objectives to: • Improve the employment prospects, education and skills of local people; • Address social exclusion and improve opportunities for the disadvantage; • Promote sustainable regeneration; • Support and promote growth in local economies and businesses; • Reduce crime and improve community safety.	• Improvements to Land and property; • Investing in Local Centres; • Encouraging business start-ups; • Increasing business competitiveness; • Grant aid towards capital expenditure.
North East Birmingham Business Corridor Small Business Assistance Programme	An ERDF-funded programme to provide small businesses with grants of up to 30% towards total costs of physical improvements to premises.	Since launch (2003), has enabled local businesses to: • Create new job opportunities; • Retain jobs; • Create or improve over 10,000 m^2 of business space.

5.7 Summary

How far do these initiatives go?

5.7.1 The Council's economic regeneration activities are heavily influenced by the availability of competitive funding sources. This has meant that the way in which the Council works has changed and is continuing to evolve. Set against expectations that the Council still provides support as it did previously, this can be difficult.

5.7.2 Seizing available money drives the way in which the Council is implementing its economic regeneration in response to such changes. However, the short-term nature of some funding (for example EU funding) questions whether such projects can always be part of long-term planning, unless some attempts are made to integrate projects within mainstream funding.

5.7.3 The Creative Industries programme is a prime example. Its original funding was secured until December 2005. Further funding for the programme has recently been agreed. It was, however, pointed out during evidence gathering that not gaining further funding would have been a big setback for the City, not least because it was the cornerstone for other initiatives and projects across the City.

5.7.4 Funding is an important facet to sustaining such successful initiatives. The Creative Industries Programme has demonstrated a number of key successes such as the support for 520 businesses and the creation of 400 jobs. Business Insight is a further example of success, having a national reputation for good practice, officially recognised as an Enterprise Agency and nominated by the DTi as the sole representative for UK business libraries as part of its *New Enterprise* initiative. Yet sustained funding is an ongoing issue for Business Insight.

5.7.5 Other initiatives described in this section have only recently started, or are at the stage where they are not yet reporting. There is a need therefore, to ensure robust performance management with effective monitoring of the schemes.

5.7.6 Although the Council's overall strategic aim is to improve economic and employment growth in the most deprived areas of the city, it is necessary to consider that as these projects tend to be area-based in nature, they may not always be interlinked.

5.7.7 Furthermore, the very nature of these programmes (i.e. targeting deprived areas and focusing resources on areas in greatest need) means that many small businesses or entrepreneurs in the city may not have access to available support. Similarly, many of these programmes are targeted at specific sectors (i.e. women; ethnic minorities) which, whilst an important facet to encouraging economic prosperity, does mean that others may miss out.

5.7.8 Thus there is a need for stability and overall direction in the economic regeneration agenda. This is particularly necessary in order to build linkages and working relationships between the Council and activities as the regional level.

How co-ordinated are Council Initiatives?

5.7.9 Many of the programmes in place are well co-ordinated with other initiatives in the same target sector. For example, Creative Industries underpins a range of spin-offs and links in with the Jewellery Quarter Partnership, whilst the Enterprise City Initiative links in with the Entrepreneur Fund.

5.7.10 Other initiatives however, appear to be more isolated, both in terms of operation and their strategic place. A key example here is that of Business Insight, which sits within the Council's Library services. Whilst it has proven successes, it has few – if any – links into other economic regeneration programmes, despite the fact that its service delivery supports the objectives of the Council's economic regeneration agenda. Given its success as a service in its own right, its strategic place within the Council should, perhaps, be reconsidered.

5.7.11 There are important links between what the Council does in terms of services such as Business Link and the wider services that it offers. Just as the Council has a role in providing much of the social, environmental and economical infrastructure, services such as Business Link do perform a role in terms of the 'information infrastructure' within the city.

Are there gaps, and to what extent should they be filled by the Council?

5.7.12 Arguably, a first glance at the formal support arrangements for small businesses (as provided by AWM and Business Link) and the support provided by the Council through its economic regeneration remit suggest a wide (if not full), coverage. This however, is not the case.

5.7.13 As previously indicated, regional support is primarily orientated towards small businesses wanting to grow, whilst Council support is in the form of area/ sector-based programmes. For reasons already illustrated, this may not necessarily provide generic support to all who need it.

5.7.14 Whilst Business Insight covers some gaps in its provision of 'on the ground' information support and advice, there are undoubtedly small businesses/ entrepreneurs that will miss out. The extent to which the Council meets these gaps however, is a matter for further discussion.

6 Other Business Support Initiatives

6.1 Introduction

6.1.1 There are a number of particularly successful business-focused initiatives which have had an immediate impact on small businesses in Birmingham.

6.1.2 Initiatives such as the Aston Science Park employ the incubation model as a means to support specialist small business development – part of which focuses upon the retention of skills, skill development, learning and training.

6.1.3 Interlinked with the various partnership initiatives are a range of academic courses geared towards business skills and preparing graduates with necessary workplace skills as a possible means to improve graduate retention within the City. One particular example is the Birmingham University Business School.

6.2 Incubation Schemes

> "Business Incubation is a unique and highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through the early stages of development and change"
> **UKBI (2004)**

6.2.1 Business incubation is a form of organisation rather than a specific scheme. Such organisations aim to create the right environment for nurtured and supported business growth, and can include universities, science parks, research and development laboratories, commercial clusters and social regeneration projects.

6.2.2 Business incubation has developed since the mid-1990s into a popular economic development vehicle – over 200 incubator projects have been established in the UK in the last five years alone (SinC, 2006). However, not all incubators are the same – some have a sector-specific focus and include specialist equipment and accommodation, whilst others can offer little more than managed workspace.

Aston Science Park

6.2.3 Established in 1982, Aston Science Park is an example of a successful regeneration initiative to provide support to small, specialised businesses in Birmingham. In particular, with its links to the nearby university, it is intended to encourage graduates to stay in Birmingham and run their own businesses.

6.2.4 Owned and managed by Birmingham Technology Ltd, a Birmingham City Council controlled company, and in partnership with Lloyds TSB and Aston University, the mission for the Science Park is:

> "To create wealth and employment by providing facilities for the establishment and rapid growth of knowledge based companies that can benefit from the business support services, management skills and interaction with other companies within Aston's business community"

6.2.5 At the time of evidence gathering, the Science Park catered for:

- Two types of accommodation:
- 5,000m^2 incubator space;
- 25,500 m^2 venture unit space;
- Incubator graduates;
- Higher Education Institute spin-outs; and
- Industry spin-outs.

6.2.6 These facilities have led to the assistance and accommodation of over a hundred companies and over a thousand employees. The knock-on impact of this has been the creation and safeguarding of jobs and the development of a reputation for innovative programs.

6.2.7 Aston Science Park is geared towards IT-based companies and offers numerous benefits for small businesses that actively address a number of the problems faced by small businesses in the sector. Its facilities for IT companies include:

- Competitive market rents;
- A range of unit sizes;
- Flexible leasing arrangements;
- Security and 24/7 access;
- Seminars, skills, assistance with marketing and tendering;
- On-site meeting facilities;
- 'Grow on' space; and
- Local and regional networking opportunities.

6.2.8 The key to the success of Aston Science Park is that its infrastructure is specifically geared towards supporting small businesses. Furthermore, it is continually evolving. Projects such as Digital Birmingham and Project Novus (in partnership with the City Council) continue to address small business needs in accordance with Birmingham's regeneration agenda.

6.3 Academic Courses: Birmingham University Business School

6.3.1 The Birmingham University Business School provides two kinds of support to small businesses. Firstly it undertakes research upon issues faced by small businesses. Secondly, it provides education in entrepreneurial and business skills.

6.3.2 The Business School offers a degree module, whereby students across a range of disciplines submit a 10,000 word business plan to launch a new business. Each year, approximately 200 students in the Birmingham area take this course, with many going on to launch successful businesses.

6.3.3 Whilst this support is currently limited to students, its potential benefits to the City are evident in that many businesses may be launched locally. Furthermore, the Business School has established Knowledge Transfer Programmes funded by the DTi, whereby students gain placements in local companies. Again, this may contribute to the retention of skills within Birmingham and the region.

6.3.4 The University is also home to a Research and Enterprise Centre which provides business advice. However, its Research and Development Unit provides some funding for high-tech small businesses, and is actively looking for innovative ideas.

6.3.5 The Business School has published a number of papers on SMEs in the region. One of the areas in which the Business school has conducted research is in its 2004 Business Capacity Audit of some 3,000 small businesses in Birmingham's A38 Central Technology Belt. This is an area designated for assistance by the government and AWM. A number of the findings from this research are illustrated in Chapter 3.

6.4 Summary

6.4.1 There are a range of direct measures to actively support and promote the development of small businesses. Schemes such as Aston Science Park have used the incubation model to good effect and smaller incubation schemes can be found within some of the Council's larger regeneration programmes (see Chapter 5).

6.4.2 The provision of tailored, sector-specific skills, training and facilities is a valuable means of attracting and supporting fledgling businesses and industries.

6.4.3 Overall, specialist support schemes recognise that small businesses require incubator space, mentoring, peer group support and initial pre-incubator funding in the form of grants and soft loans. This is especially applicable to highly specialised small businesses where suitable equipment, laboratory space, networking and training is essential for the success of the business. For small businesses which do not require highly specialised support, schemes such as this may not be so appropriate, or indeed necessary.

7 Council Services to Business

7.1 Introduction

7.1.1 The interactions of local authorities with the communities that they serve are complex and wide-ranging. One of our most important challenges as a Council is to create an environment in which people and businesses of all sizes can flourish. This is achieved through strategic economic and environmental development.

7.1.2 In these broad terms it is helpful to define 'Council Services to Business' as activities that the Council undertakes that are indirectly of benefit to specific businesses. These include:

- **Strategic Business Development:** Development of sectors and concentrations of business through activities such as land ownership and management, the planning process, attracting inward investment and winning and committing resources to support enterprise (such as the Council's work with partners in developing the Central Technology Belt).
- **Workforce Development:** Building the necessary skills and knowledge needed for a successful economy, through a combination of directly provided (pre-18) education as well as programmes delivered through partners such as the Learning and Skills Council (LSC) and other education bodies (such as Further Education Colleges and Universities).
- **Business Regulation:** Carrying out regulatory functions, such as licensing, collection of business rates and the operation of the planning system.
- **Quality of Life and Infrastructure:** Factors to support the business environment, often delivered in partnership. This diverse range of services and activities includes crime prevention, street cleaning, waste management and public health functions, transport infrastructure, housing, leisure amenities and maintaining the quality of open spaces.

7.1.3 The ways in which these activities serve businesses are readily apparent and do not need further explanation. However, three particular areas are worthy of note and further discussion:

- Tackling crime affecting businesses;
- Skills and education;
- Implementation of the Single Business Account.

7.1.4 Additionally, there is also the impact that the Council has upon the local economy in terms of how it procures goods and services. Whilst this is technically not a 'service' provided to businesses, it is a very important issue as section 7.5 illustrates.

7.2 Tackling Crime Affecting Businesses

7.2.1 Crime, such as vandalism and shoplifting, impacts on the success of businesses, and through them upon the prosperity of Birmingham. Estimated figures suggest that:

- £19 billion is lost nationally every year due to business crime, according to the British Chamber of Commerce;
- Criminal activity costs businesses in the West Midlands as much as £123 million per year (equating to £14,000 per hour), according to the West Midlands Business Council; and
- Each incident of business crime costs an average £5,000 according to the Institute of Directors.

7.2.2 A study by AXA Insurance found that crime-related payouts in Britain increased by 18% in the 3 months to June 2005, compared to the previous quarter. The study also ranked Birmingham just behind Bradford (the worst affected), with more than 27% of business claims attributed to crime.

7.2.3 Perceptions of crime also drive the main costs of crime, including taking crime prevention measures. However, many small businesses do not report business-related crime. Over a third of respondents to an FSB survey believed that reporting a crime would not achieve anything and that they lacked confidence in the police.

7.2.4 The impacts of crime on businesses are not a new issue for Overview and Scrutiny – a number of reviews have previously recognised its importance. The review of *Local Centres* and the *Overview of the Management of Community Safety* both highlighted that small businesses are more likely to be located outside the city centre – a factor because the resource and infrastructure for deterring and tackling crime is there. Crime in such areas will undoubtedly pose challenges, not only to businesses, but also their customers and local communities.

7.2.5 The Council is involved in initiatives to tackle the impacts of crime upon businesses, including the development of Business Improvement Districts (BIDs) and the Retail Crime Operation. A BID is a precisely defined area where businesses have voted to invest collectively in local improvements and additional services to enhance their trading environment – tackling crime being one facet of such improvements.

7.2.6 Birmingham secured one of the UK's first BIDs in the Broad Street area in 2005. Its successes have initiated a proposal by Birmingham's City Centre Partnership for the 'Retail Birmingham BID', which would cover all the main shopping areas in the city centre. At the time of this review, the draft proposal was being finalised.

7.2.7 The Birmingham Retail Crime Operation (RCO) is designed to protect staff and property from criminal behaviour. Over one thousand shops, offices, leisure outlets and car parks are currently members of the RCO exclusion scheme, which covers the commercial centre of Birmingham. Through incident reporting, monthly security meetings and, in some areas, radio links, the RCO offers effective partnership working to impact upon crime and community safety.

7.2.8 As successful as such initatives are, it is important to note that they predominantly focus on the city centre, and many small businesses in Birmingham may not benefit due to their location outside of the centre. Furthermore, there are financial costs associated with being members of such schemes, which some small businesses – particularly start-ups – may not be able to sustain.

7.3 Skills and Education

> "The development of a skilled workforce is critical to attracting investment, supporting business diversification and enabling disadvantaged communities to benefit from Birmingham's economic growth."
> **Birmingham Strategic Partnership, 2005**

7.3.1 The City Council has a wide role in ensuring that the levels of skills and education in the local workforce meet the needs of businesses. Firstly, as the Local Education Authority, the City Council is responsible for ensuring the provision of education for children up to the age of 18. However, since the skills and education of workers underpin the ability of business to operate and achieve, they are also critical factors in the economic development and vitality of the city.

7.3.2 A Learning and Skills Council (LSC) survey in 2003 found that:

- One in four posts in the West Midlands were vacant because of a serious lack of skilled recruits;
- 15% of the total West Midlands workforce were described by employers as "having a skills deficit";
- A quarter of employers with skills gaps said that the problem resulted in increased operating costs and difficulties meeting customer service objectives.

7.3.3 The education and learning of Birmingham residents is an important factor as the City seeks to progress towards a more modern, knowledge-based economy. It is also a critical factor in individual employment prospects. It is furthermore, a crucial part of Birmingham's emerging Growth Agenda – increasing the population of the city on a economically-sustainable basis. Developing a well-educated, skilled workforce increases the likelihood that businesses will want to locate in Birmingham.

7.3.4 Development of the curriculum within Birmingham schools is one of the ways in which the Council can have a direct impact on pre-18 education and enterprise skills. The City Council has made strong improvements in education in recent years, although there is still some way to go. These improvements form a strong basis on which enterprise elements can be further integrated into the curriculum in the future.

7.3.5 There are concerns however, that there is a need to focus on skills to support the growth of new and existing businesses in the City, and attract new inward investment. One of the pressures is the degree to which demand for a skilled workforce may be met from outside Birmingham, rather than through improved employment prospects within.

7.3.6 The West Midlands Business Council identifies five top skills issues for small businesses:

- Basic skills (the literacy and numeracy skills to function effectively in the workplace);
- Careers advice;
- Enterprise training in schools and colleges;
- Graduate retention;
- Workforce development.

7.3.7 Bringing together such activities in order to develop education and enterprise in partnership is one of the key purposes of the Local Area Agreement, as outlined in section 2.3.

7.4 Implementing the Single Business Account – 'Business Matters'

7.4.1 'Business Matters' is the West Midlands e-Partnership project focused on improving the quality and efficiency of interactions between local authorities and all business rate payers. The aim of the project is to consult with the business community to better understand its needs, in order to 'pilot' new ways of working. A key element of this for the Council will be to develop a 'Single Business Account' (SBA).

7.4.2 Essentially, the SBA provides a tool with which the Council can capture and store all interactions with businesses, using a single account reference number. This is intended to:

- Provide a focal point of contact;
- Allow businesses to engage with the Council more easily;
- Reduce the need for multiple telephone calls and correspondence;
- Allow businesses to interact with the Council out of hours, through 'self-service' facilities; and
- Provide the Council with a single source of information about their business customers.

7.4.3 Economic research has shown that the provision of a single point of access to council services is a key issue for local businesses. This is an issue which has also consistently emerged during evidence gathering for this review.

7.4.4 Although originally aimed to be operational by 31 March 2006, the SBA is still under development, and not expected to be implemented until 2007. It should offer a direct Council service which supports local businesses more effectively through a reduction in bureaucratic processes.

7.5 Procurement

7.5.1 The public sector is a huge influence on the local and regional economy, quite simply due to the vast number of goods and services that it procures. For example, approximately 1.1 million invoices are paid each year through our Central Payments team. Analysis of the City Council's contracts and purchases above £1000 in 2004 revealed that:

- 34% of spend was with local, Birmingham-based businesses;
- 57% of the businesses who received over £1000 from the Council during 2004 were SMEs; and
- 59% of these SMEs were local, Birmingham-based businesses.

7.5.2 For previously awarded corporate contracts, the following profile exists:

- 40% (19% for SMEs) were Birmingham based;
- 28% (11% for SMEs) were based outside Birmingham, but within the West Midlands; and
- 32% (16% for SMEs) were based outside the West Midlands.

7.5.3 There are a number of generic issues that inhibit the effectiveness of the procurement supply chain between local authorities and small local businesses:

- The bureaucracy necessitated by public sector tendering processes;
- The accessibility of public sector contracts to small businesses, because they may not be able to generate the necessary economies of scale to compete;
- Lower levels of competition for contracts, meaning that keenness of cost is lost.

7.5.4 As well as actual issues, perceptions and myths about small businesses also cause difficulty. For example, it is not always the case that small businesses cannot be as competitive as large organisations.

7.5.5 It is however clear that procurement among small businesses does provide a direct stimulus to the local economy. Money spent with small businesses is much more likely to be retained within the local economy, not only in terms of direct employment, but also in terms of what small businesses in turn spend their income upon. Money spent with larger businesses, with their staff, overheads and support structures provided nationally and internationally, are less likely to be retained in the local economy.

7.5.6 Procurement issues such as these have existed for some time and are recognised at all levels. Central government is already developing local procurement guidance and this is being taken up at a regional level.

7.5.7 The Co-ordinating Overview and Scrutiny Committee is currently undertaking a Scrutiny Review of Procurement and is expected to report to the City Council towards the end of 2006. It is not the intention to examine the Council's role in procurement here. However, it is helpful to highlight some of the steps that the Council is taking and some of the issues that small businesses face with regard to procurement.

Small Business Concordat

7.5.8 The Small Business Friendly Concordat is a voluntary, non-statutory code of practice for local authority procurement strategies. It is intended to outline what small firms and other local government suppliers can expect when tendering for local authority contracts. Equally, it also sets the standards that public sector buyers should expect from suppliers.

7.5.9 Both the Concordat and its supporting good practice guide represent a commitment from local government to encourage and develop appropriate levels of competition in local government markets, in order to increase value for money and foster innovation.

7.5.10 Significantly, a key target is to develop and encourage competition amongst BME-owned and women-owned businesses and social enterprises. The former ODPM, the LGA and the SBS all strongly advocate the Concordat. The National Procurement Strategy for Local Government in 2003 set a target for all local authorities to have adopted the Concordat by the end of 2005.

7.5.11 Corporate Procurement Services has not signed up to the National Small Business Compact, as it is currently working on a joint approach that encompasses Third Sector/voluntary organisations. Because of the issues concerning grant funding and consultation with other partners, this process is more involved.

7.5.12 Corporate Procurement Services actively promotes tendering opportunities through the Council's website and has produced a guide ("How to do business with Birmingham City Council"), which aims to raise awareness of the key issues.

West Midlands Procurement Portal

7.5.13 The West Midlands Procurement Portal was launched in 2004, and is the continuation of a government-funded pilot initiative to provide a gateway to local contracts in the region. It aims to address some of the key obstacles that may prevent small businesses from competing in the public sector marketplace, with participating organisations including local authorities and West Midlands Police.

7.5.14 This portal allows:

- Real-time access to low-value contracts;
- Opportunities to bid and win contracts;
- Government organisations to access a wider range of companies.

7.5.15 Once registered, companies are sent relevant contract details, thus enabling them to quote for work.

7.5.16 Birmingham City Council and other local authorities in the region are represented in the pilot by the West Midlands LGA, whose role is to lead the local government engagement in the region.

7.6 Summary

7.6.1 The relationship that the Council has with all businesses, including small businesses, is a complex one, with many facets and levels of operation. It is clearly the case that the Council has an influential role to play in supporting small businesses through its provision of services. Many of these benefit businesses as members of the wider communities in which they exist.

7.6.2 Procurement and the money that local authorities spend in the local economy are important. Whilst there are requirements for how public sector organisations must procure goods and services to ensure that this provides fair competition, there are still ways that the Council can work to reduce the difficulties that small businesses have in accessing such processes. We do however acknowledge that this is a subject more appropriately addressed through the specific Scrutiny Review of Procurement.

7.6.3 It was clear to us that we needed to examine the effects of the City Council's relationship with small businesses in a way that was reflective of its multi-faceted nature. On one level, there are the services that the City Council provides for the community as a whole. On another, there are the consequences of other interactions (such as how we spend money, tackle crime and affect skill and education levels) that impact upon specific parts of the economy. On yet another still, there are the issues of how the Council works effectively with businesses as individual customers.

8 Conclusions and Recommendations

8.1 Introduction

8.1.1 Our conclusions and recommendations fall into three broad categories:

i. The role and nature of Council support for small businesses;

ii. The transition to a regional delivery framework; and

iii. Tackling the issues of small businesses.

8.1.2 These are discussed in more detail in the following sections.

8.2 The Role and Nature of Council Support for Small Business

8.2.1 Just as the regional model for providing support is in transition, the Council's own role in business support has changed. However, residual elements still remain, often within the Council's agenda for encouraging economic regeneration and promoting growth in the local economy. However, expectations that the Council still provides support in the way it did previously still exist and it is important to understand that Business Link is the principal provider of business support.

8.2.2 Responding to this situation is based upon consideration of two policy questions:

i. Given the changes in how support is provided at a regional level, what role should the Council take, now and in the future, in providing support to small businesses?

ii. To what extent is the Council prepared, or able, to supplement business support provided by other organisations?

8.2.3 Providing a definitive answer to these questions is a matter for the Executive. However, we do wish to identify here some of the key aspects that we feel should be considered.

8.2.4 The first part of this is about 'taking stock'. We found that there is much support that the Council already provides. However, this appears disjointed and the elements could link together better. There is a need to conduct an overall evaluation of the support that the Council currently provides, with a view to how this can best be co-ordinated from an organisation-wide perspective.

8.2.5 Just as the support that the Council provides must have a corporately-aligned purpose, it must also be consistent with the wider framework of regional support. This is particularly the case if routes of access are to be improved.

8.2.6 Similarly, there may be changes over time, and it is essential that the current misalignment does not re-occur. Support services should continue to develop in step with what the Council feels its role should be and the wider regional framework.

8.2.7 The second part to be considered concerns where support is targeted in the future. There are a number of ways in which this might happen:

- The way small businesses access finance;
- Sector-based initiatives that the Council undertakes with partners (e.g. Creative Industries);
- Incubation initiatives that the Council is involved in (e.g. Aston Science Park);
- Measures funded as part of specific regeneration programmes (e.g. Jewellery Quarter Partnership);
- Other services that the Council provides that are associated with business support (e.g. Business Insight).

8.2.8 Clearly, some of the areas in which the Council might seek to provide support would require a change in the level of activity – necessitating the funds to do so. Whilst rationalising existing support might contribute to some of this, we accept that this is unlikely to cover the entire cost. It is however, important to ensure that all support that the Council provides is part of a co-ordinated approach with all elements progressing in the same strategic direction.

8.2.9 The LAA recognises the barriers relating to access to finance. However, we are unclear as to how these will be overcome, since the Economic Block of the LAA was intended to be financially supported by LEGI funding, which the Council is still bidding for. Given the uncertainty of the LEGI position, we are keen to understand how the delivery of this block of the LAA will be supported and sustained.

8.2.10 Furthermore, the LAA sets out as one of its innovations in service provision 'Developing an integrated model of business support by the creation of a strong culture of enterprise'. Again, we are interested to understand how this is proposed to be achieved.

8.2.11 It did concern us that the focus of AWM is predominantly upon businesses that will grow and employ others. We do understand that this is a necessary part of promoting employment fully in the economy, in order to concentrate efforts on those businesses that will potentially have greater impact on tackling unemployment and provide strong economic growth.

8.2.12 However, there are also many small businesses that do not have such growth aspirations, being content only to survive and continue to trade. Many of these are small family businesses and micro-businesses. Such businesses form an important part of the overall economy, particularly in terms of economic diversity, and there is still a need to provide support to them. It needs to be recognised that to do so may conflict to some extent with how the efforts of the Council's economic development partners are directed, but that their efforts do provide appreciable benefits for the economy.

Conclusions

1. The Council needs to take stock of the support that it provides to small businesses and ensure that this is better co-ordinated on an organisation-wide basis.
2. The Council should consider the means through which it will provide support in the future, and align existing structures with this. This should also cover the extent to which it is prepared to supplement the support that is already provided by other organisations.
3. Whilst we recognise that it is important that partners maintain a focus on supporting businesses that will grow, we are concerned that the regional support framework does not adequately address the needs of micro businesses, whose goals may not include significant growth in the short to medium term.
4. To neglect the needs of small businesses that do not have current growth aspirations risks sending out two messages:
   a. The benefits of this form of entrepreneurship are not important; and
   b. There isn't the desire to encourage entrepreneurship at the level of its most basic building block.
5. The picture is still an emerging one and we wish to be kept informed of the situation. Progress against the targets for enterprise within the Local Area Agreement, and any bid for funding under the second round of LEGI that might underpin their delivery, are key aspects of this.

	Recommendation	Responsibility	Completion Date
R1	Consideration should be given to the role that the Council should take in supporting small businesses. This should result in clear policy lines on how: • The Council will connect the support that it currently provides (for example, the relationship of Business Insight to other support); • Council support will be linked to the regional delivery framework of Business Link; • These support services will be developed further in the future.	Cabinet Member for Regeneration	30 September 2007

	Recommendation	Responsibility	Completion Date
R2	The Regeneration Overview and Scrutiny Committee should be kept informed of the progress against targets for business and enterprise in the Local Area Agreement.	Cabinet Member for Regeneration	30 June 2007
R3	The Regeneration Overview and Scrutiny Committee should be kept informed of the progress of the Council's bid for funding in the second round of the Local Enterprise Growth Initiative (LEGI).	Cabinet Member for Regeneration	28 February 2007

8.3 The Transition to a Regional Delivery Framework

8.3.1 It was immediately apparent through conducting this review that the routes through which small businesses can access support are complex, which may go some way in accounting for the low levels of awareness found both nationally and locally. This is illustrated by the fact that simple internet searches reveal a plethora of services that are inter-related but not necessarily linked.

8.3.2 This complexity is compounded by:

- The number of providers of support services;
- The range of support services provided;
- Business Link moving from local service delivery to a regional model;
- The sectors to which support services are provided;
- The level of entry into such services.

8.3.3 Much of this is due to the way in which business support has evolved over time, as well as the diverse range of vehicles through which funding has been obtained. However, this background is of little importance to those needing support, but more importantly it does not ensure continuity and longevity of support over time. For its part, Business Link did acknowledge that there are issues with (i) understanding the ways to access support, and (ii) the point in the process at which support is provided.

8.3.4 To access many of the brokerage services provided by Business Link, assuming that a small business is aware of its existence, it is necessary to have relatively well-developed proposals. Whilst this makes for effective use of Business Link's support, it does not help with encouraging wider enterprise. This is particularly the case in deprived areas, and black and minority ethnic communities where prospective entrepreneurs may not understand how to get the most from formal support mechanisms.

8.3.5 We did receive assurance from Business Link that the transition from a local to a regional delivery framework would not negatively affect service provision. It is important that as part of monitoring the local to regional transition, that we see that this happens. However, overall responsibility for ensuring that these issues relating to accessibility are addressed is much wider, and lies with the Birmingham Economic Development Partnership.

8.3.6 Over the last five years, the City Council has withdrawn from the funding of wide-ranging business support services. This is a response to the Government's desire that such services should be managed through other public agencies. Concerns have been raised by some Birmingham organisations, notably BME business support organisations, about the lack of dedicated resources for businesses, particularly where such organisations previously received financial support. Further concerns have been expressed with regards to the difficulties in negotiating for resources with the Council's strategic partners (e.g. LSC, AWM, Business Link).

8.3.7 There is some expectation that the City Council is responsible for addressing this issue. Whilst it should be made explicitly clear that the responsibility for the delivery of government-funded support now lies predominantly through the Regional Gateway, the City Council (through the Birmingham Economic Development Partnership) could do more to:

- Monitor the effectiveness of business support services in Birmingham, in particular to BME and deprived communities; and
- Arbitrate in the relationship between strategic partners and community-based business service providers – for example, local organisations that support Social Enterprise development.

Conclusions

6. The present framework for delivering support services for small businesses presents a confusing picture for those seeking support. Despite steps such as the Regional Gateway, routes to support are not always clear to those who need it.

7. It is important that AWM, through Business Link, ensures that awareness of how to access business support in the region improves.

8. In deprived areas, and among minority ethnic communities, there may be difficulties in getting the most from formal support mechanisms. This matter would be best addressed by the Council in conjunction with the Birmingham Economic Development Partnership.

	Recommendation	Responsibility	Completion Date
R4	Advantage West Midlands should be asked to demonstrate clearly how: • The measures they are taking to improve awareness of how to access business support; • Standards of service provision have been maintained in the move to a regional delivery model; • Service delivery is planned to develop in the next year. • This should show clear progress since regionalisation of support against a current baseline.	Cabinet Member for Regeneration	31 March 2007
R5	The Birmingham Economic Development Partnership should be asked to produce a 'route map', explaining the avenues through which businesses and prospective small businesses can access support. This should: • Be in place as part of the movement to a regional delivery model; • Provide clear signposting to allow those who cannot access support through Business Link to get this through other avenues.	Cabinet Member for Regeneration	31 January 2007
R6	The Council should work with the Birmingham Economic Development Partnership to improve access to formal business support mechanisms in deprived areas and among BME communities. This should result in demonstrably increased uptake of business support services in deprived areas, and from BME communities.	Cabinet Member for Regeneration	30 June 2007

8.4 Tackling Small Business Issues

8.4.1 It is an obvious statement, but in fulfilling its wider role as a deliverer of services, the Council will indirectly provide benefit to small businesses as part of the community that it serves. Mainstream services delivery and the Council's role in working with partners will both contribute significantly to addressing many of the issues that small businesses face, including those relating to transportation, the environment and crime.

8.4.2 Irrespective of the need to consider what role the Council should take in providing support to small businesses, it still has other interactions with businesses as a customer. We heard how improvements here could make a big difference to the operation of small businesses.

8.4.3 Minimising bureaucracy and red tape is an issue that was raised by the Federation of Small Businesses, but also forms and element within the current Lyons Inquiry. One area where this is already being taken forward is the implementation of Business Matters – the 'Single Business

Account'. Quite rightly, this is part of the *Customer First* initiative – putting the interactions with businesses on a customer-based footing.

8.4.4 The ability of the Council to communicate effectively with small businesses through straightforward channels was also raised. This is something that also underpins two other strands of the Lyons Inquiry – the role of local authorities in 'place shaping' and bringing councils closer to the business community.

8.4.5 Such communication is a two-way process and whilst the Council has much to gain through being able to communicate with business through more straightforward channels, it also has much to learn from business.

8.4.6 A number of issues were also raised about how small, local businesses can better access local authority procurement and tendering processes. These relate to:

- How small businesses become aware of opportunities, and how contracts are advertised;
- Simplifying the process of tendering to avoid deterring smaller businesses;
- Being clearer about our requirements and how small businesses can deliver these.

8.4.7 This is a very broad subject, and we have been conscious that it forms a specific line of enquiry being pursued by the Co-ordinating Overview and Scrutiny Committee's ongoing review of Procurement.

8.4.8 Finally, the issue of how crime affects small businesses is an issue of not only of nationwide importance but specifically within Birmingham. That Birmingham was ranked as second in terms of the effect of crime upon small business (see 7.2.2) emphasises this point. Whilst there are a number of ways through which the Council works with members of the Community Safety Partnership to address such issues, we feel that specific measures to help small businesses could support these further.

Conclusions

9. In 'doing what it does', the Council provides benefits to businesses as members of the community that they exist within.

10. There are still steps that the Council needs to take to improve its interactions with businesses as customers. Business Matters will be a key element of this for the future.

11. There are well-recognised needs to improve the accessibility of local authority procurement processes to small businesses.

12. Crime is an important issue that affects small business, particularly in Birmingham.

	Recommendation	Responsibility	Completion Date
R7	As part of considering what the Council's role in supporting small businesses should be (R1), the Cabinet Member is asked to consider establishing a focal point for co-ordinating interactions with business within the Council. This focal point should: • Be responsible for co-ordinating and simplifying communication between small businesses and the Council; • (As part of simplifying communication) make better use of existing communication channels such as the web page and business rates; • Emphasise improving and streamlining information for all members of the small business community.	Cabinet Member for Regeneration	31 March 2007
R8	The Regeneration Overview and Scrutiny Committee should be kept informed regularly of the progress of the implementation of Business Matters (the Single Business Account).	Deputy Leader	31 March 2007
R9	The Council should explore (along with partners in the Community Safety Partnership) ways of reducing the impact of crime in relation to small businesses within the City. The action taken as a result of this consideration should be reported to the Regeneration Overview and Scrutiny Committee.	Cabinet Member for Local Services and Community Safety	31 March 2007

8.5 Monitoring Progress

8.5.1 In order to keep the Committee informed of progress in implementing the recommendations within this report, it is recommended that the Cabinet Member for Regeneration reports back on progress on a regular basis.

	Recommendation	Responsibility	Completion Date
R10	Progress towards achievement of these recommendations should be reported to the Regeneration Overview and Scrutiny Committee in March 2007. Subsequent progress reports will be scheduled by the Committee thereafter, until all recommendations are implemented.	Cabinet Member for Regeneration	31 March 2007.

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Appendix 1: Witnesses

The Regeneration Overview and Scrutiny Committee would like to thank the following people for providing their time and expertise:

Advantage West Midlands	• Stephen Gray • Tony Sims
Aston Science Park	• Phil Lines
Birmingham Asian Business Forum	• Pritvi Chopra • Kuldip Gujral
Birmingham City Council	• Councillor Ken Hardeman, Cabinet Member for Regeneration • Paul Cantrill, Creative Industries Development Programme • Jackie Culliford, Regeneration Services • Veronica Docherty, Economic Strategy and Information • Jan Rowley, Planning and Regeneration • Andy Munro, Jewellery Quarter Partnership • Douglas Laird, Business Insight
Birmingham University Business School	• Prof. David Walker
Business Link, Birmingham Chamber of Commerce	• David Draycott
Centre for Ethnic Minority Entrepreneurship	• Prof. Monder Ram
Federation of Small Businesses	• Denise Craig
Loughborough University	• Prof. Geoff Chivers

The Chairman would like to thank Anna Gibson Photography for use of photograph on the report front cover.

Appendix 2: Council Initiatives in Detail

Enterprise City

Enterprise City is a new £800,000 pilot initiative that aims to develop 160 new and existing entrepreneurs from ethnic minorities, women and young people. Starting in April 2006 and finishing in September 2007, it will be delivered by three consortia who will identify and support suitable individuals with entrepreneurial attributes.

The entrepreneurs will present themselves, their ideas and aspirations before the “Enterprise Den”, an independent panel of experts established to bring knowledge and experience to the process. This panel will consist of a number of experienced individuals representing the public and private sectors, for example, the Royal Bank of Scotland. The entrepreneurs will then access a package of support via the consortium. Through a personnel development plan tailored to their individual needs, this will enable the entrepreneur to develop the skills and knowledge necessary to turn their ideas into reality. Upon completion the entrepreneurs will possess a good business plan based upon their original ideas and sound research and be “investment ready” to start the new business or grow an existing one.

Entrepreneur Fund

Created to underpin the Enterprise City initiative, this new £300,000 loan fund will enable entrepreneurs completing personal development plans to have access to business funding. The Fund will be delivered through the City Council’s Birmingham Venture Capital company.

Loans of £5k - £25k over periods of 6 – 36 months will be available on an unsecured basis.

The finance is intended to act as a “deal maker” as part of a funding package. It will provide pump-prime funding to the business venture and will act as a catalyst and, in lieu of owner capital, stake or security, will encourage and enable other lenders, such as banks and Community Development Finance Institutions (CDFIs) to provide matching finance.

South West Birmingham

Planning and Regeneration have been working with partners to identify opportunities for growth to stimulate the environment for investment, business growth, and physical development. This has a number of facets that are being brought together to achieve a holistic approach to enterprise and business development in South West Birmingham. Examples include:

In 2005, the City Council announced a growth area for enterprise in South West Birmingham. A strategic officers group, lead by the South West Regeneration Team, has been established to develop this strategy. A stakeholders conference was held in January 2006 and a business event is planned in March 2006. Presentations have been made to the 4 District Partnerships: Edgbaston; Hall Green; Northfield; and Selly Oak. Comments and feedback from these events will inform the strategy.

With the collapse of MG Rover in April 2005, the city Council identified a package of £10m to deal with the impact of the closure. The aim of this element of the package is to focus on the diversification of the local economy through the attraction of high added value uses and developments within the knowledge economy. New project areas contained within this package to support enterprise and innovation are: Enterprise Centre at Aston Science Park (managed workspace for start-ups); a commissioning gateway to generate enterprise development in South West Birmingham; Bournville College ERDF project, aimed at developing small businesses and social enterprises in South West Birmingham.

Work with the Central Technology Belt Company to facilitate investment decisions enabling new enterprises and existing companies to utilise technology for product and process development and business expansion plus a contribution to site development costs for the Longbridge site in conjunction with AWM.

MG Rover Taskforce: The City Council, through the South West Regeneration Team, will have a lead role in co-ordinating projects post MG Rover Task Force – Community Support Programme totalling (1.4m). The funding recognises the impact of the MG Rover collapse on local business in South West Birmingham and aims to address some of short and medium term issues that were identified through local consultation and surveys of local businesses. Projects focused on business and enterprise support within the programme include: Business Connections (a network of local business fora, developing connections with the City Council for local environmental management and other services; access to business image investments); Working 4 You (self-employment loan fund of £100,000).

Technology Transfer Fund: This provides support to enable the commercialisation of research and development projects/intellectual property generated within Higher education institutions. It will capture innovative products and techniques and will support entrepreneurial activity.

SRB6 Regeneration Programme

SRB6 stands for Single Regeneration Budget Round 6. The strategic aim of SRB6 is to work with the local community to bring about the long-term and sustainable regeneration of the key corridors within North West Birmingham as part of an overall regeneration strategy for the city.

The priority is to improve local people's quality of life by reducing the gap between deprived and other areas or between different groups. This includes addressing disadvantage experienced by ethnic minority communities.

SRB6 is primarily a capital based programme to improve the physical infrastructure of the area, and provide the basis of ongoing, sustained regeneration. The programme's strategic objectives are:

- Improving the employment prospects, education and skills of local people.
- Addressing social exclusion and improving opportunities for the disadvantaged.
- Promoting sustainable regeneration, improving and protecting the environment and infrastructure.
- Supporting and promoting growth in local economies and businesses.
- Reducing crime and drug abuse, and improving community safety.

Advantage West Midlands is responsible for administering the SRB6 North West Corridors programme. The City Council and its partners are required to report achievements to AWM on a quarterly and annual basis to demonstrate how it is meeting targets.

Several aspects of this scheme will be supporting small businesses in the area. For example:

- Improvements to Land and Property: To help develop sites and improve business premises through capital grant assistance of up to £50,000.
- Investing in Local Centres: Grants of up to £5,000 per business unit to facilitate the upgrade of shop frontages.
- Enterprise and Social Economy: To encourage business start-ups through work with local schools and outreach advice and business support.
- Business Competitiveness: To increase competitiveness and growth potential of businesses through targeted interventions including one-to-one support, workshops, counselling and training courses in: managing change, engagement, retail support (non food), sales and marketing, food and drink, clothing manufacture, business recovery and the care sector.
- Proposed measures in the SRB6 area include: Grant aid of up to £10,000 towards capital expenditure, available to individuals contemplating self-employment, or to existing businesses and social enterprises wanting to expand. Covers: equipment, machinery, plant, ICT, fixtures and fittings, refurbishment and renovation and tailored support packages to reduce crime in the SRB6 area.

Enterprising Communities

Enterprising Communities is a community-led regeneration programme in South East Birmingham, including funding from the European Community. Its main aim is to reduce the economic differential between the Enterprising Communities area and the rest of the city.

The programme aims to achieve this by:

- Promoting social enterprise and entrepreneurship;
- Building community capacity, skills and training and access to employment opportunities;
- Delivering economic change to complement physical and infrastructure changes from previous and ongoing regeneration initiatives.

Ultimately, beyond the life of the programme this is aimed to enable local communities to take advantage of wider economic regeneration in the city and region.

NEBBC

The North East Birmingham Business Corridor Small Business Assistance Programme, funded by the ERDF, provides small businesses with grants of up to 30% towards the total costs of physical improvements to their premises, up to a maximum of £50,000.

Since its launch in 2003, the programme has enabled local businesses to create more than 46 new job opportunities, retain 163 jobs and create or improve over 10,000 square meters of business space (Birmingham Forward, 2006).

Support is available to small businesses who are located in the NEBBC area (the largest employment areas outside of the city centre, with more than 25% of Birmingham's industrial floor space), which includes Nechells, Hodge Hill, Tyburn, parts of Washwood Heath and Sutton New Hall.

Businesses can apply for works including demolition and land clearance, internal alterations and extensions, security measures, environmental works and landscaping. By providing this support, the programme contributes to the city's goal of regenerating local areas, safeguarding jobs and creating new employment opportunities.