

A government action plan for small business

Making the UK the best place in the world
to start and grow a business



dti

A DTI SERVICE



SMALL BUSINESS SERVICE

AN EXECUTIVE AGENCY OF THE DTI

Working with the public, private and voluntary sectors to make the UK the best place to start and grow a business.

The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

A wide range of government departments and agencies and delivery partners have been involved in developing the Action Plan, and will be important to successful implementation. They include:

- Business Link
- Cabinet Office
- The Countryside Agency
- Department for Culture, Media and Sport
- HM Customs and Excise
- Office of the Deputy Prime Minister
- Department for Education and Skills
- Department for Environment Food and Rural Affairs
- Office of Government Commerce
- Health and Safety Executive
- Home Office
- Inland Revenue
- Regional Development Agencies
- Small Business Service
- Department of Trade and Industry
- UK Trade and Investment
- HM Treasury
- Department for Work and Pensions

contents

Foreword	2
Chapter 1 Making the UK the best place in the world to start and grow a business	4
Chapter 2 Building an enterprise culture	14
Chapter 3 Encouraging a dynamic start-up market	20
Chapter 4 Building the capability for small business growth	24
Chapter 5 Improving access to finance for small businesses	30
Chapter 6 Encouraging more enterprise in disadvantaged communities and under-represented groups	34
Chapter 7 Improving small businesses' experience of government services	38
Chapter 8 Developing better regulation and policy	46

FOREWORD

This government recognises that enterprise is a vital contributor to the health of our economy and to diversity of opportunity in our society. Enterprise boosts productivity, increases competition and innovation, creates employment and prosperity, and revitalises our communities. A dynamic small business community is central to enterprise in the UK, generating 52% of private sector turnover, and employing 12.6 million people.

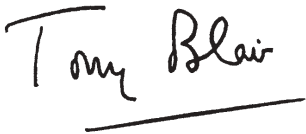
It is the dynamism of individual entrepreneurs that drives small business success, but government, through its actions, can do much to stimulate and support enterprise and help businesses overcome barriers to growth.

Our aim as a government has been to work together to address the barriers to enterprise in every region and community of the UK. Schools are providing students with a better awareness of enterprise opportunities and of how to start a business. Fiscal measures such as R&D tax credits are being used to support innovation and growth in small businesses. We are taking targeted action, set out in the 2003 Pre-Budget Report, to help bridge the finance gap facing small high-growth businesses. Advice and support is available from Business Link which is achieving greater reach and customer satisfaction year on year. Government is improving access to information through services such as **www.businesslink.gov.uk**, available since November, which joins up national on line services for small businesses.

But we believe that, across all parts of government, we must be more systematic about sharing objectives and working collaboratively.

That is why, in December 2002, the Small Business Service published on behalf of government *Small Business and Government – the Way Forward* – a strategic framework for a government-wide approach to helping small businesses. Since then, key partners at the national, regional and local level have worked together using the framework to develop a set of practical actions focused on improving policy and delivery as it affects small business.

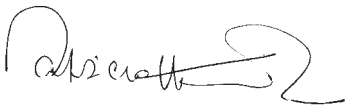
Delivering the Action Plan will be a challenge for the whole of government. But it is a challenge we are determined to meet to build a Britain where enterprise is open to all and where small businesses get the support and the range of accessible, coherent and high quality services they need.

Handwritten signature of Tony Blair in black ink, with a horizontal line underneath.

Rt Hon Tony Blair MP
Prime Minister

Handwritten signature of Gordon Brown in black ink.

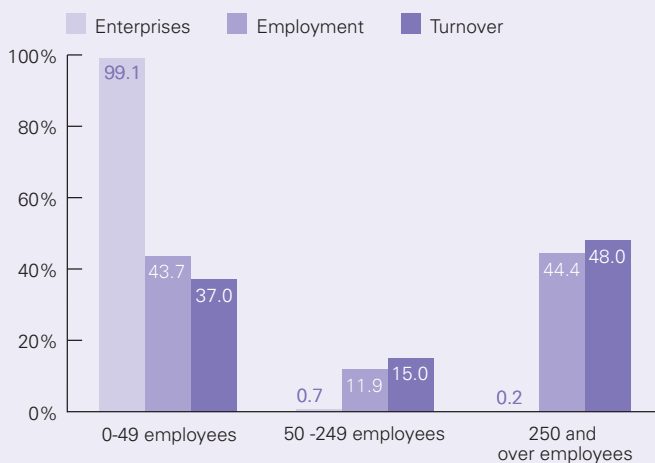
Rt Hon Gordon Brown MP
Chancellor of the Exchequer

Handwritten signature of Patricia Hewitt in black ink.

Rt Hon Patricia Hewitt MP
Secretary of State for Trade and Industry and Minister
for Women and Equality

MAKING THE UK THE BEST PLACE IN THE WORLD TO START AND GROW A BUSINESS

Share of enterprises, employment and turnover by size of enterprise, UK, start 2002



Source: SBS Statistics Team, SME Statistics for the UK (2002)

Introduction

1.1 Government is committed to making the UK the best place in the world to start and grow a business. This document sets out a government-wide action plan to make that vision a reality. It builds on existing government support for small business, marshalling the whole of government behind the small business agenda.

Importance of small business

1.2 Small businesses¹ make a major contribution to the health of the UK economy and to diversity of opportunity in our society. There are almost 3.8 million small businesses in the UK. They come in many shapes and sizes: from high-growth start-ups to 'lifestyle' businesses and social enterprises. Together they account for over 99% of the total number of UK firms and generate 52% of total turnover. They employ 12.6 million people, representing 56% of the private sector workforce. They form part of the bedrock of local communities, contributing to both economic prosperity and social cohesion in towns and in rural areas.

1.3 Small businesses make an important contribution to improving the productivity of UK business. New entrants and growth businesses enhance competition by challenging incumbent businesses; and they are an important source of innovation and new ways of doing things. The vitality of the small business sector is therefore critical to the government's objective to raise the rate of UK productivity growth and narrow the productivity gap with the US, France and Germany.

It is the dynamism of individual entrepreneurs that drives small business success, but government, through its actions, can do much to stimulate enterprise, support small business and overcome barriers to growth.

Government's contribution

1.4 It is the dynamism of individual entrepreneurs that drives small business success, but government, through its actions, can do much to stimulate enterprise, support small business and overcome barriers to growth.

1.5 Different parts of government already do much to support the enterprise agenda.

■ Business Link provides advice to over 300,000 small businesses every year at start up and growth stages with the quality and reach of that advice increasing all the time. The market penetration of Business Link has increased by 40% since last year and customer satisfaction has risen from 81% in 2001/02 to 85% in 2003.

■ Fiscal measures such as R&D tax credits are being used to promote enterprise and to support innovation and growth in small businesses.

■ The government's skills strategy – *21st Century Skills: Realising Our Potential*, published in July 2003 puts employers' needs, particularly those of small businesses, centre stage. It prioritises support for employers in accessing training and gives them more influence in deciding how training is provided.

■ Following the Howard Davies' Review – *Enterprise and the Economy in Education* – schools are now starting to provide students with a better awareness of enterprise opportunities and of how to start a new business.

■ A tailored approach is in place to support enterprise in disadvantaged areas and amongst under represented groups through the government's Phoenix Fund which provides support for projects involving specialist business support organisations in disadvantaged communities.

■ Government is providing easier access to better information and advice about tax and other regulatory requirements and sources of support. The cross-government **www.businesslink.gov.uk** portal available since November 2003, for example, joins up national e-government services for small businesses.

■ The *No-Nonsense Guide to Government rules and regulations for setting up your business* published in April 2003 brought departments together to produce a single document setting out information about all the regulations affecting business start-ups.

■ Departments such as Inland Revenue and Customs and Excise have put dedicated support teams in place to advise businesses in complying with tax law. In 2002, these teams helped more than 160,000 businesses.

The Small Business Service, established in 2000, provides leadership and a centre of small business expertise. It develops ideas and new thinking, and drives changes in policy and behaviour across government.

1.6 The government has also ensured that small businesses have a strong voice and influence within government.

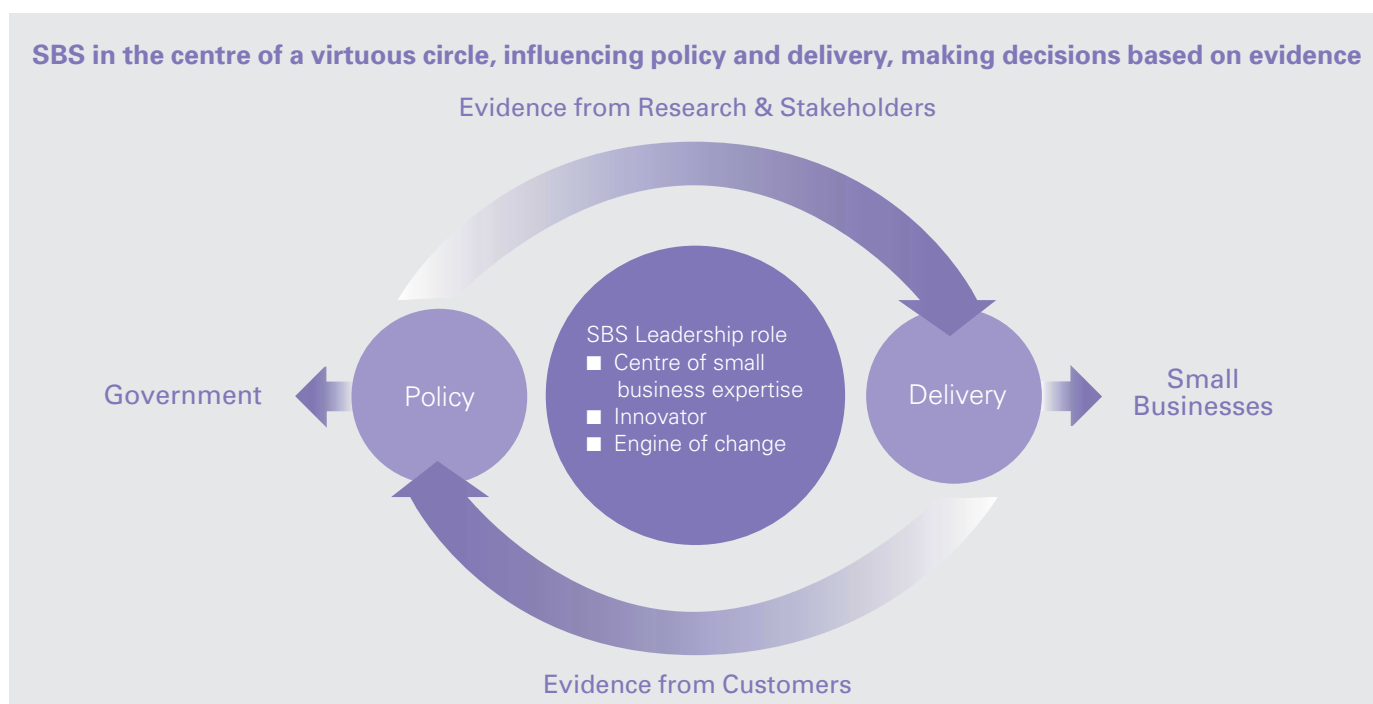
- The Small Business Service, established in 2000, provides leadership and a centre of small business expertise. It develops ideas and new thinking, and drives changes in policy and behaviour across government.

- The Small Business Council, an advisory body appointed by the Secretary of State for Trade and Industry, provides an independent and expert voice for small businesses in Whitehall and contributes innovating and challenging ideas for government to consider.

- Several government departments and agencies, including HM Customs and Excise have appointed internal "small business champions" to help ensure that small business needs are taken into account in policy thinking and delivery.

- The government has also established *Small Business Europe*, a liaison office representing the interests of small and medium sized enterprises in Brussels.

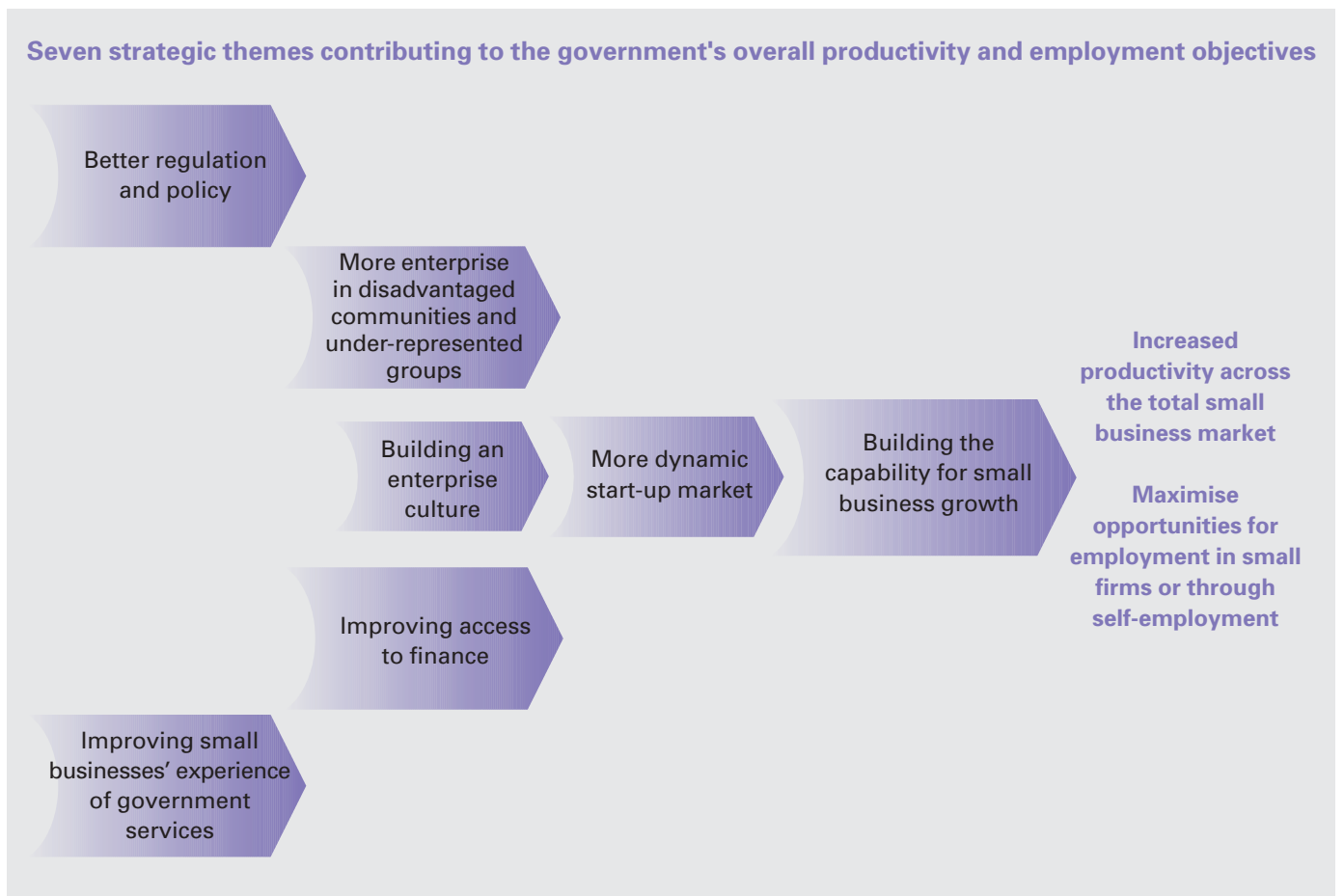
1.7 UK small business policy sits alongside an emerging and complementary European Union strategy. Entrepreneurship policy, a term which covers many of the same components as the UK's small business strategy, was identified as one of the key elements of the EU economic reform agenda adopted by Europe's leaders in Lisbon in March 2000. The government is playing an active role in shaping this agenda and pursuing policies at the EU level which promote entrepreneurship and better regulation and help us to achieve our domestic goals.



Building the Action Plan

1.8 But there is more to be done. Many government departments and agencies have interactions with small businesses. Government can have a bigger impact by sharing objectives and working collaboratively. In December 2002, the Small Business Service published *Small Business and Government – The Way Forward* – a strategic framework for a government-wide approach to helping small businesses. The framework is based around seven themes identified as key drivers for economic growth, improved productivity and enterprise for all.

- Building an enterprise culture.
- Encouraging a more dynamic start-up market.
- Building the capability for small business growth.
- Improving access to finance for small businesses.
- Encouraging more enterprise in disadvantaged communities and under-represented groups.
- Improving small businesses' experience of government services.
- Developing better regulation and policy.



Government can make important contributions at key points in the lifecycle of a business.

1.9 These strategic themes are the engines of government policy for small business. They give all those concerned with small business success – in the public, private and voluntary sectors – a common framework and a shared purpose.

1.10 Government can make important contributions at key points in the lifecycle of a business. That is why building an enterprise culture in which more people are actively considering entrepreneurship, encouraging a dynamic start-up market and building the capability for growth are the three central themes.

1.11 In addition there are specific issues for disadvantaged communities and under-represented groups which can inhibit enterprise and growth where tailored government intervention and support can help. At all stages in the lifecycle, access to finance is essential for those wanting to start or grow a business. Finally there is the overall environment for business where government action to develop better regulation and policy, and to improve the small business experience of government services can make a significant contribution to productivity growth.

1.12 Government has used this strategic framework to build a cross-government action plan for small business.

1.13 The work has involved, for each theme, the careful identification of the issues that require government intervention, an assessment of the effectiveness of existing policies, and the identification of new ideas and solutions going forward, building on what has already been achieved. In some areas, our work has led to new, breakthrough thinking.

1.14 An executive summary of the main new actions identified by government follows. Further detail is provided in Chapters 2 to 8, which look at each of the strategic themes in turn. In addition, a companion document is being published alongside this Action Plan providing a more detailed analysis of the evidence base justifying the case for government intervention.

1.15 The plan does not specifically cover economic development and business support issues coming within the remit of the devolved administrations. These administrations, however, have been consulted on the action plan and will take careful account of its proposals in developing their own small business policy measures.

Executive Summary

Building an enterprise culture

A wide range of factors affect an individual's willingness to consider starting a business. They include attitudes to enterprise in society at large, the information imparted to young people at school and at university about the enterprise option and perceptions of the risks and rewards involved. Chapter 2 sets out the actions that the government is already taking to improve awareness and knowledge of the enterprise option, including the work to give all school children experience of enterprise.

The key new action is aimed at making self-employment as attractive and well-understood an option as employment for those recently out of work or thinking of a career change. With more than 7m people changing their jobs each year, a small increase in the number considering the enterprise option could make a significant difference to rates of entrepreneurship.

Government will carry out a review of the routes off benefits into self-employment to establish whether more can be done to encourage and facilitate moves into self-employment. Reporting in spring 2004, the review will examine issues such as the effectiveness of government-sponsored information services in supporting the transition from unemployment to self-employment and whether more can be done to promote awareness of the financial and other support available including the Working Tax Credit.

Encouraging a more dynamic start-up market

High levels of entry by new businesses and the efficient exit of less productive ones are important contributors to productivity growth and to a dynamic and competitive economy. Chapter 3 sets out the range of services and initiatives in place aimed at encouraging and helping start-ups. They include the services delivered through Business Link, the "enterprise shows" being organised in collaboration with the Regional Development Agencies and the publication of *The No-nonsense Guide to Government rules and regulations for setting up your business*.

The key new actions are aimed at improving the quality, accessibility and consistency of services to start-ups, and promoting the idea of starting a business as a career option for students and recent graduates.

Government will:

Launch a "core offer" for start ups from April 2004. Working with business start-ups and service delivery partners, government will define the service that all start-up businesses, wherever they are located, can expect from Business Link.

Proceed with the establishment of a Council for Graduate Entrepreneurship following consultation in 2003. Building on existing good practice in a number of universities, it will aim to raise the profile of entrepreneurship and starting a business with the objective of increasing the number of students and recent graduates who give serious thought to this as a career option. Early tasks for the Council will include:

- Identifying gaps in the existing provision of information, support and advice to students and recent graduates.
- Encouraging universities and others to incorporate training in business start-up skills in the subject curricula and to provide extra-curricula training.
- Investigating the financial and non-financial barriers which deter or impede graduates from starting a business.

Building the capability for small business growth

Much of the government's existing support for small business is aimed at facilitating small business growth focusing on key business processes such as management development, skills, product innovation and exporting. Chapter 4 sets out this support in more detail. Going forward, a more targeted approach will be adopted with more intensive and tailored help focused on the owners and managers of those businesses with high growth potential.

Government will:

Ensure that Business Link engages proactively with businesses involved with the priorities emerging from the DTI's Innovation Review, Regional Development Agency cluster strategies and international trade strategies, focusing particularly on those with growth potential.

Implement the Management and Leadership Programme announced in the Skills Strategy in a way which ensures an increasing amount of demand led provision focussed on informal learning well integrated at regional level with other business support provision.

Roll out the DTI's new business support products, in particular, ensuring that those covering innovation and best practice (such as R&D Grant, Investigating an Innovative Idea and Knowledge Transfer Partnerships) are widely available through Business Link to help innovative companies and those who can benefit from the adoption of good practices in their business processes.

Improving access to finance for small businesses

Chapter 5 sets out the range of measures that government has in place to address gaps and weaknesses in the finance market for small businesses. These range from the government's guarantee to lenders, where a small business is unable to offer adequate security, through to fiscal measures to increase research and development by providing tax credits. Key new actions are concerned with making further improvements to the supply of finance and stimulating small business demand for finance.

Government will:

Examine the scope to develop an Enterprise Capital Fund programme to increase the availability of growth capital to small businesses affected by the equity gap. A pathfinder round of ECFs will invest a combination of private and public capital in small businesses seeking up to £2 million of equity finance.

Undertake a review of the Small Firms Loan Guarantee to ensure that government is doing all it can to help small businesses overcome the obstacles to raising debt finance.

Balance improvements in the supply of finance with work to improve financial knowledge and skills amongst small businesses including:

- The publication of a "no nonsense guide" to access to finance for small businesses.

- A programme of RDA-led investment readiness initiatives building on the evaluation of demonstration pilots which the SBS has been running since 2002.

Encouraging more enterprise in disadvantaged communities and under-represented groups

Government has a range of policies in place to build enterprise in disadvantaged areas and amongst under-represented groups. These include the £525 million Neighbourhood Renewal Fund and the Phoenix Fund which is supporting over 90 projects aimed at reaching out to potential and existing businesses in disadvantaged and under-represented areas. They also include fiscal measures such as the Community Investment Tax Relief to promote investment in under-represented communities and the publication of a strategic framework for women's enterprise. This work is set out in Chapter 6.

A key new action is concerned with work to improve access by women to a full range of finance options. Further research in this area is needed to inform policy.

Government will invite the British Bankers Association and the British Venture Capital Association to carry out a study on finance for women's businesses.

Improving small businesses' experience of government services

Government provides a wide variety of services to small business ranging from business support through to information about complying with regulatory requirements. The real progress that is being made to improve these services is set out in Chapter 7. But the time is now right for a big step forward to improve the accessibility and quality of the government's services and the efficiency with which they are delivered.

Government will:

- Identify and overcome barriers to building the Business Link brand as the generic, customer-facing access point for all government information, support and advice.
- Build on the success of the business.gov programme to join up other channels to the small business customer such as telephone and face-to-face services. Government will report on which services can be quickly brigaded or redesigned in order to exploit synergies, reduce waste and duplication and make an immediate improvement in the customer experience.
- Initiate a cross-departmental project initially involving DfES, DWP, DTI, DEFRA, DCMS, the SBS, the Regional Development Agencies and Business Link operators to investigate the options and make recommendations for the development of a single delivery plan bringing together all government-funded small business support in a coherent and integrated way.
- Build the Small Business Service as a national centre of government expertise to work with departments to improve the development and delivery of services to small businesses.

Developing better regulation and policy

Chapter 8 sets out the range of actions and initiatives in place to reduce the impact of regulation on small businesses and to improve the business environment. Key new initiatives are set out below.

Tax rules generally only change once a year, and government recently announced that it would introduce domestic employment law changes on only two days in the year.

Subject to the results of the employment law pilot now underway, government will consider extending the concept of bringing in common commencement dates for related legislative and regulatory changes to other areas of law. We will consult business on the priority areas and preferred dates.

Small businesses win a disproportionately low share of public sector contracts compared with their importance in the UK economy. Action is being taken to reduce the costs and complexity involved in tendering and to provide better information about procurement opportunities in all parts of the public sector. Further action will be taken to identify and share good practice.

Government will develop a small business Procurement Concordat to be signed by public sector bodies, aimed at facilitating and improving opportunities for small businesses to tender for contracts.

The government's updated Regulatory Reform Action Plan published in December 2003 includes a large number of deregulatory measures, many of which will provide a specific benefit for small businesses.

Government will implement the measures for small businesses set out in the Regulatory Reform Action Plan (www.cabinet-office.gov.uk/regulation/actionplan/index.htm). Examples of measures in the plan that will assist small businesses are set out on pages 52-53.

Delivering the Action Plan

1.16 This Action Plan constitutes an ambitious programme of work. Government departments and agencies and delivery partners have all been involved in developing the new actions and will be crucial to successful implementation.

1.17 Government is putting mechanisms in place to build momentum, ensure delivery and achieve measurable and significant improvements for small business.

- A group of the most senior officials from key government departments and agencies with the most extensive interactions with small business will ensure that an enabling framework and the required leadership is in place to deliver this plan.

- Government is establishing cross-government project teams to drive forward the actions that require cross-departmental involvement.

- A web-based implementation programme is being made available at www.sbs.gov.uk. setting out milestones and target dates for the implementation of the new actions identified in this document together with contact points within government. It will be updated on a regular basis to show the progress that is being made.

- Public Service Agreement targets for 2004 will be used, where appropriate, to align departments' work behind the government's small business objectives.

- The SBS will rigorously monitor and evaluate progress and the impact of the government's activities. For each of the strategies, specific objectives and measures have been identified which will enable government to measure its performance.

1.18 Through the implementation of this Action Plan, government is determined to encourage enterprise and deliver for small businesses the support and the range of accessible, coherent and high quality services that they need.

The SBS will rigorously monitor and evaluate progress and the impact of the government's activities.

BUILDING AN ENTERPRISE CULTURE

Introduction

2.1 Enterprise needs to be seen and understood as a positive and worthwhile activity. It should be seen in this light not just by children thinking about their futures, but by people of all ages making career choices and by society at large so that those who choose to engage in enterprise are supported and encouraged.

2.2 Many of the factors that contribute to perceptions of enterprise are beyond government's control. However, government can help spread information about enterprise in all its various forms and can provide gateways to both public and private sector support to budding entrepreneurs. Government can also play a role in providing opportunities for people to experience enterprise at key points in their lives. To date much of this activity has been fragmented and it is important for the success of the overall strategy, and in particular for the numerous private and public sector participants in it, that the government issues a clear and coherent statement of its support for enterprise.

2.3 What would an enterprise culture look like? The government's vision is of a nation in which all sections of society are better equipped to respond positively to change and new opportunities, to create and implement new ideas and ways of working, and make reasonable assessments of risks and rewards and act upon them. The spread of these skills will enable all to manage a flexible career, and help create a business environment supportive to becoming involved in enterprise.

Running a business is already a career choice for a significant minority – some 18% of the working age population in England is engaged in enterprise.

2.4 What does the evidence say?

■ In 2002 there was an increase in the numbers reporting that they feel they have the necessary skills to start a business, and those perceiving good business opportunities in the UK.²

■ Knowing an entrepreneur was positively correlated with both of these measures.³

■ But there was also an increase in the numbers reporting “fear of failure” as a barrier to engaging in enterprise, with women more likely to cite this as a barrier.⁴ We need to understand more about the underlying causes of this fear.

■ Running a business is already a career choice for a significant minority – some 18% of the working age population in England is engaged in enterprise.⁵ But women are only half as likely as men to be engaged in enterprise, and in parts of the country where there has traditionally been reliance on a small number of large employers, there are still relatively few entrepreneurs.

■ Most people think they have personal attributes which would help them succeed in enterprise – imagination, creativity, persuasion and the ability to handle uncertainty well.⁶

■ A study in England showed a large majority (86%) of people admire entrepreneurs and a similarly large number (84%) agree that those who fail in business should be given a second chance. However, two thirds of people are afraid of debt, and this acts as a barrier to engagement in enterprise.⁷

■ 85% of young people have a positive impression of someone running their own business but many of the factors which they felt were important in choosing a career were not strongly associated with the enterprise option.⁸

■ Every year, about 7 million people change jobs in the UK. Further, of those leaving unemployment, about 8% start their own business.

■ For most people it is far easier to map out a career path into employment than into self-employment. This asymmetry of information is heightened by a lack of accessible role models. Risk is inherent in enterprise but indicators point to a greater appreciation of the risks of enterprise than of its rewards.

A lot of excellent work is being carried out by voluntary, community and not-for-profit organisations in raising awareness of enterprise, many of which receive government financial support.

2.5 What is government doing already?

■ Howard Davies' review – *Enterprise and the Economy in Education* – highlighted the relevance of enterprise skills for those likely to enter the UK labour market in the next few years. In response, the government has announced that from 2005/06 a new £60 million Enterprise Education entitlement will provide all Key Stage 4 pupils with the equivalent of five days' enterprise learning. From September 2003, 151 projects have been piloting different approaches to delivering this entitlement.

■ A number of successful projects designed to raise awareness of enterprise amongst groups currently under-represented in UK enterprise have been supported through the Phoenix Development Fund. These will receive additional investment to develop them into scaleable and replicable models. The Phoenix Fund is referred to in more detail in Chapter 6.

■ Many public sector bodies now have schemes to raise enterprise awareness amongst staff with policy responsibilities or who are key influencers on self-employment as a career choice.

■ A lot of excellent work is being carried out by voluntary, community and not-for-profit organisations in raising awareness of enterprise, many of which receive government financial support.

2.6 Valuable as the work to date is, however, it does not yet represent a fully co-ordinated effort which underpins and communicates government's support for enterprise. The threads need to be drawn together. An immediate priority is to identify the various policy areas which could act as either enablers or barriers to the development of an enterprise culture. Aspects of policy which contain a subtle or unintended endorsement of employment as the preferred option must be revisited.

What new actions will government take?

2.7 The Government will:

- Integrate future actions in this area within a comprehensive statement of the government's aims and objectives for developing a more enterprising culture.
- Carry out a review of the routes off benefits into self-employment to establish whether more can be done to encourage and facilitate moves into self-employment. The review will report in spring 2004 and will examine:
 - The effectiveness of government-sponsored information services in supporting the transition from unemployment, or employment, to self-employment.
 - Ways of encouraging moves into self-employment by promoting awareness of the financial and other support available, including the Working Tax Credit.
 - Client and business adviser perceptions of how government offices and agencies, particularly Jobcentre Plus and Business Links, can assist potential entrepreneurs.
- As part of this effort to address the information gap and lack of support that can hinder those on benefits from moving into self-employment, government will commission Jobcentre Plus, in conjunction with Business Links, to produce a leaflet, signposting the support available to potential entrepreneurs.
- Implement the recommendations of the Davies' Review. From September 2005 all Key Stage 4 pupils will have the opportunity to benefit from the equivalent of five days' enterprise activity, giving them the chance to develop the knowledge, skills and aptitudes for economic and business understanding. Also, from 2004, Enterprise Advisers will work alongside head teachers in 1,000 secondary schools in the most disadvantaged areas, to encourage enterprise practice among teachers and pupils.
- Build on the Spending Review 2004 cross-cutting review of childcare to review the extent to which the availability of childcare impacts on choices regarding enterprise, and identify areas for reform.
- Support a range of pilot projects through the Enterprise Promotion Fund, designed to encourage creativity and innovation in the field of enterprise education and awareness raising.
- Enhance awareness of the UK's immigration schemes which attract entrepreneurs to the UK – in particular the Highly Skilled Migrant Programme, the Innovators scheme and the Investors programme. This work has included the launch in December 2003 of a government website dedicated to legal migration – **www.workingintheuk.gov.uk** – to ensure ready access to information on recruiting, working and settling in the UK.
- Support Enterprise Insight and its partners in their plans for an annual, focused enterprise awareness-raising event starting in 2004, and support them in lobbying the European Commission to take up proposals for a Europe-wide "enterprise week".
- Work with small business representative organisations and enterprise training bodies to raise levels of small business involvement in enterprise awareness and enterprise education schemes, recognising the importance of local and accessible role models.
- Extend business placement schemes for those in the public sector with policy or regulatory responsibilities that impact on small businesses and those who are in positions where they can influence career decisions.

Government's objective under this strategy is to provide everyone with sufficient understanding to enable them to make an informed choice between employment and enterprise.

How we will measure success

2.8 Government's objective under this strategy is to provide everyone with sufficient understanding to enable them to make an informed choice between employment and enterprise.

2.9 We will be successful if there are increases in:

- The number of young people involved in enterprise awareness activities.
- The proportion of young people aged 16-24 and the proportion of people aged over 25 considering going into business.
- The proportion of people who feel they have sufficient knowledge and understanding when considering business ventures.

Introduction

3.1 Building an enterprise culture is not enough. It needs to feed through into a dynamic start-up market showing high levels of entry by new businesses and the efficient exit of less productive businesses. This 'churn', of more efficient and innovative businesses replacing less efficient ones, is an important contributor to productivity growth and to a dynamic and competitive economy. There is a strong, positive relationship between the level of entrepreneurial activity and economic growth.

3.2 Start-ups are a source of innovation, competition and new ideas. They create more jobs than established businesses at all points of the economic cycle. Start-ups can also contribute to social inclusion, by creating opportunities for people in under-represented groups and those living in disadvantaged areas. Government work in this area is covered in detail in Chapter 6.

3.3 This chapter is concerned with what government can do to support those who want to turn ideas into a reality and start a business. We are still a long way short of US levels of entrepreneurial activity. We wish to see many more people having the desire, skills and opportunity to start a successful business.

3.4 There are a whole set of issues that start up businesses have to address including business planning, marketing, understanding the regulatory and legal requirements, and securing the necessary finance. The latter is covered in more detail in Chapter 5. Government, working with its public, private and voluntary sector partners can do much to help start-up businesses to address and overcome these early hurdles and barriers to success through the provision of high quality information, advice and support.

3.5 What does the evidence say?

- GEM's Total Entrepreneurial Activity Index (TEA) is compiled from the total number of people involved in start-up businesses and in new firms that have been operating for up to 42 months. In 2002 the UK TEA was 5.4, which is around half that for the US at 10.7, and placed the UK in about the middle of the 37 countries surveyed.⁹
- GEM also highlights that a high percentage of people in the UK start a business because they are unable to find a job that suits their requirements, not because they have seen a business opportunity.
- The SBS Household Survey of Entrepreneurship found that about 12% of adults in England are considering going into business or becoming self-employed.¹⁰
- There are differences across and within regions in start-up rates and between different ethnic groups, by gender and by age.^{11 12}
- The OECD¹³ reports that the UK has lower administration costs and fewer regulations for those wishing to create a business than any other OECD member country, but that most people, and particularly new entrepreneurs, find it difficult to establish what their responsibilities are.
- People new to starting a firm often lack the range of business skills necessary to start and grow successful enterprises.¹⁴

- Only about 50% of start-ups seek professional external advice, but start-ups that do build turnover faster, and are 20% more likely to survive than those that do not.¹⁵
- Start-ups are confused as to what help is available and where to go for it. They do not want more initiatives but flexible, co-ordinated and accessible support tailored to their individual needs. They expect a high level of service quality and cross-referral between providers, whether in the public, private or voluntary sectors.¹⁶
- Confusion stems from the plethora of organisations serving the start-up sector resulting in a lack of co-ordination and cooperation, preventing ease of access; people not being referred to the most appropriate sources of advice; and inconsistency in the quality of delivery.¹⁷
- Starting a business inevitably involves both risk and reward, but the balance is not always fully understood or properly managed.
- Progress is being made towards the government's productivity objectives for small business. For the second successive year, the rate of productivity growth in small businesses has exceeded that in business in general.¹⁸

Starting a business inevitably involves both risk and reward, but the balance is not always fully understood or properly managed.

What is government doing already?

3.6 The government has a range of services and initiatives in place aimed at helping those thinking of starting a business.

- A comprehensive range of start-up services is delivered through Business Link and other outlets in England.
- Government is looking at ways of guaranteeing the quality of these services through the implementation of a set of competence standards, appropriate to the business support function, for all client-facing personnel engaged in the delivery of publicly funded start-up services. These would be based on the National Business Adviser standard.
- Government has established a National Start-Ups Forum comprising members from a broad cross-section of the private, public and voluntary sectors such as the banks, accountants and representation from ethnic and women's organisations. Its task is to advise government on the development and delivery of its start-up strategy and to provide a catalyst for closer collaboration between organisations providing start-up services.
- In collaboration with the Regional Development Agencies, a programme of "enterprise shows" is being arranged targeted at encouraging entrepreneurship particularly among under-represented groups and people in disadvantaged areas.
- The Department of Work and Pensions' New Deal self-employment option, and its support of the Prince's Trust, is helping to provide new skills and financial support to those interested in self-employment.

■ Government has taken steps to address concerns expressed by small businesses that they find it difficult to establish what their responsibilities are through the publication of *The No-Nonsense Guide to Government rules and regulations for setting up your business*. This brings together in one place all the rules and regulations that affect start up businesses.

■ The UK's tax and regulatory authorities provide a comprehensive range of advisory services to start up businesses. The Inland Revenue's Local Business Support Teams and dedicated help lines provide advice on tax matters including payroll. HM Customs and Excise's National Advice Service – a telephone helpline open from 8.00 a.m. until 8.00 p.m. five days a week – provides free advice to businesses about all indirect tax matters. Its Business Advice Open Days, run in conjunction with a wide variety of partners from the public and private sectors, provide "one stop shop" advice to businesses.

■ The Health and Safety Executive runs a range of business events to provide advice on health and safety compliance issues.

■ The government has implemented the Enterprise Act 2002. The Act encourages start up in a number of ways. First it helps to remove the stigma of business failure by providing a bankruptcy regime that allows a swifter fresh start for those who have failed through no fault of their own. Secondly, it strengthens the competition law framework so that there are stronger sanctions against anti-competitive behaviour by incumbent businesses.

3.7 However, there is more to be done to encourage and support entrepreneurial activity through the elimination of confusion for customers about what support is available, and by tackling inconsistency in service quality and coverage.

What new actions will the government take?

3.8 The government will:

■ Launch a "core offer" for start-ups from April 2004. The offer will define the service provision that all start-up businesses, wherever they are located, can expect from Business Link. This will address the quality, accessibility and consistency of services to start-ups and will help to avoid duplication of services between the public, private and voluntary sectors. It will be developed in consultation with the members of the National Start-Ups Forum. The components of the start-up offer will cover areas such as:

- Clarity on the support that new businesses can expect from Business Link across a range of business issues and opportunities.
- The provision of objective sign-posting to a range of solution providers.

- A start up pack containing *The No-nonsense Guide to Government rules and regulations for setting up your business*, and a diagnostic questionnaire to prepare the ground for advice from a business adviser.

- A minimum amount of personal advice from a business adviser and the provision of a programme of key skills workshops.

■ Investigate the 'myths and legends' surrounding starting a business, drawing up a strategy for dispelling those without foundation, and taking steps to alleviate the substantive problems inhibiting people from starting a business.

■ Work with partners such as Ufl learndirect, the Sector Skills Development Agency and the Learning and Skills Council to improve access to skills training for start-up businesses. Examples of work already underway are the training initiative that government is developing with the major high street banks to signpost business start-ups to relevant skills

provision, and the Management and Leadership Programme which offers owners and managers funding to support tailored training to suit their personal and business needs. This support will be delivered through a variety of media including face-to-face advice, telephone helplines and the developing businesslink.gov website.

■ Proceed with the establishment of a Council for Graduate Entrepreneurship following consultation on the concept last year. Building on existing good practice in a number of universities, it will aim to raise the profile of entrepreneurship and starting a business as a career option for graduates, with the objective of increasing the number of students and recent graduates who give serious thought to this. Early tasks for the Council to address will include:

- Identifying gaps in the existing provision of information, support and advice to students and recent graduates.
- Encouraging universities and others to incorporate training in business start-up skills in the subject curricula of Higher Education Institutions and to provide extra-curricula training in starting a business, taking examples of best practice from UK and US universities.
- Investigating the financial and non-financial barriers which deter or impede graduates from starting a business, including whether student loans make it any more difficult for graduates to raise start-up capital because of perceptions of an increased credit risk.
- Securing the active involvement of careers advisers in promoting business start-up as a viable career option.

■ In the short term, work with NESTA to look at whether the Graduate Pioneers Programme could provide a focus for new approaches to enterprise and student debt.

■ Develop closer working between Jobcentre Plus, the New Deal providers, the Inland Revenue and Business Links to ensure that job seekers and the unemployed receive consistent information about the self-employment option and are effectively signposted to specialist support services. This work will build on the outcome of the review of routes off benefits into self-employment referred to in Chapter 2.

■ Carry out a cross-departmental review of small business statistics, particularly data on business start-up. The review will make recommendations for improving the quality and accessibility of data on small businesses. The reviewers will consult widely with external stakeholders and users of small business statistics, including RDAs, the academic research community, the Bank of England and the British Bankers Association.

How we will measure success

3.9 Government's objective under this strategy is to boost productivity and economic growth by strengthening business support networks and creating an environment which encourages entrepreneurial activity.

3.10 We will be successful if there are:

- Increases in the productivity of new businesses.
- Increases in the proportion of small businesses seeking external business advice during start-up.
- Reductions in the barriers to start-up.

BUILDING THE CAPABILITY FOR SMALL BUSINESS GROWTH

Introduction

4.1 Within a dynamic start-up market there will be some businesses with both the vision and capacity to grow. The UK needs more of them. Growing a business is not easy. Some private sector support is available but government intervention is needed to address gaps and market failures.

4.2 UK businesses are recognising they need to make a step change in performance if they are to be internationally competitive. Innovation – the successful exploitation of new ideas – is one of the key drivers of productivity alongside investment, skills, enterprise and competitive markets. Together with knowledge transfer, innovation is of crucial importance to increasing the competitiveness of UK firms and promoting growth.

4.3 There is a need to develop a more holistic approach that links support for R&D with marketing and investment readiness as well as assisting in the funding of the innovation process. Business support needs to help build capability systematically within a business to sustain its growth in the longer term.

4.4 What does the evidence say?

■ The main factors influencing growth in small businesses are: the entrepreneur (his or her motivation, education, and prior business record); the business (its age, sector, and location); and the strategy (workforce and management training, the presence of external equity, and technical sophistication).¹⁹

■ About 80% of what is needed to be a successful manager is inherent but 20% can be taught and includes the ability to identify opportunities, solve problems and negotiate and communicate.

■ The range of skills required of those in employment is increasing and occupations that require higher skills levels are growing fastest.

■ Managers increasingly need knowledge-based specialisms, and people with change management skills.

■ Only 20% of small businesses have a human resources strategy and less than 50% have a business plan.²⁰

■ Recent SBS research indicates that less than 10% of small businesses believed they would grow significantly over the next three to five years, over 40% thought they would grow modestly, over 30% expected to stay the same, over 5% aimed to sell the business. Research suggests that only around one fifth of small businesses aim to generate substantial growth.²¹

■ The top five obstacles to small business growth are regulation, sales, the economy, taxation and staff issues in that order.²²

■ Internationalisation can be an important stimulus to growth and spur innovation. Research shows that businesses which trade internationally are more productive than those which do not. They spend more on innovation, are more capital-intensive and their labour productivity is higher.²³

What is government doing already?

4.5 Government has a range of initiatives and services to help people run and grow successful small businesses.

- The DTI provides schemes which support innovation and R&D, design (through the work of the Design Council), the spread of best practice (including the use of ICT) and knowledge transfer.

- Business Link provides business support and access to support in a number of key areas including: innovation and knowledge transfer; management capabilities and skills; commercial best practice.

- UK Trade & Investment (UKTI) informs businesses about the benefits of internationalising their activities and the best ways of doing this. UKTI's Passport programme, available through Business Link, provides flexible developmental support and training for novice exporters. Through access to UKTI's offices across five continents and over 200 markets – based in embassies, consulates and high commissions – UKTI's teams in Business Link help businesses access local markets overseas, track down opportunities and turn them into active business projects.

- The UKTI's Global Entrepreneur Programme launched in January aims to attract foreign entrepreneurs with proposals to develop technologies having exceptional potential, to develop their business ideas in the UK. The programme also encourages entrepreneurs abroad with in-depth experience of entrepreneurial management to join UK start-up businesses and attract foreign investment to support UK start-up firms.

- Local Skills Councils are providing support for small business to upskill their workforce and for management development.

- Regional Development Agencies, through their regional economic strategies, have focused on small businesses, particularly in taking forward cluster development work.

- In rural areas, the England Rural Development Programme provides financial support for farms, forestry and related businesses to diversify, acquire new skills, and market their products. In addition, the newly established English Food and Farming Partnerships aim to help farm businesses strengthen themselves by operating collaboratively and co-operatively.

- European Union (EU) programmes have supported small businesses in specific parts of the country and some European collaborative R&D programmes are available across the whole of the UK with 15% of the funds set aside for small business participation.

- Government has introduced an R&D tax credit to encourage investment in research and development.

4.6 Government has reviewed the contribution that improving the UK's relative innovation performance will make to closing the productivity gap, and in December 2003 published a report and action plan – *Competing in the Global Economy: The Innovation Challenge*. In addition, the government asked Richard Lambert to review the links between business and universities to increase business innovation and productivity in the UK. The Lambert Review also reported in December 2003 and makes a number of recommendations for increasing the amount of collaboration between business and universities in the UK.

What new actions will the government take?

4.7 Drawing on a joint DTI and HM Treasury analysis of the drivers of productivity, the government, through the DTI, is introducing a range of new business support products with small businesses a principal beneficiary. The full set of products, which will be available via Business Link, will come on stream in April 2004 and will be customer focused, integrated and coherent.

4.8 In going forward, government will put a greater emphasis on providing integrated support which builds strategic, internal and external networking capabilities in small businesses with growth potential.

Advice and support will continue to be available to small businesses of all types that seek it out.

Strategic capabilities

- Searching for market opportunities, including global markets.
- Understanding and managing the fit between a business's capabilities and market needs.

Internal capabilities

- Managing the tangible technology base (products, R&D facilities, plant and equipment).
- Developing and managing appropriate intangible resources (eg qualification and skills profile adapted to needs of firm; codifying intellectual capital; intellectual property).

- Developing technology management and change management capabilities.

External networking capabilities

- Accessing external knowledge (eg science, technology, techniques, best practice).
- Managing producer/user relations.
- Accessing partners with complementary assets (eg knowledge, production, or a supply chain role) in the UK or abroad.

4.9 These growth capabilities will not be built into companies if the owners and those in the top management teams are not aware of or do not know how to implement the necessary changes. Government will therefore place emphasis on measures to build this management and leadership capability in small businesses as a driver of innovation and growth. The Regional Skills Partnerships will be a key component of the strategy, giving rise to better regional integration of skills, training, business support and labour market activity. Business Link will play an important part in Regional Skills Partnerships.

4.10 This form of specialised intervention will need to be targeted where it is likely to be most effective. The diagnostic tool being developed as part of the DTI's 'Commercial Best Practice' business support products will be of key importance in improving targeting.

4.11 This new emphasis on building capabilities in businesses with growth potential does not mean a withdrawal from the general principle of support for all. It is fully recognised that many businesses do not wish to grow, but make an important contribution, for example, through the provision of essential local services or as land managers in the countryside. Advice and support will continue to be available to small businesses of all types that seek it out. Further, Chapter 6 covers the special provision for encouraging enterprise in disadvantaged and under-represented groups.

Work to develop the Skills for Business Network to ensure that the specific sectoral skills of innovative and growing companies are met.

4.12 The government will:

- Implement the Management and Leadership Programme announced in the Skills Strategy. It will seek to build on this and the lessons learned from the Employer Training Pilots to ensure an increasing amount of demand led provision focussed on informal learning, well integrated at regional level with other business support provision.
- Ensure Business Link proactively engages with businesses involved with the priorities emerging from the DTI Innovation Review, RDA cluster strategies and international trade strategies, focussing particularly on those with growth potential.
- Ensure that through Business Link, a business's specific needs can be met appropriate to its level of innovation and the stage it has reached in the product or service life cycle. The service provided will include help with intellectual property rights, brokering collaboration between companies and higher education institutes, publicising opportunities in public procurement and providing access to sources of funding, networking and mentoring opportunities.
- Roll out the DTI's new business support products relating to Investigating an Innovative Idea; R&D Grant; Knowledge Transfer Partnerships; Collaborative R&D; Knowledge Transfer Networks; Enterprise Capital Fund; Demonstrating and Disseminating Best Practice; Implementing Best Practice; Small Firm Loan Guarantee; and Investment in the Assisted Areas. In particular, it will ensure that those covering innovation and best practice are widely available through Business Link to help innovative small businesses and those who can benefit from the adoption of good practices in their business processes.

- Ensure that R&D credits are well known and used to advantage by small businesses.

- Work with other partners, locally, regionally and nationally to ensure that effective technology and design brokerage is in place to enable small businesses to access innovative solutions to business issues.

- Improve the flow of knowledge between higher education and small businesses by implementing the relevant recommendations of the Lambert Review.

- Work to develop the Skills for Business Network to ensure that the specific sectoral skills of innovative and growing companies are met.

- Look to UKTI to continue working with the RDAs as their international trade arm, given their common focus on economic development and the need to meet customer requirements more effectively. UKTI aims to conclude agreements covering respective roles, responsibilities and outputs with each RDA by April 2004.

How we will measure success

4.13 Government's objective under this strategy is to improve the growth capability of small businesses by helping them to raise performance across key areas, particularly management skills, the use of innovation and the adoption of best practice.

4.14 We will be successful if there are increases in:

- The proportion of businesses reporting that they want to grow and are able to do so.
- The number of small businesses actively involved in product and process innovation.
- The take-up of external business advice by small businesses.

IMPROVING ACCESS TO FINANCE FOR SMALL BUSINESSES

Introduction

5.1 Macro economic stability and sustained low inflation coupled with the lowest interest rates in the UK for over 50 years are now contributing to higher investment and lower business failure rates. The UK's financial markets are amongst the most dynamic and flexible in the world meeting the funding needs of most small businesses. However, some businesses – particularly start-ups and those lacking a track record – face difficulties in accessing debt finance, and some small businesses with high growth potential are unable to raise the relatively modest amounts of equity finance required to meet their growth ambitions. These lost opportunities represent both an economic and a social cost.

5.2 What does the evidence say?

- There has been an improvement in the general financing conditions for small businesses and especially access to bank finance. Small business deposits now exceed bank borrowing by over £3 billion.²⁴
- But access to debt finance remains difficult for certain communities and groups. The average amount lent to small businesses in disadvantaged areas is lower than other areas and it is more expensive than in non-disadvantaged areas.²⁵
- There continue to be market imperfections in the provision of small amounts of equity-based risk capital to smaller businesses.
- Only 2 per cent of total private equity investment was invested in start-up businesses in the UK and only a further 4 per cent in other early stage investments. UK private equity investment in early stage companies as a proportion of GDP is relatively low compared to some other countries.²⁶

What is government doing already?

5.3 The government is providing a stable economic environment that supports enterprise and investment. By working in partnership with the private sector the government has made significant progress in helping to address the gaps and weaknesses in the finance market for small businesses and is helping them to improve their understanding of the different types of finance available and how to access it.

5.4 The government is already:

- Providing a guarantee to lenders where a small business has a viable proposition but is unable to offer adequate security against a conventional loan.
- Acting as a cornerstone investor to attract additional private sector investment into high growth companies through Regional Venture Capital Funds and Early Growth Funds.
- Increasing the exploitation of research and development by providing tax credits, grants and increasing the amount of equity finance invested in early stage, high technology companies.
- Increasing the flow of capital to earlier stage companies by rewarding riskier investments in smaller high-risk companies through tax incentives such as the Enterprise Investment Scheme and Venture Capital Trusts.
- Increasing the levels of investment in the 25% most deprived areas of England through the Bridges Community Development Venture Fund and supporting the growth of the Community Development Finance Institutions throughout the UK. These initiatives are referred to in more detail in Chapter 6.
- Providing a legal framework that supports enterprise including helping businesses to manage cash flow more effectively by reducing the incidence of late payment.
- Working with partners to address the recommendations in the Bank of England's review of the financing of social enterprises.²⁷
- Reduced the effective rate of capital gains tax on the disposal of certain business assets, including shares in unlisted trading companies, to 10%.

What new actions will the government take?

5.5 The government will:

■ Examine the scope to develop an Enterprise Capital Fund (ECF) programme to increase the availability of growth capital to small businesses affected by the equity gap. A pathfinder round of ECFs will invest a combination of private and public capital in small businesses seeking up to £2 million of equity finance.

■ Undertake a review of the Small Firms Loan Guarantee to ensure that the government is doing all it can to help small firms overcome the obstacles to raising debt finance.

■ Replace capital gains tax relief for Venture Capital Trusts (VCTs) in April 2004 with an enhanced income tax relief available for the next two years only. The increase in income tax relief from 20% to 40% for investment in VCTs will be made available to the VCT. Further details will be outlined in Budget 2004.

■ Increase the maximum investment limit for both the Enterprise Investment Scheme and VCTs to £200,000 (from £150,000 and £100,000 respectively).

■ Balance supply side and fiscal interventions by recognising that more needs to be done to improve small businesses' awareness of the different types and sources of finance and enhance financial management skills among small businesses, including:

- The preparation of a "no-nonsense guide" to access to finance for small businesses that will cover the needs of all small businesses looking for external finance.
- Improved access and information available electronically through the www.businesslink.gov.uk portal.
- Work with the Small Business Investment Taskforce to examine the barriers to the growth of affordable financial intermediation focussed on small-scale equity finance.

- Running a programme of RDA-led investment readiness initiatives building on the evaluation of demonstration pilots which the SBS has been running since 2002.
- Making recommendations on how accountants and other professional advisers can offer better financial advice and business support to small business customers and how banks can help to enhance the financial skills of their small business customers.

How we will measure success

5.6 Government's objective is to reduce the number of small businesses encountering access to finance as a barrier to growth

5.7 We will be successful if there is:

- A reduction in the number of small businesses reporting difficulties in obtaining finance for start-up and growth.
- An increase in the number of equity investments in start-up and early stage business.
- An increase in capital investment by small businesses.

ENCOURAGING MORE ENTERPRISE IN DISADVANTAGED COMMUNITIES AND UNDER-REPRESENTED GROUPS

Introduction

6.1 Despite sustained economic growth, low inflation and falling unemployment, marked differences remain between and within UK regions. Regions and sub-regions differ significantly in their ability to develop local enterprise; there are marked gaps in rates of male and female entrepreneurship; and a substantial variation in entrepreneurial activity between different minority groups.

6.2 The government's aim is to narrow these gaps in rates of entrepreneurship. The prize is big. For example, if women started businesses at the same rate as men, there would be a further 100,000 new businesses established each year.

6.3 There are other groups such as people with disabilities who may have particular business support needs that are not being fully addressed. And there are also groups of people such as offenders, refugees, and people with mental health disabilities who suffer significant disadvantage in the labour market. For some of these people enterprise, both conventional small business as well as social enterprise, may offer a real opportunity for meaningful and rewarding employment.

6.4 What does the evidence say?

- 70 of the 88 Neighbourhood Renewal Fund areas in England have VAT registration rates below the national average.²⁸
- There is a continuing low level of female entrepreneurial activity in comparison to countries such as Canada, the US, Australia, and most countries in the Far East and South America. Women account for 45% of total employment in the UK but only 27% of the self-employed and 15% of business ownership.²⁹
- Barriers to female entrepreneurship include: a lack of accessible or affordable childcare; inappropriate or inaccessible business support; difficulties experienced in the transition from benefits to self-employment; and a range of complex issues concerning access to finance.³⁰
- People from Black and Minority Ethnic (BME) groups are disproportionately represented in deprived areas – but some of the most entrepreneurial people in the country belong to these groups.³¹
- People from BME groups show similar self-employment rates to the white population but the difference in entrepreneurial activity between different minority groups is substantial³². The strong entrepreneurial spirit amongst Caribbean, Asian and, particularly, African communities does not translate into actual business starts.³³
- Research indicates a need for greater “sector consciousness” in business support to reflect both the sectors in which BME businesses are currently concentrated (clothing, retail, catering) and those in which they are emerging (IT, arts and cultural industries).³⁴
- The social enterprise sector is likely to be significantly larger, more diverse and more innovative than realised. Further research is in train to establish its strength and contribution to the economy and regeneration.

What is government doing already?

- 6.5** The government has already put in place a range of policies in this area and provided a focus for them through the designation of Enterprise Areas; the setting up of the Ethnic Minority Business Forum; the publication of *Social Enterprise – a strategy for success* in 2002; and launching a *Strategic framework for Women’s Enterprise* in 2003.
- 6.6** The main measures for encouraging enterprise in disadvantaged areas include:
- Supporting under the Phoenix Development Fund over 90 diverse projects that are exploring ways of reaching out to potential and existing businesses in disadvantaged and under-represented groups.
 - Helping over 20 organisations, through the Phoenix Fund for Rural Renewal, to explore ways of reaching out to businesses affected directly or indirectly by Foot and Mouth Disease.
 - Providing capital, revenue or loan guarantee support to a network of over 60 Community Development Finance Institutions serving enterprises which the mainstream banks currently do not reach. A Community Investment Tax Relief offers an incentive to individuals and organisations lending to or investing in CDFIs for the long term.
 - Investing £20 million to stimulate private investment in the Bridges Community Development Venture Fund, investing in businesses in the 25% most disadvantaged wards in England.

While many good initiatives are well underway and beginning to make an impact, there is a need to identify scaleable and replicable models, and to mainstream diversity issues into broader policy areas

- Support for a Business Volunteer Mentoring programme to give new entrepreneurs access to a mentor, free of charge, to help guide them in the pre start and initial stages of running a business.
- Piloting City Growth Strategies, which place enterprise at the heart of economic regeneration.
- Providing a £6 million extension to the New Entrepreneur Scholarship programme that helps people in disadvantaged communities set up in business including opportunities for selected participants in the programme to spend a semester in a US business school.
- Providing support for the Inner City 100 Index which promotes successful entrepreneurial role models in disadvantaged communities.
- A tax exemption on property transfers in Enterprise Areas, tax incentives for donations towards Urban Regeneration Companies, and additional resources from the Neighbourhood Renewal Fund for Local Strategic Partnerships.

6.7 The main measures for stimulating enterprise amongst disadvantaged and under-represented groups include:

- A massive expansion of the provision of childcare providing diversity and choice for parents. By March 2004, 900,000

places will have been created serving 1.6m children. The support for child-care costs through the Working Tax Credit should also stimulate further demand.

- Work to establish regional strategic partnerships to take ownership of key deliverables under the Strategic Framework for Women's Enterprise.
- Recently initiated pilots in the West Midlands and Haringey, London, to increase access to government procurement opportunities with a strong focus on ethnic minority and women-owned small businesses.
- Encouraging greater understanding of the role of social enterprise in economic regeneration and as an alternative business model, and taking specific actions to help social enterprises to become more successful businesses.

6.8 While many good initiatives are well underway and beginning to make an impact, there is a need to identify scaleable and replicable models, and to mainstream diversity issues into broader policy areas. Mainstream providers need to develop partnerships with specialist intermediary organisations to provide tailored support to meet particular customer needs. Where specialised provision is either essential or desirable, it must be perceived, not as something marginal, but as part of "cohesive diversity" provision.

What new actions will the government take?

6.9 The government will:

- Fund a second phase of the Phoenix Fund to run from 2004–2006. This will enable delivery of specialist business support and accessible finance for enterprises from a wide range of disadvantaged communities. The second phase will "build on the best" of projects currently being supported. It will address gaps in earlier funding, in terms of: geographic coverage; specific groups of people (those with mental health

problems, offenders and refugees); as well as some sector specific activity (retail, care, creative industries).

- Develop further measures to encourage more business in the 2000 most deprived wards in the UK designated as Enterprise Areas in conjunction with RDAs, Local Authorities, Local Strategic Partnerships and other local organisations and businesses. These will include:
 - A Business Premises Renovation Allowance scheme (subject to European Commission approval).

- A pilot initiative involving Housing Associations in support for enterprise at community level.
- A wider roll out of the City Growth Strategy programme to towns or cities where Enterprise Areas are adjacent to more affluent wards.
- Enhanced grants for business incubation feasibility studies.

■ Work with intermediary organisations - including Business Link and CDFIs – to help them build greater capacity for engagement in the delivery of quality business support at the local level. In 2004 SBS will launch a 2-year Bursary Fund for organisations involved in business support.

■ Maximise the potential of social enterprise to contribute to local economies and more widely. This will continue to be a focus of activity not only at national level through the implementation of the Social Enterprise strategy but within the RDAs and at local level.

■ Engage with regional partners to produce action plans to implement the Strategic Framework for Women's Enterprise.

■ Produce a 'toolkit' for identifying and encouraging the sharing of good practice in support of women entrepreneurs.

■ Invite the British Bankers Association (BBA) and the British Venture Capital Association to carry out a study on finance for women's businesses. Improved access by women to a full range of finance options would significantly enhance the prospects for success of women-owned businesses. Further research in this area, similar to that undertaken by the BBA into access to finance and ethnic minority business in 2002, is needed to inform policy.

■ Implement the Ethnic Minority Business Forum's recommendations set out in its annual report for 2001 with a particular emphasis on the uptake of ICT and regeneration. People from black and minority ethnic communities are disproportionately represented in disadvantaged urban areas. Providing the right conditions for the sustained growth of ethnic minority business will provide a powerful driver for economic regeneration within these areas.

■ Bring business support for disadvantaged urban and rural communities, for women and for people from ethnic minority backgrounds and for social enterprises into the mainstream.

■ Make childcare provision more widely available as a key factor in helping release the entrepreneurial potential, not just of women, but of all parents with childcare responsibilities. The government will take forward the Childcare Review announced by the Chancellor in July 2003, and will build on progress already made to establish children's centres in disadvantaged regions for at least 650,000 children and their families by 2006.

How we will measure success

6.10 Government's objective is to increase the overall rate of business start-up and growth in disadvantaged areas and amongst groups that are under-represented in business

6.11 We will be successful if there are reductions in:

■ The gap between the number of people in the most and least deprived areas starting up in business.

■ The gap between the self employment rates of black (and mixed) groups and all groups.

■ The gap between male and female self-employment rates.

IMPROVING SMALL BUSINESSES' EXPERIENCE OF GOVERNMENT SERVICES

Introduction

7.1 Small businesses can have a variety of relationships with government:

- They can be customers accessing business support information and guidance to help them survive and grow.
- They can be customers understanding and complying with regulations.
- They may be a provider of goods or services to government.
- The way they respond to services can inform economic performance and future policy.

7.2 Taken together, these relationships can lead to the need for significant interaction with government, interaction that is still largely perceived by small businesses as difficult, complex, time consuming and often ineffective.

7.3 This may lead not only to a poor perception of the value of services delivered by government amongst small businesses, but also, more importantly, result in inefficiency with services failing to reach the right businesses in the right way or failing to have the desired impact on behaviour and performance. With small businesses accounting for over half of private sector GDP and employment, and with a total current investment of £8bn being made by government into the provision of services and support, it is vital that the experience of government services is addressed and significantly improved.

7.4³⁶ What does the evidence say?

- Government has insufficient data with which to fully understand business needs.
- In general, services and organisations are fragmented, confusing, and hard to find.
- Many businesses do not know what is required to comply with regulations and, when seeking support from government, businesses often find they are not eligible.
- Too often the process is too complicated, takes too long, and is not relevant to businesses.

What is government doing already?

7.5 Government is already making real progress in improving its services to small businesses, implementing key recommendations from the *Cross Cutting Review of Government Services for Small Businesses*³⁷ and focusing on improving efficiency and effectiveness.

- Key departments and agencies are working together through the business.gov programme to join up national online services for small businesses, based around a single web portal, providing easy access to government regulatory and business support information, to skills and training support and to transactional services. The web portal – developed under the government’s small business access brand, Business Link – has been available at www.businesslink.gov.uk since November 2003 and will be developed through to full capability by April 2004.
- As mentioned in Chapter 3, specialist business support and advice teams have been set up or are in development alongside web-based services – notably by the Inland Revenue, HM Customs and Excise and Business Link.

- There has been a significant improvement in the performance of Business Link.
 - Market penetration has risen by 40% since last year.
 - Customer satisfaction has risen from 81% in 2001/02 to 85% in 2003
 - Brand awareness was at 74% in Autumn 2002 – an increase of 9% on Summer 2001
 - Numbers of businesses helped are up from 150,000 in 2002 to 330,000 in 2003
- Regional business support pilots announced in 2002 are aimed at bringing greater cohesion to the delivery of business support at the regional and sub-regional level and all nine English regions are now developing more customer-focused models for delivery.
- The Regional Skills Partnerships, announced in DfES’s Skills Strategy, and the regional business support pilots have been set up to deliver innovative business models for the delivery of business and skills support by the various agencies engaged at regional level. That work will build on the regional employment and skills fora with the aim of delivering significant improvements in the relevance and effectiveness of support made available to small businesses.
- The DTI’s business support review is simplifying its business support product portfolio. 183 schemes have been rationalised, merged and streamlined into 10 new products providing greater impact. The first four new products were launched in April 2003 with the remainder on track for launch in 2004.
- Simplifications have been made – and more are planned – to make it easier for businesses to access the support available under the England Rural Development Programme. In addition, the Government’s recent response to the recommendations in Christopher Haskins’ Rural Delivery Review endorses the principle of further simplification of support for rural businesses.

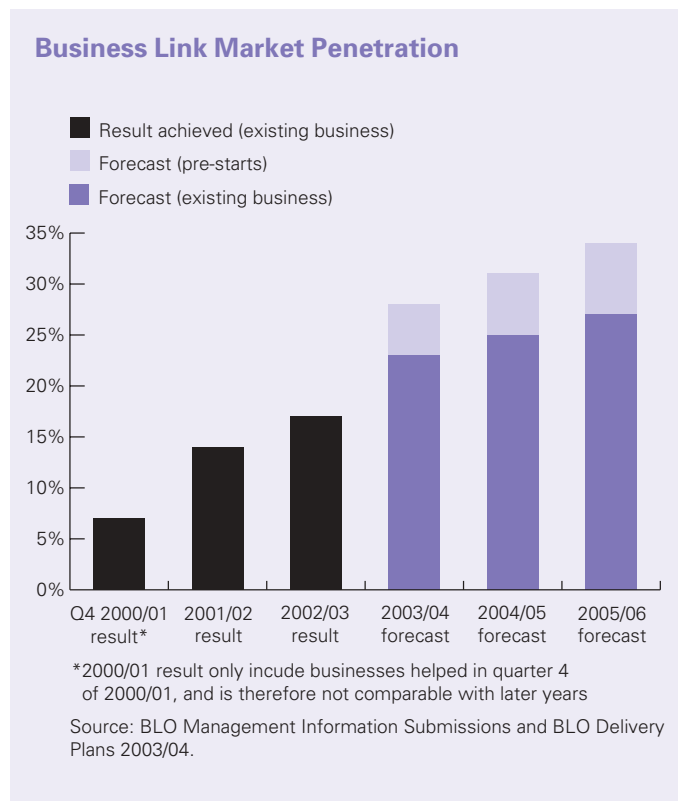
What new actions will the government take?

7.6 Whilst this is a good start, more radical action focused around three key strands is needed if we are to make the step change that is necessary.

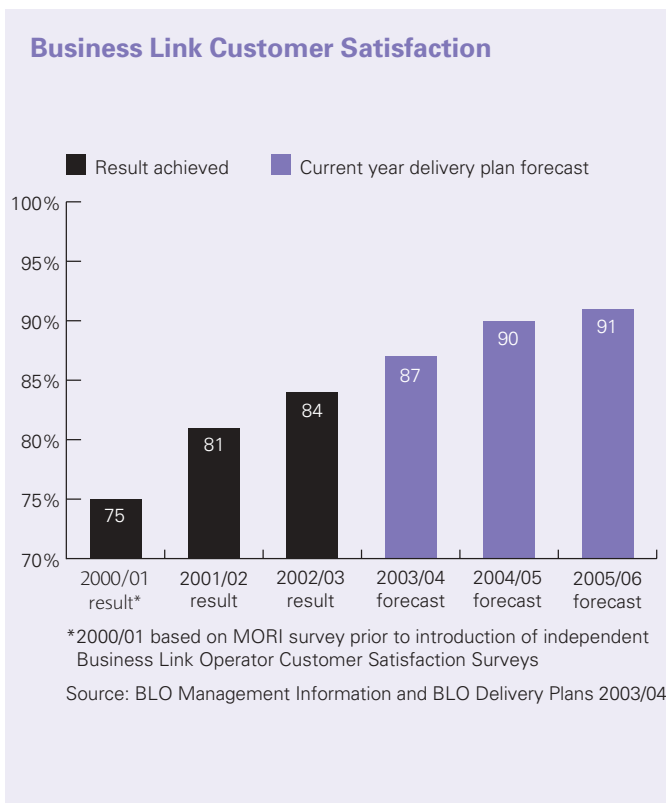
Rationalising and strengthening the brand and delivery channels through which government services are accessed by small businesses

7.7 Government has no central or local brand management and whilst it has been looking at the issue of cross-government branding there is still a tendency for every organisational unit, team or provider at national, regional or local level, to invest in separate brands for their particular scheme or service. This creates confusion for the customer and is wasteful of marketing resource. Work is therefore needed to identify, from a customers' perspective, the optimum set of functional and product brands needed by government to secure its operational objectives and to make associated recommendations about which brands to strengthen, re-position, exit or merge.

7.8 Government is building the Business Link brand as the recognised gateway through which small businesses can access appropriate sources of help or support and is doing so by working with providers across the public, private and voluntary sector. Focusing on developing an easy access brand in this way provides the best means of addressing customers' need to find solutions based on the opportunities and challenges they face, such as starting in business, and the need to reduce confusion in the market for business support. The Business Link brand is not a replacement for appropriate functional brands, such as the Inland Revenue, but will support and direct customers in circumstances where they do not know what to do, what is available, or where to go.



Ultimately our aim is to ensure that the customer is confident they can easily access the information and support they need from both government, private and the voluntary sectors.



7.9 In building the brand we will work in collaboration with the wide range of intermediaries including banks, accountants and legal advisers who are often the first point of contact a business makes when seeking advice and support. Ultimately our aim is to ensure that the customer is confident they can easily access the information and support they need from both government, private and the voluntary sectors ensuring that there will be *no wrong door* to accessing the support and advice they need.

7.10 Success will establish a Business Link brand capable of being used in two capacities. Firstly it would become the main brand through which government seeks to stimulate enterprise and growth and meet initial customer demand. For example, encouraging people to think about setting up in business would be promoted under the brand alongside initial help and guidance on how to develop a business idea. Secondly the brand would be seeking to build long term relationships with customers, using the understanding that it has gleaned of its customers to promote further opportunities, solutions, products and services for their benefit.

7.11 Government will:

- Identify elements in the Business Link brand programme that need to be developed further so that customers can more easily access the services of other government departments and agencies through the Business Link brand.
- Identify any barriers that are preventing departments from championing the Business Link brand as the generic customer-facing access point for all government information, advice and support from government.
- Identify what further work is needed, from a customer's perspective, to make the government's set of functional and product brands simpler, more coherent and more effective.

Joining up government services and achieving greater consistency and customer focus in the design and delivery of services

7.12 The work on the Business Link brand has been complemented by the government's business.gov programme which has successfully joined up government on line services to business. There is scope to broaden this work and build on the resulting experience of departments and agencies. Following the hard launch of business.gov in April 2004 the government will conduct further work, including with departments and agencies not engaged in the original programme, to exploit opportunities for joining-up other channels to market such as telephone and face-to-face services.

7.13 Government also needs to strengthen its knowledge of the small business market, its needs, and its view of government services through developing the Small Business Service's role as a centre of expertise. The SBS should work with departments to achieve greater coherence and customer focus in services for small businesses. Elements that will help achieve this include:

- The pooling of small business research, statistics and feedback to help inform departments on future service development, and the development of a common cross-government framework for segmenting and targeting the business market.
- The active promotion of coherence and customer focus in government services building on the work that individual departments have done to date, for example: through the establishment of common quality accreditation for customer facing service staff; and the implementation of common customer-friendly call centre hours. The benchmarking of services across those delivering government services and against the best of the private sector, and measures to encourage sharing of good practice will act as a valuable driver.

7.14 Government will:

- Build on the success of the business.gov programme to join up other channels to the small business customer such as telephone and face-to-face services.
- Establish which government services can be quickly brigaded or redesigned in order to exploit synergies, reduce waste and duplication and make an immediate improvement in the customer experience.
- Identify processes that business must follow to comply with or benefit from government services that could be integrated, aligned or streamlined more effectively.
- Build the Small Business Service as a national centre of government expertise to work with departments to improve the development and delivery of their services to small businesses.
- Build on the existing work of departments and investigate the further use of quality standards as a means of ensuring a minimum quality threshold for organisations before they are allowed to participate in publicly funded business support provision and to build their capabilities.
- Use the Small Business Service to work with departments to investigate the feasibility of establishing common measures of impact, including customer satisfaction that will enable benchmarking, effective sharing of good practice, and continuous improvement.

Greater take-up of business support, resulting in increased productivity.

Aligning delivery planning through integrated funding and contract management.

7.15 Better alignment of and fewer objectives, targets, measures and processes for business support delivered at national, regional and local levels will lead to:

- Improved customer experience, resulting in greater customer retention.
- Better value for money, resulting in more funds being deployed on the front line, rather than in the back office.
- Greater take-up of business support, resulting in increased productivity.

7.16 In taking this work forward the government will build on the experience of the regional business support and skills pilots, the parallel developments in other regions and align that with the work of the Regional Skills Partnerships to build a co-ordinated network of local business support organisations, through which national as well as regional services can be delivered.

7.17 Government will:

- Develop a detailed picture of business support services and funding streams and gather data from the market place on the coherence, gaps and effectiveness of the business support system.
- In keeping with the priorities of the 2004 Spending Review, initiate a cross-departmental project initially involving DfES, DWP, DTI, DEFRA, DCMS, the SBS, the Regional Development Agencies and Business Link operators to investigate the options and make recommendations for the development of a single delivery plan bringing together all government-funded small business support in a coherent and integrated way.
- Identify a shared measurement and target framework for assessing the impact of government-funded business support.

How we will measure success

7.18 Government's objective is to improve the coherence, accessibility and quality of government services for small businesses.

7.19 We will be successful if there are:

- Increases in the number of small businesses saying they are satisfied with government services.
- Further improvements in Business Link market penetration and customer satisfaction.
- Improvements in small business perceptions that their concerns are being taken into account by government.

Introduction

8.1 This chapter sets out the government's plans to improve regulation and policy affecting small businesses in the following distinct but linked areas:

- Improving the impact of regulation on small businesses' ability to start, grow and employ staff.
- Improving the impact of non-regulatory policies on small businesses.
- Creating an environment in which small businesses are able to compete effectively for a bigger proportion of government contracts.

8.2 Regulation can confer many benefits on businesses, employees and customers. It can ensure fair competition, improve employee welfare, prevent exploitation of individuals and vulnerable groups and protect the environment. It can also stimulate innovation and investment through, for example, patent regulations.

8.3 But unnecessary or burdensome regulation can also stifle enterprise by removing incentives, and by imposing costs, delays and uncertainties on business. The costs of complying with regulation bear disproportionately on smaller businesses, and therefore divert resources from their business development.

8.4 The taxation system can also create disincentives to the establishment and development of small businesses. The favourable tax treatment given to investments in ISAs and pensions, in comparison with informal investments in small businesses, is an example of how the fiscal environment can act as a barrier to small business growth.

8.5 With central and local government, and the National Health Service spending in the region of £100 billion a year on procurement, the procurement practices of public sector organisations can have a big impact on the ability of small businesses to prosper and grow. The public sector procurement culture unintentionally tends to favour larger contracts and companies, and the proportion of public service contracts won by small businesses does not reflect their importance to the economy as a whole. This discrepancy means that in some areas procurement markets are not as competitive as they might be.

8.6 A wide variety of public policies other than regulation can have an impact on productivity and employment in small firms. Many of these, for example, education and training, are addressed in other chapters, but there are a number of others that are covered here. These relate to areas of public policy, such as insurance, pensions and competition policy. Small businesses are also subject to many of the same pressures as wider society in areas such as crime.

8.7 What does the evidence say?

Regulation

■ Around 1 in 5 small businesses view regulation as the greatest obstacle to the success of their business, more than any other factor, and nearly half cite regulation as one of the key obstacles they face.^{39,40}

■ Since 1999 the proportion of small businesses citing government regulations and paperwork as their biggest problem has been relatively stable at around 15% of businesses.⁴¹ Evidence also shows that most small businesses think that better advice and information would help them.

■ Almost 4 in 10 small businesses have looked for advice on regulations, but only half were successful in finding it.⁴²

■ The OECD ranks the UK as having some of the lowest barriers to entrepreneurship in the developed world, and

European Commission research ranks the UK, jointly with Ireland, as the cheapest and fastest place in the EU in which to set up a small business.

■ A third of adults thinking about starting a business viewed the complexity of regulation as a barrier to entrepreneurial activity.⁴³

■ The burden of regulation seems to fall disproportionately on smaller businesses. A survey has shown that a small business with 10-14 employees typically spends 31 hours a month complying with government regulations and paperwork, while an owner of a firm of 50+ workers needed 43.4 hours.⁴⁴

■ Studies show that the average cost of compliance is likely to be between £2000 and £4000 per annum or between 4% to 6% of turnover.

Crime

- 72% of small retailers and 51% of small manufacturing firms have experienced crime in the previous year.
- The British Chambers of Commerce estimates that crime costs UK businesses £19 billion per year, equivalent to £5000 for each business.

Procurement

- There is a shortage of data on small business success in winning government contracts but survey data for 2002/03 suggests that they receive about 22% of government contracts by value despite accounting for 99% of business stock, more than 50% of private sector turnover and employing around 56% of the private sector workforce. Early results for 2002/03 suggest there has been no improvement in the position

- The joint Better Regulation Task Force and Small Business Council Report supports the view that the public sector market place favours larger providers.

- Problems encountered by small businesses include: the disproportionate costs and complexity involved in tendering; not being able to find out about opportunities; and the trend towards larger and longer contracts, which may reduce the number of opportunities.

What is government doing already?

Regulation

8.8 The push to reduce the administrative and legislative burden on small businesses, and the introduction of a more beneficial and simplified tax regime, have been important elements in ensuring that government meets its objective of building a more supportive business environment which encourages business start ups and growth. The aim has been to reduce compliance costs in general, but also to ensure that small businesses are not disadvantaged in comparison with larger ones, by restoring neutrality of treatment in the fiscal, legislative and regulatory environment.

8.9 The government has made significant changes in the tax system to promote enterprise and growth. Changes have included increasing the threshold for VAT registration so that it is now set at the highest level of any EU country, Government has cut Corporation Tax to its lowest ever level, and is reforming capital gains tax so that it is now one of the most favourable regimes in the world. A number of tax measures targeted specifically on small businesses have also been introduced, such as those mentioned in Chapter 5 which offer tax incentives to support investment in early-stage business affected by shortages of finance.

8.10 The government's overall approach is to promote better regulation. This means regulating only where necessary, doing so in a proportionate and targeted way, and reducing bureaucracy wherever possible. The Cabinet Office promotes use of a system of regulatory impact assessments (RIAs) to help policy makers analyse the costs and benefits of proposed actions. RIAs that do not meet the required standard are referred to the National Audit Office. The Cabinet Office's Regulatory Impact Unit is supported by a number of networks and groups, in particular, the independent Better Regulation Task Force and the Ministerial Panel for Regulatory Accountability.

8.11 The SBS and the Cabinet Office are working to ensure that all new policies and regulations are designed and implemented in a way that minimises the burdens on small business. The introduction of the Small Firms Impact Test into the policy making and regulatory process last year was a significant step forward. It ensures that policy makers consider the views of small business both at the "drawing board" stage of policy making and as and when it is decided to proceed with regulation. The SBS has developed a database of more than 1,000 small businesses willing to engage with the government in this process. The SBS will be seeking to build on this number and aims to achieve a target of 3,000 small businesses by the end of 2005.

8.12 The government is also committed to ensuring that regulation is explained in a straightforward manner so that small businesses find it easy to establish their obligations. The publication of the *No-Nonsense Guide to Government rules and regulations for setting up your business* mentioned in Chapter 3, brings together in one place information about the regulatory requirements applying to start-up and developing businesses. It is a part of government's efforts to

The SBS and the Cabinet Office are working to ensure that all new policies and regulations are designed and implemented in a way that minimises the burdens on small business.

ensure that straightforward information and advice about regulation is readily available.

8.13 Around 40% of new legislation with a non-negligible impact on UK businesses originates in the EU. The government is therefore pressing for better regulation at European level.

Policy

8.14 Precise priorities in an inevitably rather heterogeneous group of policies will vary over time, but this theme ensures that government addresses wider policy developments that affect small businesses. For example:

- Government has recently developed a strategy for reducing business related crime that will focus initially on small businesses and actively encourage the involvement of business in the work. Regional business crime advisers are being appointed in each of the government offices in England. They will be responsible for developing strategies to meet the crime reduction needs of local businesses.
- Government is developing work to regulate banking payment systems, which should improve further the market environment for small business.

Procurement

8.15 Each year, the Office of Government Commerce and the Small Business Service agree an Action Plan for improving small businesses' access to public sector contracts.

- In 2002/03, the Action Plan included work on developing a web portal, a survey of small business participation in procurement and the publication of a document – *Smaller supplier; better value?* – aimed at public sector purchasers.

■ The Action Plan for 2003/04 has been agreed and includes further development of the portal and the establishment of two small business procurement pilots.

8.16 Financial appraisal guidance has also been relaxed to allow businesses with less than 3 years trading accounts to bid for public sector work, and the government has accepted all the Better Regulation Task Force and Small Business Council's recommendations on procurement.

8.17 As mentioned in Chapter 6, government has funded pilots in the West Midlands and Haringey to test ways of improving small businesses' access to the government marketplace and their capacity to compete effectively in it. These are looking at ways to simplify the mechanisms and processes by which small businesses find out about and bid for government work. Advice and training packages will also be developed.

What new actions will the government take?

8.19 The government will:

■ Implement the measures for small businesses set out in the Regulatory Reform Action Plan (details on www.cabinet-office.gov.uk/regulation/actionplan/index.htm). Examples of measures from the plan which are likely to be of particular benefit for small business are set out on pages 52-53.

■ Consider extending the recent government decision to make domestic employment law changes on two days a year to other areas of domestic law, subject to the results of the current pilot. We will consult business on the priority areas and preferred dates.

■ Evaluate and report on the extent to which government can provide advance notice of regulatory change.

■ Introduce a system of rewards and incentives for departments to use alternatives to regulation.

■ Employ, where appropriate, greater use of "sunset clauses" to set a deadline for a regulation to cease to have effect, unless renewed.

■ Review the extent to which regulatory thresholds may act as a disincentive to business growth.

■ Introduce "see at a glance" guidance on all new regulations so that entrepreneurs will not waste time trying to establish if a regulation applies to them and enforcers will have a quick guide to the intention of the regulation.

■ Implement the strategy for reducing business related crime, by establishing a forum for small businesses, appointing regional business crime reduction advisers and providing easily accessible advice to business.

■ Take steps to help reduce the burden of Employers' Liability Compulsory Insurance (ELCI) on small businesses by, for example, pressing for greater account to be taken of an employer's health and safety track record in setting premia.

■ Reform the arrangements for enforcing ELCI, to tackle unfair competition from those illegally trading without insurance cover.

■ Make pension provision easier for employers by, for example, increasing the flexibility for schemes to rationalize their benefits structure drawing on the outcome of consultation by the Inland Revenue in 2003.

■ Promote the take-up of new incentives to submit payroll returns on-line.

■ Develop a small business Procurement Concordat to be signed by public sector bodies, aimed at facilitating and improving opportunities for small businesses to tender for contracts.

■ Develop a single portal and service for advertising lower value tenders to potential suppliers to UK government.

8.18 The National Procurement Strategy for local government was launched in October 2003. As part of this strategy, a small business friendly concordat will be developed, and councils will be encouraged to engage pro-actively with small businesses and to develop diverse and competitive sources of supply, including procurements from small businesses, ethnic minority businesses, and social enterprises.

- As part of taking forward the joint BRTF and SBC report, evaluate the results of the procurement pilots in Haringey and the West Midlands, and implement solutions on a national basis,
- Deliver actions to reduce red tape in central civil government procurement identified in the recently published joint Cabinet Office and OGC – Making a Difference: Reducing Bureaucracy in Central Civil Government Procurement – report.
- Improve data collection and measurement of small business success in accessing government contracts.
- Undertake a range of measures to improve understanding of small business needs across Whitehall.
- Push for a review of how small businesses can contribute more effectively to the EU’s Social Dialogue.

How we will measure success

8.20 Government’s objective is to reduce the unnecessary regulatory burdens on small businesses, particularly those which act as barriers to start up and growth, introduce crime reduction policies to help small businesses and improve their ability to sell to the public sector.

8.21 We will be successful if:

- There is a reduction in the proportion of small businesses citing regulation as an obstacle to growth.
- We maintain or improve the UK’s relative position in international comparisons of regulatory burdens.
- There is an increase in awareness by small businesses of sources of advice and support on compliance issues and satisfaction with them.
- There is a reduction in the levels of crime affecting small businesses.
- More small businesses are competing effectively for public sector contracts.

Examples of actions in the government's Regulatory Reform Action Plan which will have particular benefits for small business

Department (RRAP reference)	Action	Beneficiaries/key benefit
HM Customs and Excise (1.62)	Enhancing online facilities for registration and deregistration and viewing registration details.	<p>Businesses (including small businesses) which are, or need to become, VAT registered.</p> <p>Providing a quicker and easier way of exchanging registration details and thereby reducing compliance costs.</p>
Department of Trade and Industry (1.03)	Raising the threshold below which certain categories of small companies are not required to have their accounts audited from the current threshold of £1m to £5.6m - the maximum allowed under EC legislation.	<p>Companies with turnovers of up to £5.6m (small businesses).</p> <p>Potential to exempt an additional 69,000 firms from audit requirements.</p>
Office of the Deputy Prime Minister (1.10)	To simplify, rationalise and consolidate existing legislation spread over 120 Acts. This will create one simple risk-based fire safety regime applying to all buildings which the public might use (not private dwellings).	<p>Businesses (including small businesses), charities and voluntary sector, the public.</p> <p>The value of the reform will be in the removal of the confusion caused by overlapping regimes, and in the resulting clarity and consistency. The new regime will be based on a modern, risk assessment approach that will be more in line with health and safety legislation and will provide for greater emphasis on fire prevention. It will also allow for more efficient and effective enforcement by the fire service.</p>

Department (RRAP reference)	Action	Beneficiaries/key benefit
Department for Environment, Food and Rural Affairs (1.70)	To provide via the NetRegs Internet site practical, sector-specific guidance on the environmental responsibilities of small and medium-sized businesses. In conjunction with Environment Agency, SEPA, Environment Heritage Service Northern Ireland and the Small Business Service.	All businesses especially small and medium-sized businesses subject to environmental regulation. Improved access to information on environmental regulations via clear, comprehensible guidelines. This is a wide-ranging project, which may be of value to a large number of small businesses.
Inland Revenue (1.241)	Simplification of ITSA return for certain small businesses and simplified statement of account. Simpler Statement of Account will depend on outcome of current review of project capacity.	Small business (unincorporated). People with simple affairs running small businesses (turn-over < £15k) will receive the short return; all unincorporated businesses could benefit from a simpler Statement of Account. Short tax return will simplify completion and produce time savings. Simpler statement of account will provide clearer information.
Health and Safety Executive (1.88)	Development of new mechanisms to ensure that existing legislation works more effectively, rather than introduce new legislation.	Businesses and self-employed . A combination of measures to improve compliance, promote continuous improvement, develop skills and support systems. Working closely with stakeholders to achieve targets in the HSE Plan of Work 2001/04 – priorities include: falls from height; workplace transport; musculo-skeletal disorders; stress; construction; agriculture; health services; and slips and trips.

Full details are available from www.cabinet-office.gov.uk/regulation/actionplan/index.htm

End notes: Sources for evidence cited in the chapters

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