

The cross-cutting review of services for small business considered the full range of government services from the customer perspective, with the aim of increasing their efficiency and effectiveness. Following the review, the Small Business Service has been tasked to work across government to improve service quality. In addition, funding of £40 million above 2002-03 levels by 2005-06 will take forward e-delivery of services, to make dealing with Government quicker and easier.

Small business **26.1** Small businesses are an important sector of the economy. There are 3.7 million small businesses in the UK, accounting for 45 per cent of private sector economic activity and over half of employment. The small business sector also contributes to the economy through its effects on competition, productivity and innovation.

Government services **26.2** Government services for small business are provided nationally, regionally and locally and take many forms, including direct support through grants and subsidies, indirect support such as workforce development, as well as advice on tax and regulation. The review estimated that services for small business provided by government departments, agencies, and regional and local government, cost about £2.5 billion a year. £1.8 billion is spent on specially targeted programmes that reach up to 10 per cent of small businesses and £800 million is spent on universal services which affect most firms, such as advice provided by the Inland Revenue, HM Customs and Excise and local authorities.

OUTCOMES

Encouraging enterprise **26.3** The Government's aim is to encourage enterprise across all sectors of society. Women, people from disadvantaged communities, and from some ethnic groups are under-represented in the business community. The review describes the barriers to entrepreneurship faced by under-represented groups, and also draws attention to the series of measures already in place to address these, including the Phoenix Fund, the Community Investment Tax Credit and the Community Development Venture Fund.

Extending enterprise **26.4** Because government services are spread so widely they can have an important effect in encouraging enterprise. A reduced willingness to approach government for support is a significant barrier for under-represented groups. The review's recommendations will increase awareness of the help and support that is available, for example:

- public services will train employees to recognise the value of entrepreneurs and the importance of signposting them to other services; and
- Jobcentre Plus and Business Links will work together to improve service provision and actively promote entrepreneurship in disadvantaged areas.

26.5 There are significant gaps in the evidence base on under-represented groups of entrepreneurs. The Small Business Service (SBS) will work with other government departments and with Regional Development Agencies (RDAs) to fill gaps in the evidence base and better coordinate ongoing research programmes.

Improving services by working together **26.6** The challenge for government services for small firms is to design themselves around the needs of small firms. This will require a new approach, but the Review points to some examples where services have already combined to improve the customer experience. Within government, the SBS will play an enhanced role in helping departments identify instances where services can be combined and improved, and raising overall standards. At the regional and local level, SBS and the RDAs will pilot and evaluate different RDA-led approaches to achieving improved coordination of business support services and strengthening the relationship between Business Link services and Regional Economic Strategies – these pilots will begin by April 2003 (see Chapter 15).

A new approach for new firms **26.7** The review looked especially at the process and services for people setting up a company or becoming self-employed for the first time. This is when businesses have most contact with different arms of government, and can also be when a business is most affected by poor service. The review found a widespread need for better presented and comprehensive information about what new businesses have to do, and what government can do to help them. The SBS is now consulting on a new strategy to encourage people to start new businesses and help those who have just started, including:

- information packs for all new businesses, setting out exactly what they need to do and what help the Government can give them, available in paper and over the Internet, and from a wide range of public and private sector service providers;
- a telephone service for advice and information; and
- enterprise events bringing together public, voluntary and private sector providers to publicise the services and support available for business.

Electronic service delivery **26.8** The key to affordable, high volume, high quality services tailored to meet customer needs will be electronic delivery. Although the majority of small businesses are now on line, only a minority want to use the Internet for transactions with government, or for advice and guidance as opposed to basic information. This is partly because, with a few exceptions, electronic services are not currently high quality – there are too many poorly presented websites, and little incentive for a small business to spend time finding information on them.

26.9 A new £15 million Capital Modernisation Fund project, business.gov, has been set up to tackle this problem. The challenge is to develop services which are designed with the needs of customers as paramount, and which:

- link information and transactions together in logical settings;
- present the range of government services in a way which looks and feels coherent to the customer; and
- attract small business use by sheer quality.

Spending Plans **26.10** The Small Business Service is charged with implementing over three quarters of the review's recommendations. The SBS will raise its performance and profile in Whitehall to improve the quality of services for small firms. In particular, the Spending Review will provide an additional £40 million by 2005–06, compared with 2002–03, to build on the lessons of business.gov and enhance e-delivery of services. The Phoenix Fund will also be extended by two years beyond March 2004 with an extra £50 million over 2004–05 and 2005–06 to promote enterprise in deprived areas.

Table 26.1: Key figures

	£ million		
	2003–04	2004–05	2005–06
Small Business Service			
Resource budget	296	316	340
of which: E-delivery (excluding business.gov)	13	28	48
Capital budget	17	17	17
Total Departmental Expenditure Limit¹	313	333	357

¹ Full resource budgeting basis, net of depreciation.

