

BIS | Department for Business
Innovation & Skills

BIGGER, BETTER BUSINESS

Helping small firms start,
grow and prosper

JANUARY 2011

Foreword

by **Mark Prisk MP, Minister of State for Business and Enterprise**

Small businesses are vital to the UK economy. The Coalition Government is committed to creating the right long term environment to help many more people start and grow their enterprise.

That's why in our first few months we have:

- Introduced a package of reform to reduce rates of corporation tax, including cutting the small profits rate from 21 per cent to 20 per cent from 1 April 2011
- Introduced a regional National Insurance holiday worth up to £50,000 for new businesses
- Extended Entrepreneurs' Relief from Capital Gains Tax from the first £2 million to the first £5 million of gains made over a lifetime
- Increased the point at which employers start to pay National Insurance Contributions, benefiting employers by over £3 billion a year from 2011 - 12

And set out our plans to:

- Introduce a 'one-in-one-out' rule to reduce regulatory burdens on business - the biggest drain on business time and energy
- Introduce the aim that 25% of government contracts will be awarded to Small and Medium sized Enterprises (SMEs)
- Expand the Enterprise Finance Guarantee for the next four years, unlocking up to an additional £2 billion, helping up to a further 20,000 businesses.

These are part of a broader programme to free enterprise and help small firms grow and prosper. A summary of the help available from across government can be found in Appendix A.

This document is focused on reforms to the way in which government ensures that start ups and existing small and medium sized businesses can access the information and business advice they need.



A handwritten signature in black ink, appearing to read 'Mark Prisk', with a horizontal line underneath.

Key principles

We believe that **business growth is the main priority**. So we will focus our resources on improving small business performance and growth.

We will support start ups through a tailored package of measures, including the **New Enterprise Allowance**, to help the unemployed become self employed.

We will modernise the provision of online information so all businesses can access what they need, when they need it.

The business community's view of the existing government-funded regional Business Link services is highly varied and we share its view that **the best advice for business comes from other experienced business people**.

We are working with mentoring providers to understand and **address the barriers to enterprise** for all groups, including women, former service personnel and Black, Asian and other Minority Ethnic (BAME) communities.

Lastly, we recognise that there are now many excellent private providers of business advice as well as business networks both online and offline. Government's role is not to duplicate this activity, but to **intervene only where there is evident market failure**.

The challenge

Over the years, government has been very active in the provision of information to business. There is still a role for government to play in providing information but we know that, whilst businesses find the Businesslink.gov website very useful, they also find it dense and difficult to navigate. Businesslink.gov already holds thousands of pages of information and guidance for business, but businesses can't personalise that information and there is scope to provide better online tools or applications that modern businesses need.

Government has also been active in the market for advice to business. The regional Business Link advisory service has received a mixed reception over the years and, at £154 million per annum, the cost of this support has been high. In the current climate, it is essential that we invest to make services provided by government as efficient and effective as possible and to focus hard on targeting those businesses with the potential to grow.

Recent research¹ found that from 2005-08, 6 per cent (approximately 11,000) of UK businesses² with 10 or more employees met the OECD definition³ of 'high growth' measured using employment. Over a three year period high growth firms were credited with creating around half of all net employment growth amongst established businesses. This is equivalent to between 5 and 8 per cent of all private sector jobs having been created by high growth businesses over the previous three years.

¹ 'Measuring business growth', NESTA (2009)

² Not all of these businesses are SMEs

³ Starting with at least 10 employees, employment growth of at least an annual average of 20 per cent over a three year period.

Evidence shows that 67 per cent of SME employers have an aspiration to grow over the next two to three years, but only about 20 per cent will grow each year.⁴ We need to work with businesses that have potential to grow to enable firms to overcome the barriers to growth more easily.

In addition, government also needs to recognise low entrepreneurial activity rates among key parts of our communities and ensure that we encourage these people to consider working for themselves. For example, women make up 51 per cent of UK population and 46 per cent of the economically active. But women constitute only 29 per cent of the self-employed in UK. If the UK had the same level of female entrepreneurship as the US, there would be approximately 600,000 extra women-owned businesses, contributing an estimated additional £42 billion to the economy. If women started businesses at the same rate as men, there would be an additional 150,000 extra start-ups each year in the UK.

For ethnic minority communities, whilst entrepreneurship rates are high in some communities, they are less so in others. Self-employment rates are above average for Pakistani (12 per cent), Chinese (10 per cent) and Indian (eight per cent) people but below average for Black Caribbean (four per cent) and Black African (five per cent) people. There are an estimated 320,000 ethnic minority-led SMEs in the UK, contributing an estimated £25 billion to the UK economy per year – six per cent of total SME Gross Value Added (£430 billion in 2007).

In addition, people leaving the Armed Services often face distinctive difficulties in starting businesses. According to the Defence Analytical Services Agency (DASA) there are around 20,000 Service leavers each year, but only an estimated 6 per cent of those start a business⁵. The Services already do a lot to facilitate people's return to civilian life, but we want to ensure that enterprise is a realistic option.

Key features of the new system

To address these challenges, we will provide:

- Online business information and tools tailored to each business' needs
- A national contact centre to help businesses who cannot find the information they need on the web or who are not connected to the internet
- Help for start-ups, including the New Enterprise Allowance
- A network of at least 40,000 experienced business mentors offering practical advice
- Business Coaching for Growth, backing high growth SMEs to enable them to realise their potential.
- Tailored action to raise low entrepreneurial activity among key parts of our communities, including women, Black, Asian and Minority Ethnic groups and Service leavers

⁴ Annual Small Business Survey, 2007/08, BIS 2009

⁵ Estimate based on "Leaving the Services", NAO 2007

1. Online business help, tailored to each business

We are overhauling the www.businesslink.gov.uk website to provide online business information and tools tailored to business' needs. This will include a number of key features:

- A Business Startup Hub, including access to online incorporation, simpler enrolment for tax and a new tax 'dashboard' enabling businesses to keep up with their tax position in one place
- Notification of public procurement opportunities through a "Contracts Finder"
- Better, clearer information on Government regulation
- New training services and online tools for business to use on the move from their own computer or handheld.

We will transform the Businesslink.gov website to bring it up to date with Web 2.0 technology. Doing this will enable users to personalise the space for their needs and make sure they can set automatic updates on the information they want, when they want it. The website will move to open standards enabling business support providers to develop new business friendly applications.

The revised website will help businesses find the information that they need in a clear and accessible way, including on government regulation and compliance and publicly-funded Solutions for Business products. It will be a key link to further help from the private sector including a mentoring gateway and will complement information from business support websites and online peer to peer networks outside of government. We will work with the organisations that businesses respect and trust to ensure that information on how to run a business is provided by those who know and, in most cases, those who have done it all before.

We will also build within Businesslink.gov, a dedicated start-up hub bringing into one place the information that people need when they are thinking of starting or are running a new business. This will include tools, checklists and online training to help people get up and running and also the facility to register a new company online and keep up to date with PAYE, corporation tax or income tax and VAT.

For more established businesses, the website will provide access to diagnostic tools enabling them to identify the things they need to do to become more efficient or to tackle issues that are holding them back. It will focus on making sure that businesses have the information that they need to plan and develop.

2. A telephone contact centre, to support the online service

24 per cent of SMEs are not currently online⁶. So whilst we will encourage all businesses to log on, in the meantime we will need to provide a contact centre, alongside online business information.

Trained staff will act as "super users" for the information on the web, providing a link between the information on the web and business, as well as signposting them to other sources of support in the private sector. This will not replace expert services such as those offered by ACAS or HMRC Tax Advice lines but will provide an initial point of contact.

⁶ Annual Small Business Survey, 2007/08, BIS 2009

In addition, **for businesses in crisis** and facing possible closure, a small unit of highly experienced business advisors will be on hand providing immediate help aimed at stabilising the business and getting it into recovery where reasonably possible.

3. Helping start ups

- A New Enterprise Allowance to help unemployed people start and grow a new business
- An online Business Startup Hub, including online company and tax registration
- Help for home based businesses for social housing tenants

There is a lot to do when you first start a business. But we want to make this process as straightforward as possible so that entrepreneurs can focus on what matters most – growing their business and creating wealth and jobs. So we will provide online the tools, checklists and online training that new businesses need to start up, in one place.

We are also working with a range of external partners, including the British Chambers of Commerce, to develop local models of start-up advice, for both new and developing businesses. These models build upon the enthusiasm of existing businesses to support economic growth and wealth generation in their localities. Local Enterprise Partnerships (LEPs) will also want to consider what role they can play in partnership with business and central government.

In addition, the new Enterprise Allowance Scheme, which we announced in October 2010, will be expanded to support the creation of up to 40,000 new businesses by 2013. The Scheme will provide unemployed people with access to the advice and support they need to start their own business.

It will be available to people who have been claiming Jobseeker's Allowance for more than six months and will provide:

- access to a business mentor who provides guidance and support as the person develops their business idea and then through the early stages of trading; and
- a weekly allowance and support to access small loans (of up to £1,000) to help with start-up costs once the person has demonstrated they have a viable business idea and is ready to register as self-employed - a package of support worth up to around £2000 per business.

Many small businesses start at home. Whilst over 6 million adults in England live in social housing, fewer than 20,000 of them run a home-based business. There are barriers to Housing Association and Council tenants starting a business from home. So we are working with landlords to remove red tape and encourage more tenants to start up.

4. Business mentors: practical advice from experienced business people

- An easy to access network of at least 40,000 experienced business mentors
- Backed by leading businesses and mentoring groups
- Tailored mentoring available for start ups and those seeking specialist business finance advice
- Led by business, for business. Facilitated by Government and supported by the banks.

Small business owners have repeatedly told us that the advice they value most comes from other experienced business people. In recent years a wide range of business mentoring

organisations have grown up, alongside new online business networks. Despite the wealth of provision, it can be hard for people wanting a mentor to know where to find one.

So the Government has announced a **new national mentoring gateway** aimed at helping all businesses to secure the right business mentor for their needs. We are working with the British Bankers Association, UK trade bodies and mentoring organisations to develop a single web-based gateway for mentoring so that potential mentors and mentees can find the right match for their needs.

For the first time in the UK, we will ensure that there is a single, cohesive network of mentoring provision, bringing together **at least 40,000 mentors**, who will provide practical advice and contacts for other businesses, based on hands-on experience.

The gateway will embrace all forms of mentoring under a shared code of practice and will link directly to other sources of help and guidance, including www.businesslink.gov.uk. It will link, for example, to organisations specialising in providing mentoring support to groups under-represented in business such as women and people in BAME communities.

5. Business Coaching for Growth

- Targeting established SMEs with the potential to increase employment or turnover by 20 per cent or more each year for three years and new start-ups with the potential to become “gazelles”
- Providing high growth coaching to enable these businesses to address barriers to growth and to grow more rapidly
- Connecting these businesses to a network of external provision from specialist knowledge and investor networks, UK Trade and Investment (UKTI) and investment in leadership and management training.

Government investment in helping business to improve will be focused on accelerating the ability of firms with high growth potential to grow, creating wealth and jobs.

Business Coaching for Growth will target the highly select group of businesses with the potential to achieve rapid and significant growth and will equip them with the skills to develop and implement strategies for growth.

Businesses will benefit from a structured programme of specialist advice, coaching and mentoring, tailored to their specific needs and aimed at helping them to develop and implement strategic business plans, to identify and protect Intellectual Property and to exploit innovative ideas, unlock new markets, and access external investment.

Business Coaching for Growth will also act as a hub for opportunities for peer to peer networking helping to unlock new business opportunities by providing faster access to local networks, clusters and supply chains.

Business Coaching for Growth will improve businesses’ ‘investment readiness’ making firms with potential more aware of equity as a source of finance; developing their management teams and business models; and improving their skills to pitch to Angels and venture capital funds. By connecting a range of networks, Business Coaching for Growth will strengthen investor and other networks, such as Business Angel networks.

Business Coaching for Growth complements the work of Technology and Innovation Centres (TICs) and will work closely with them as well as business incubators, science parks and Local Enterprise Partnerships (LEPs). Together they have the potential to create a dynamic combination of cutting edge, innovative businesses with a clear vision, a unique selling point and the skills to succeed in international markets.

6. Manufacturing Advisory Service

The Manufacturing Advisory Service (MAS) will continue to be delivered as part of the Government's programme of investment to help businesses improve. Although the service will be managed at a national level, it will still be locally focused on the needs of individual businesses.

We are working with service delivery bodies, industry representative bodies and previous recipients of the service to assess how the service can be developed further to address the needs of the industry in a changing environment. The reformed service will be available from April 2012.

In the transition period the existing Manufacturing Advisory Service will continue to deliver a service to customers.

7. Tailored help: Women, BAME, Service personnel

The Government is considering what specific measures are needed to help increase enterprise in these groups and to ensure that those who need dedicated help receive it. For example, we are working with the Royal British Legion (RBL) to provide loans, grants and advice to UK Service Leavers to help them fund, plan and grow their own businesses. We want to encourage anyone who has the aspiration and skills to take the initiative and start a business to do so.

8. Other Government funded help to business

The Government will work alongside the private sector and business support organisations to help small businesses make sense of the range and type of support available to them. As part of simplifying the landscape for business we are taking a fresh look at the Solutions for Business (SfB) portfolio to ensure that the publicly funded offer is refocused on achieving growth and business improvement whilst providing a simple offer to business.

A refreshed portfolio will target only those areas where a Government lead is required such as providing access to strategic advice, helping companies reach international markets and in supporting innovation. This will include consolidating some products into a single offer, such as undertaking exports, and improving access to innovation products delivered through the Technology Strategy Board.

Appendix A: Government help for small businesses

The Government's ambition is to make the UK the best place in the world to start and grow a business. After all, it is business that creates the wealth and jobs which will help power balanced, sustainable economic growth. Already, the government has taken the following action:

Small Business Tax Simplification Review: the Chancellor has tasked the Office of Tax Simplification with undertaking a thorough review of small business taxation with the intent to create a stable and supportive tax system for small firms. This includes IR35.

Lower business taxes: the main rate of corporation tax will fall from 28 to 24 per cent over four years, and the small profits rate to 20 per cent in April 2011, meaning that the UK will continue to have the lowest rate of corporation tax in the G7 and the fifth-lowest in the G20.

Reduced National Insurance Contributions: the threshold at which employers begin paying National Insurance Contributions will rise from £110 to £136 in 2011/12.

Employer National Insurance holiday for new businesses: A new three-year scheme means that new businesses starting up in selected areas will not have to pay the first £5,000 of class one NICs due in the first 12 months of employment for each of the first ten employees hired during the first year of trading.

Extra Small Business Rate Relief: the amount of relief available for small firms has been doubled for one year, and we are working to free local authorities to administer Small Business Rate Relief in a way that best serves local businesses and local needs.

Fair access to finance: the Enterprise Finance Guarantee has been extended with up to £2 billion over four years; the enterprise capital fund programme has been extended to commit a further £200m and new funds will come on stream in the coming months and years. In addition, we are looking at ways to support 'business angel' investment; and with our encouragement the banks are working on a new lending code.

Less red tape: a new 'one-in, one-out' system for new regulations has been established, a major review of health and safety legislation has been completed and we have ended the 'gold-plating' of EU regulations.

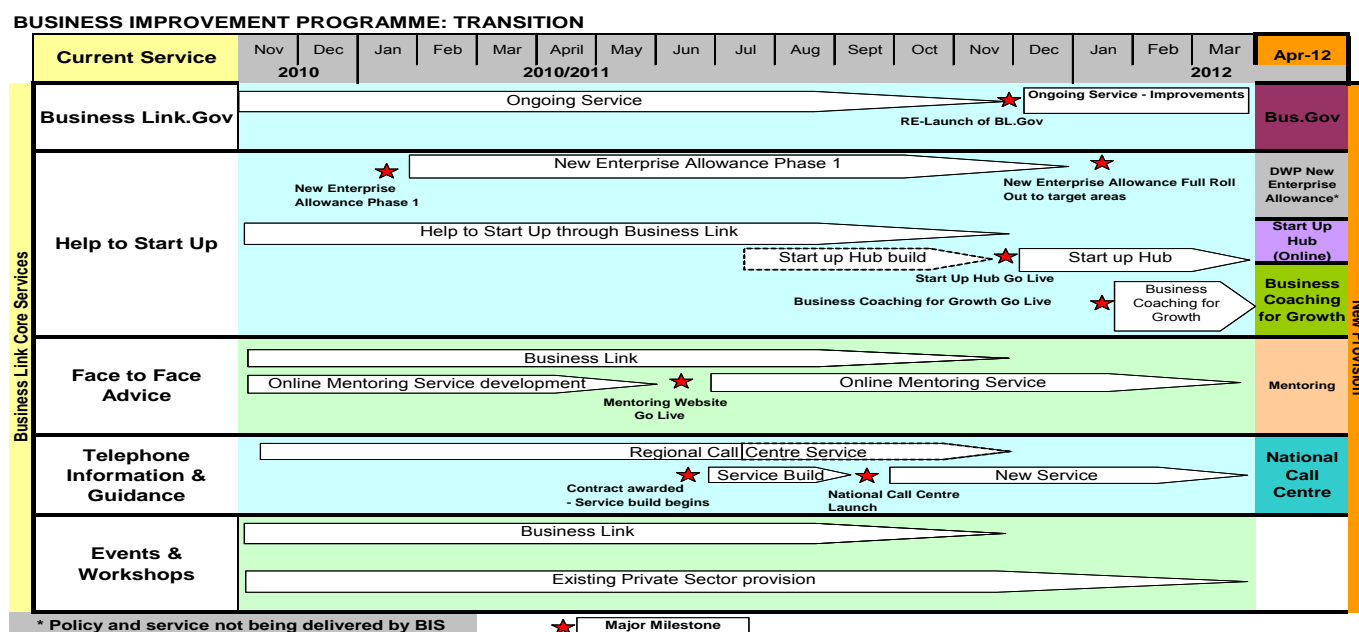
Encouraging enterprise: the entrepreneurs' relief lifetime limit for Capital Gains Tax has risen from £2 million to £5 million and we have made clear that enterprise is for everyone – including those in social housing.

Access to government contracts: Government has signalled an aspiration for 25% of new contracts to be awarded to SMEs. This will be achieved by addressing head on some of the biggest barriers faced by smaller businesses in competing for public sector contracts and making it easier to find opportunities to do business with the public sector. A new standardised set of pre-qualification questions has been implemented in government and is mandatory for

use across central government. In March 2011 a new facility –*Contracts Finder* – will enable SMEs to more easily access public procurement opportunities online and free of charge.

The Government is acutely aware of the importance of the UK's small businesses – to growth, employment and community cohesion – which is why we have introduced these important measures. We are committed to developing further proposals to create an environment in which small and medium-sized enterprises can grow, thrive and compete.

Appendix B: Managing the transition



- **By end January 2011** - The New Enterprise Allowance scheme will have been rolled out to Phase 1 areas
- **By April 2011** – Businesslink.gov will have completed the migration of content from over 170 publicly funded business facing websites making Businesslink.gov.uk the single government website for business. A refreshed Solutions for Business portfolio will be in place.
- **By June 2011** – there will be new on-line training capabilities that will allow us to host externally developed training modules. The Mentoring Gateway will go live.
- **By September 2011** – We will begin to host content developed by private sector suppliers making better use of the support they offer and lowering the cost to government of developing new services. We will also launch the National Call Centre.
- **By November 2011** – We will have launched a new Start Up Hub making it easier for anyone thinking of starting a business to complete all the necessary steps to get their ideas off the ground. The Regional Business Link advisory service will close.
- **By January 2012** – We will have rolled out the New Enterprise Allowance to all target areas. Business Coaching for Growth will be launched.
- **By June 2012** - We will have migrated the on-line tools that customers found useful from the regional sites to the national site.
- **By March 2013** - Following the platform re-refresh, we will have introduced new global standards of compatibility enabling us to host more externally developed content and other websites which host our content will be updated automatically as we update our own. This means that businesses will be able to rely on higher quality information in more places.

Appendix C: Key mentoring partners

The following organisations are part of the mentoring network:

- FreshIdeas
- Bright Ideas Trust
- Prince's Trust
- Horseshmouth
- School for Startups
- Ecademy
- Timebank
- British Bankers' Association
- Federation of Small Businesses
- Institute of Directors
- Fredericks Foundation
- Women in Rural Enterprise
- Chartered Management Institute
- Institute of Chartered Accountants in England and Wales
- Association of Chartered Certified Accountants
- TiE UK
- Chartered Institute of Public Finance Accountants
- British Chambers of Commerce
- National Council for Graduate Entrepreneurship
- SFEDI
- Forum for Private Business
- CBI

- Chartered Institute of Management Accountants
- Technology Strategy Board

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