

# **THE REPORT ON SMALL FIRMS 2010-2015**

BY THE PRIME MINISTER'S  
ADVISOR ON ENTERPRISE

Lord Young  
February 2015

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# FOREWORD

**I have been involved with small firms** for a very long time. After qualifying as a lawyer, practicing for about a year, I joined a large quoted mail order and retail company and, after five years of frustration as an executive, decided to take the plunge and start my own business. That was back in 1961, a very different world from today.

Since then, of course, I've had many other occupations from executive chairman of one of the largest FTSE companies, five years in the civil service followed by five years in the Cabinet, been both a banker and an investment banker, and an investor and developer of technology companies, but always I would return to my first love, starting businesses and indeed started quite a few over the decades. Even to this day I have never forgotten the excitement, the sense of achievement and the feeling of self-worth that I experienced when I started and ran my first company. That is why my interest throughout the eighties and during the last five years, has been to encourage more and more people to experience what I experienced.

I found, when I returned to government, that the public sector was just as closed to small firms as it was back in the 80s and I'm delighted that as a result of a great deal of work amongst a large number of people the public sector is being opened up to small firms. I expect this will substantially reduce public expenditure (although I am sure ways will be found to spend the savings) but even more importantly it will introduce a degree of innovation that is

today sorely lacking and will lay the foundation for many large firms of the next decade.

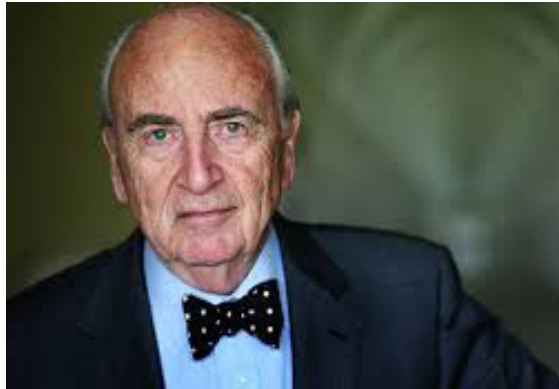
I also developed an abiding interest in education, although my interest was always for those who were low achievers. Back in the early 80s I discovered, whilst introducing the Youth Training Scheme, that far too many young people were condemned to the bottom quartile when they were only 12 or 13 by not being shown the relevance of their lessons, so switching off and finding that once they were off the train there was no way back.

I'm very grateful to the Prime Minister who has given me this opportunity, somewhat late in life, to deal with a number of these issues. I believe that if we give young people the opportunity to meet role models who can show them the relevance of their lessons, and take advantage of opportunities that will be opened up by the Enterprise Passport, we will create a very different environment for many hundreds of thousands of young people to live a more meaningful and satisfying life.

These last four years have, in many ways, been some of the most productive of my life. I have been very fortunate in the officials who have worked with me during that time. When I retired back in 1989 I left 10 years of government life with a high regard for the numerous civil servants I'd worked with over those years. My experiences over the last few years have, if anything only increased that regard and I owe a great debt to those who have, by convention, to be nameless.

**David Young**

February 2015



## LORD YOUNG: BIOGRAPHY

The Rt Hon Lord Young of Graffham CH DL graduated from University College London before becoming a solicitor. He spent a year in the profession before moving on to establish a number of successful businesses. He became Chairman of the Manpower Services Commission in 1982, entered the Cabinet in 1984, became Secretary of State for Employment in 1985 and in 1987 became Secretary of State for Trade and Industry and President of the Board of Trade. He was Executive Chairman of Cable and Wireless plc from 1990 to 1995 and thereafter Chairman of Young Associates Ltd, which invests in new technologies. In October 2010 he published a report on Health and Safety, Common Sense Common Safety.

Lord Young was appointed as an advisor to the Prime Minister on Enterprise in October 2011. He has delivered a three-part review to the Prime Minister on enterprise and small business.

Make Business Your Business, published in May 2012, was the first comprehensive review for Government on small business since the Bolton Report of 1971. This highlighted the record number of start-up businesses as part of a growing culture of enterprise and entrepreneurship in the UK. This report introduced a new Government programme, Start Up Loans, providing loans and mentoring to get a business venture started.

Growing Your Business, published in May 2013, looked at how new and developing small firms can grow, and expand into new markets. This paved the way for major Government reforms of public procurement to make it easier for small suppliers to win public sector contracts, a new Small Business Charter to extend the reach of university business schools into their local small business communities, and a Growth Voucher programme to enable small firms to gain the help they need to grow and scale-up.

Enterprise for All, published in June 2014, reviews the relevance of enterprise in education. In December 2014 Government accepted the recommendations in this report and this has led to the creation of a new company, focused on leadership and engagement between employers and educators, to do more to better inspire and motivate young people in their education and choices for their futures. The company will develop a new Enterprise Passport and Enterprise Advisers.

Lord Young was appointed Member of the Order of the Companions of Honour (CH) in the 2015 New Year Honours.

# EXECUTIVE SUMMARY

## When the Prime Minister

**asked me to report on small firms in 2011 the only other report was the 1971 Bolton Report. Bolton's conclusion seems scarcely credible today: that the small firms sector was in a state of terminal decline in both number and in contribution to output and employment and in a few years would cease to exist. Economies of scale would make the remaining 800,000 small firms uncompetitive and doomed to extinction.<sup>1</sup>**

Today, I am pleased to report almost the exact opposite. There are now 5.2 million small firms in the UK and they account for 48% of employment and 33% of private sector turnover. Indeed over nineteen out of twenty firms in the land today employ fewer than ten people. This shift in the number and importance of small businesses has not been simply a linear trend over 40 years; within this Parliament alone I have seen a transformation. The business population has increased by 17% since 2010. In 2011 we saw a record number of start-ups, and the beginning of 2014 saw a record increase in the number of firms.<sup>2</sup>

Many factors have affected the environment for small firms including tax and regulation, but the biggest difference has been the accessibility and mass adoption of new technology. Technology has lowered the barriers to entry for people from all backgrounds and ages to make a business

idea happen, and to use mobile and digital devices to find customers, make sales and fund new ventures. While the internet had arguably reached critical mass in 1997, it has really been within the last five years that smartphones and tablets have become relatively cheap enough to become commonly used by people to go and work for themselves.

At the same time, there has been a complete culture change in our attitude to entrepreneurship and small firms. In the last five years I have met countless numbers of inspiring entrepreneurs and small firms – from all ages and backgrounds and all reporting that starting a business is the most exciting and challenging thing they have ever done. When you think back to before this Parliament, there was little effort to inspire and encourage people to consider entrepreneurship as a viable career choice; public sector procurement was virtually closed to small suppliers; small firms reported that the landscape of business support was too confusing and inaccessible, including very few sources of finance to start and grow a business; and there was very little recognition within our education system about the skills and attitudes that enterprise can offer young people to prepare for their futures, including the opportunity to be their own boss.

These were just some of the priorities I have looked at since my appointment as the Prime

<sup>1</sup> Bolton Report 1971: The Report of the Committee of Enquiry into Small Firms

<sup>2</sup> BIS Business Population Estimates 2010-2014

Minister's Enterprise Advisor earlier in this Parliament, when he asked me to write a report on how the Government supports enterprise and small firms and what needs to change. There have been other reports in this time that have highlighted the development of fast growing, high tech, early stage firms and we are seeing the emergence of exciting new clusters like the 'Silicon Roundabout' in East London where the private sector and Government are collaborating to help these start-ups innovate and raise equity capital. Yet the vast majority of businesses are very small low-tech and low-cost enterprises that employ fewer than 10 people. This has been the focus of my reviews on small business and my aim to look at those areas of Government policy where small firms are not being heard and not being supported.

This report draws together the recommendations and outputs from my three papers on small firms and enterprise and some of the wider developments that have raised ambition about enterprise and enabled entrepreneurs to build successful businesses. The Government has continued to support small firms by improving the environment around regulation, tax, exports as well as a new British Business Bank. We have also seen new initiatives come about in this Parliament which will become world firsts – Start Up Loans, Growth Vouchers, a single procurement market-place through Contracts Finder, and a new company responsible for enterprise and careers for young people. Her Majesty has also approved a Royal Charter to be granted to the Association of Business Schools reflecting the work business schools do to help small firms, and this will take effect shortly.

Put these together and you can see the transformative effect on enterprise opportunities in the UK today. This is the golden age for small firms – there has never been a better time to start and grow a business.



## Summary of key developments for small businesses

### This is the Golden Age for Small Firms

- A record number of small firms in the UK: some 5.2 million, an increase of 760,000 since 2010.
- A record number of people in work – 30.8 million – and small firms accounting for 48% of private sector employment.
- Global Entrepreneurship and Development Institute rank the UK the most entrepreneurial country in Europe and 4th in the world
- Start Up Loans Company have lent £131 million to 25,000 businesses and created 33,000 jobs.

### We have created a more supportive environment for small firms

- The Employment Allowance gives businesses and charities a £2,000 tax cut off their National Insurance Contributions. Benefiting up to 1.25 million businesses, this will result in around 450,000 small businesses being taken out of paying National Insurance Contributions altogether.
- A £1.1 billion package of business rates measures, with extra relief for small businesses through the extended doubling of the Small Business Rate Relief.
- The Apprenticeship Grant for Employers provides £1,500 to firms taking on their first apprentice. In the first year, 80% of grants went to firms employing 25 people or fewer, helping small firms train up their future workforce.
- Since the start of 2011, the Government has reduced the annual net cost to business of domestic regulation by £2.2 billion.
- By the end of 2014, 500,000 businesses had signed up for a 'Your Tax Account' to

manage their tax affairs more easily and cheaply and, from the 2013/14 tax year, small self-employed businesses have been able to submit tax returns to HMRC on a cash basis, reducing bureaucracy.

### Education is opening up to enterprise and the modern world of work

- A new company will bring coherence and leadership to enterprise learning in education, backed with £20m in the first year. The company will develop an Enterprise Passport and a network of Enterprise Advisers.
- The publication of the Future Earnings and Employability Record will enable young people to make better informed choices about their education options and decisions for their futures.
- A new set of industry-designed short digital courses will enable small firms to hire skilled employees to enable them to take advantage of digital opportunities.

### The barriers to starting a business are disappearing

- Technology is having a transformative effect on small businesses to trade, raise finance, export, market and network. This includes a record rise in the numbers of home-based businesses.
- The internet represents a £19 billion business opportunity for small firms in the UK. Government's £100 million Broadband Connection Vouchers are enabling small firms to get connected.
- Government has 80 sites that are available for start-ups and charities to use flexibly, reducing their need to take on long rents.
- The number of businesses with a social mission is increasing – social enterprises now account for 6% of firms and the UK's social investment market is worth over £200 million.

### **Government is opening up a quarter of a trillion pound public sector procurement market to small firms**

- Abolishing Pre-Qualification Questionnaires for all low value contracts. For all other contracts, a more simplified, standard questionnaire will be developed – dramatically reducing the red tape involved in tendering for public sector contracts.
- Public sector contracts will be advertised on a new Contracts Finder portal.
- All public bodies and their supply chains will have a legal duty to pay invoices within 30 days.
- Mystery Shopper will have more powers to enforce good procurement practice.

### **Small firms now have more ways of accessing finance for growth**

- The new British Business Bank is making business finance markets work more effectively for small firms. It generated £890 million of new lending and investment in the 12 months to the end of September 2014.
- Encouraging banks to lend to small firms via the Funding for Lending scheme. Participants will be able to earn further allowances by lending to small or medium sized enterprises (SME) in 2015, by drawing £5 in the scheme for every £1 of net lending to SMEs.

- Peer to peer and crowdfunding finance continues to rise, with £1.3bn of transactions occurring in the first half of 2014.
- The Seed Enterprise Investment Scheme is now permanent, and has already helped over 2,000 companies to raise more than £175 million of investment.

### **An easier way to find and access business support**

- The world-first Growth Vouchers programme is subsidising small and micro firms to take their first form of strategic advice, from an accredited adviser, and test what works.
- An improved offer for all businesses provides inspiration and advice from [www.GREATbusiness.gov.uk](http://www.GREATbusiness.gov.uk), backed up by legal information on [GOV.UK](http://GOV.UK)
- The Business Growth Service brings together all targeted advice for small firms with high growth potential, so businesses will be referred seamlessly to experts in different areas.
- A new Small Business Charter will encourage business schools to support small firms, alongside local growth hubs dedicated to helping small businesses grow.

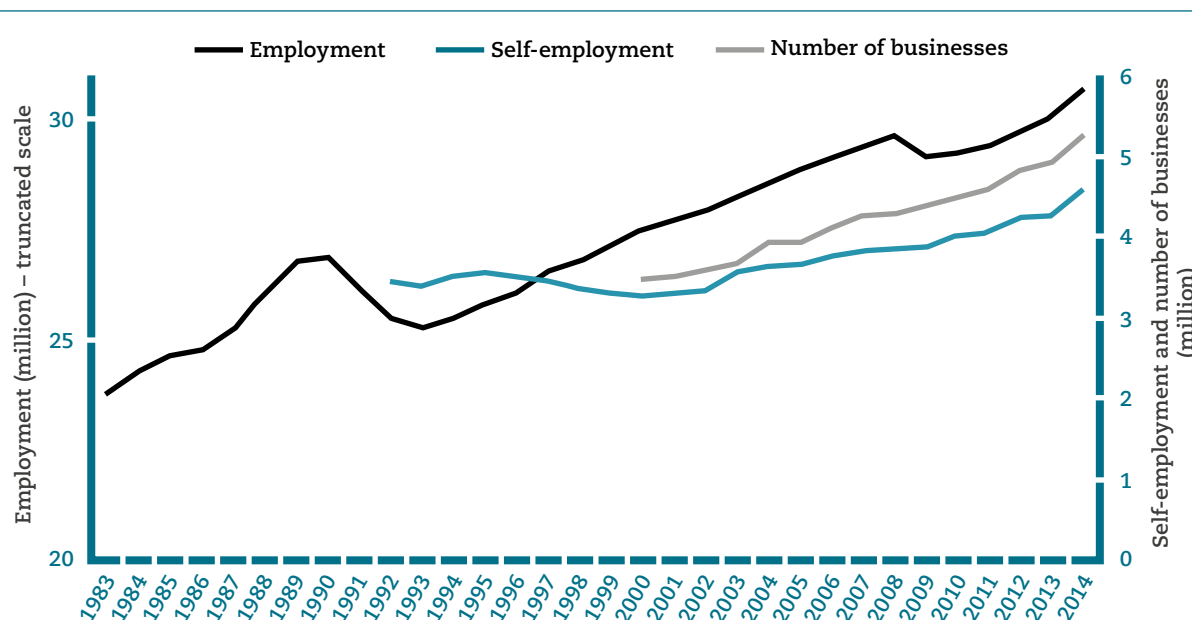
# THE GOLDEN AGE FOR SMALL FIRMS

**There are a record number** of small firms in the UK: some 5.2 million, an increase of 760,000 since 2010. In the last year alone the business population increased by 330,000,<sup>3</sup> another record for small businesses and further evidence that these firms have shown themselves to be incredibly resilient in the face of difficult economic conditions over recent years.

The labour market has performed well beyond expectations. There are 30.8 million people in

employment – more than ever before and self-employment has played a major role. There are over 4.5 million self-employed people in the UK, an increase of 500,000 since 2010.<sup>4</sup> As well as the rise in self-employment, small firms have become more important in providing employment and now account for 48% of private sector employment.<sup>5</sup> This reflects the dynamism and flexibility that is becoming increasingly present in the economy, with people less likely to work for a large employer for their entire career than thirty years ago.

Record increases in the number of small businesses, self-employment and employment



Source: ONS Labour Force Survey, Employment and self-employment & BIS Business Population Estimates for the UK and Regions

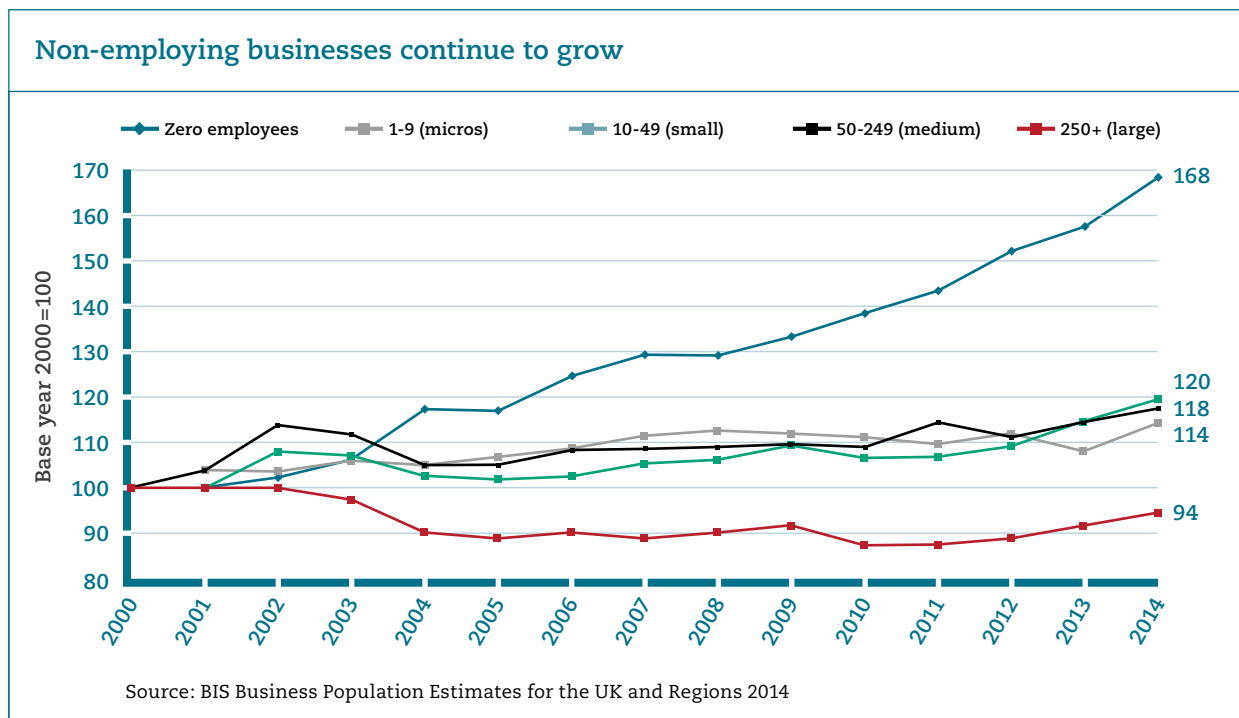
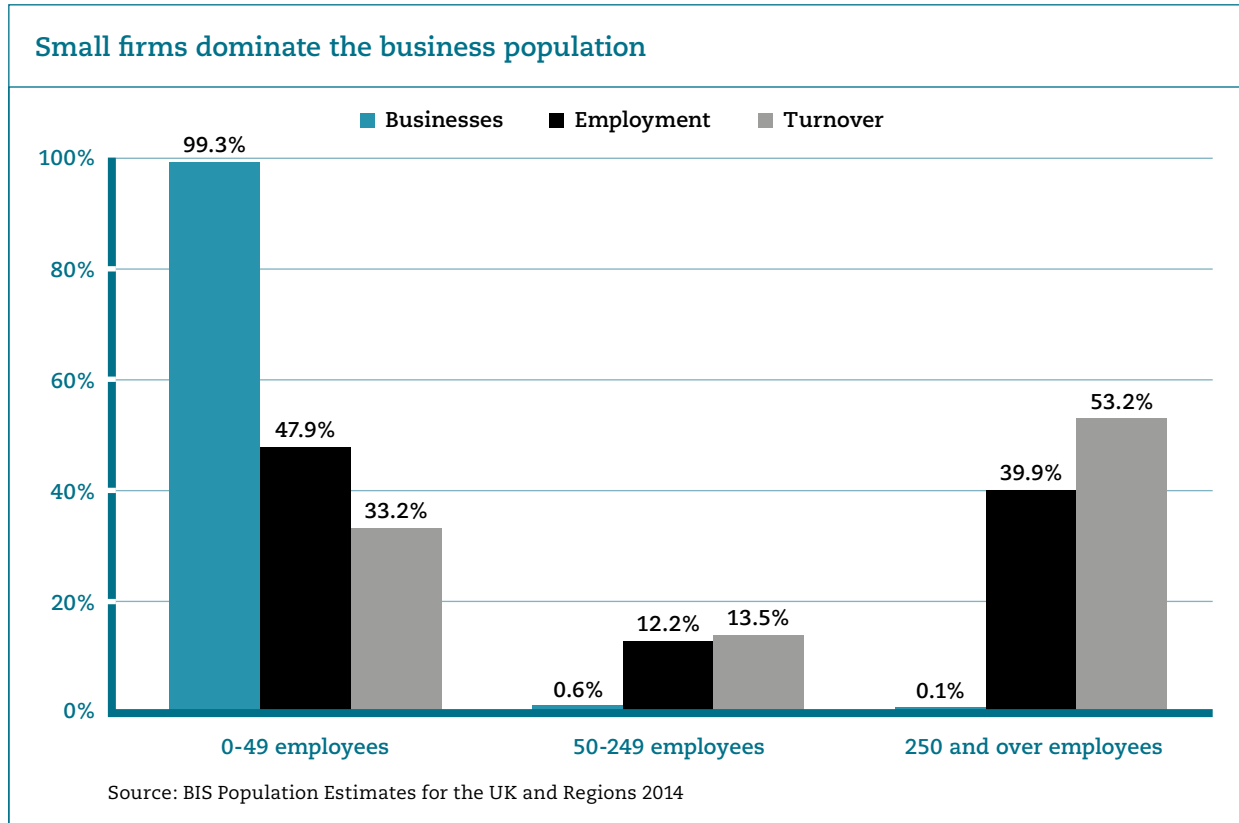
3 BIS Business Population Estimates 2010-2014

5 BIS Business Population Estimates 2014

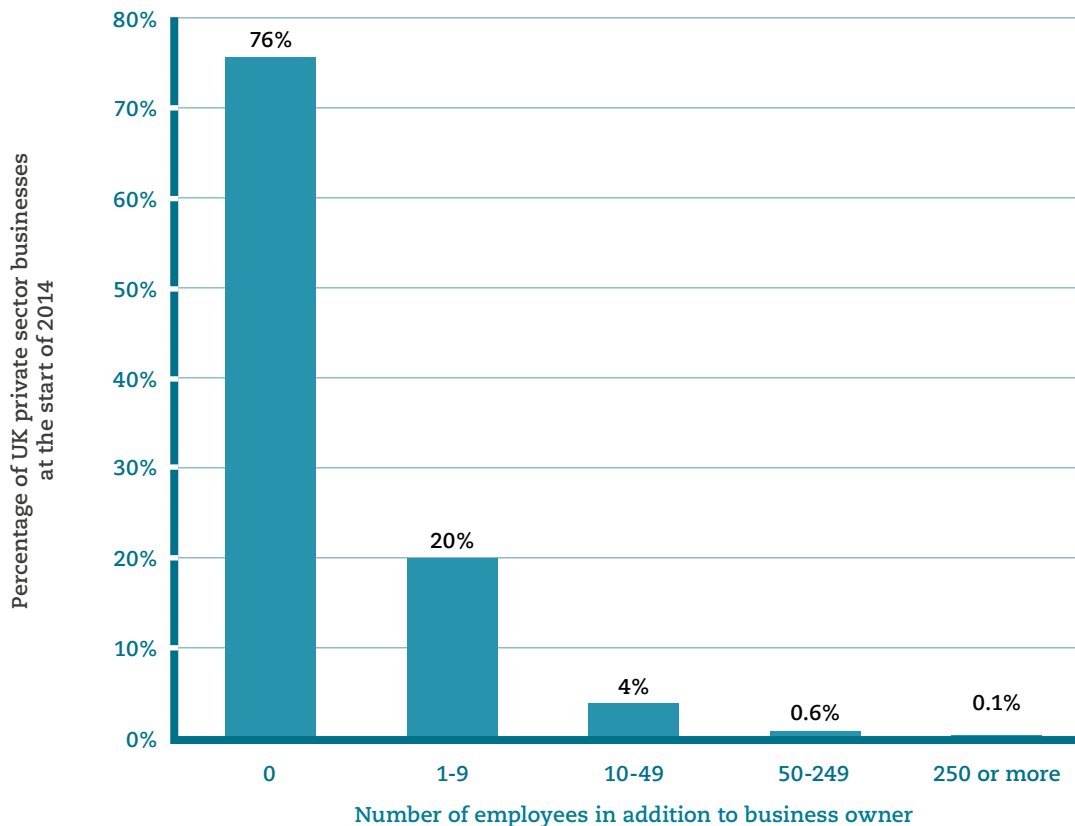
4 ONS Labour Market Statistics 2010-2014

The chart immediately below shows that small firms now account for nearly half of private sector employment, large firms contribute less than 40%.

Micro entrepreneurs and very small firms dominate the business landscape. Most of these will remain as sole traders and self-employed enterprises, often described as



## Micro firms dominate small businesses



Source: BIS Population Estimates for the UK and Regions 2014

'lifestyle businesses'. However, many of these firms will have a strong ambition to grow and will look at ways in which they can invest in their business to scale-up. We are already seeing a number of Start Up Loan businesses taking on new staff and expanding into new markets.

### Opportunity rather than necessity

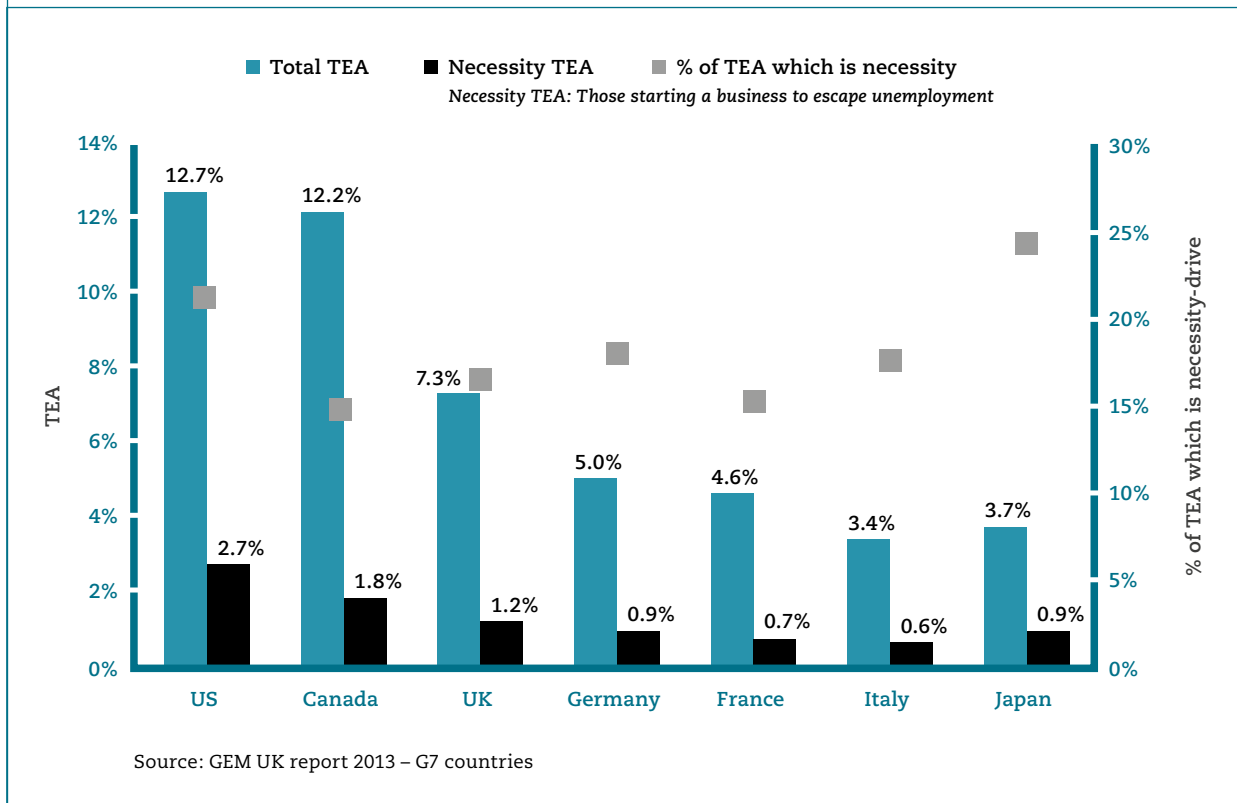
The increase in start-ups and self-employment is not driven by necessity but by desire. Those who choose to start a business or enter self-employment are doing so because they want to, they view it as an opportunity rather than feeling they have no other alternative (see the graph *Most entrepreneurs start a business because they want to* on page 12). Last year a RSA/populous survey of business owners found

that 84% agreed that being self-employed meant they were more content in their working lives and that only 27% of those who started up in the recessionary period of 2008-2012 did so to escape unemployment.<sup>6</sup> Self-employment is a vital part of the labour market. As well as business owners, self-employed people are referred to as freelancers, consultants and contractors. These are independent professionals who provide important services to a wide range of businesses in different sectors. For them, and the clients they work with, self-employment is the model they are actively choosing as the best way of using their skills and earning an income. Self-employment provides flexibility and a varied career; it is not the poor cousin of employment.

<sup>6</sup> *Salvation in a start-up? The origins and nature of the self-employment boom*, RSA, May 2014

## Most entrepreneurs start a business because they want to

TEA: Proportion of the working-age population involved in starting or running a business under 42 months old



### There has never been a better time to start a business

The UK is one of the best places in the world to run a business. The UK is ranked in the top 10 in the world for doing business by the World Economic Forum and World Bank. In addition the Global Entrepreneurship and Development Institute rank the UK as an entrepreneurial country 1st in Europe and 4th in the world. This represents a significant improvement in recent years rising from as low as 14th in 2012.<sup>7</sup>

Perhaps then it is not surprising that the aspiration to run a business is increasing.

Particularly encouraging is the incredible entrepreneurial spirit amongst young people. This has been intensifying since 2010 and it is now the case that those aged 18 -24 are almost twice as likely as older age groups to say they intend to start a business in the next 3 years. Over the last five years, the Government and

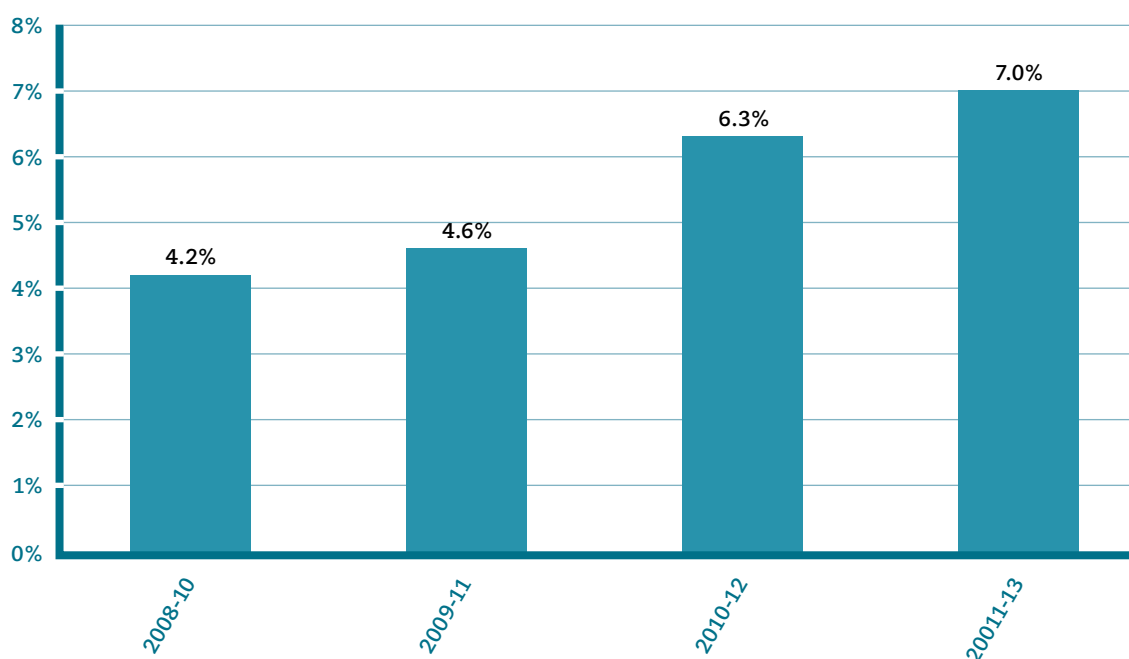
the private sector have done a lot to increase the number of start-ups. In early 2011 StartUp Britain, a national campaign by entrepreneurs to celebrate enterprise in the UK was launched to inspire the next generation of small firms. StartUp Britain bus tours have reached 20,000 people<sup>8</sup> and from early 2012 the Government-backed Business in You campaign used successful entrepreneurs' stories to illustrate how an idea can become a business.

Small businesses are capturing the public imagination. While shows like Dragon's Den and The Apprentice have been around since 2005, their 'high-drama' formats do not always give a realistic view of what it means to be an entrepreneur. The real world of small business is now reaching a large audience through Small Business Saturday and the Government's Business is GREAT campaign. I hope that these initiatives will continue to break down the

7 Global Entrepreneurship and Development Index 2014

8 StartUp Britain figures

## More and more people say they intend to start a business soon



Source: GEM APS 2002-2013, rolling average  
Adults aged 18-65

myths and highlight the opportunity about what it means to run a small firm.

### Start Up Loans

The findings from my first report, *Make Business Your Business*, showed that there was no lack of aspiration amongst people to start a business, particularly for young people. The problem they were reporting was a lack of start-up capital. For many years, start-up businesses have found it very difficult to obtain funding from banks, as banks have focused their lending on more established businesses where there is less risk of default. This weakness was exacerbated by the financial crisis, when banks became more risk adverse with respect to their credit decisions.

To overcome this, in 2012 we launched the Start Up Loans Company. Initially working with 18-24 year olds, it offers small loans of around £5,000 to people with viable business plans. The initial demand for this was extraordinary – 6,500 loans with a total value of £39.2 million drawn down in the first year.

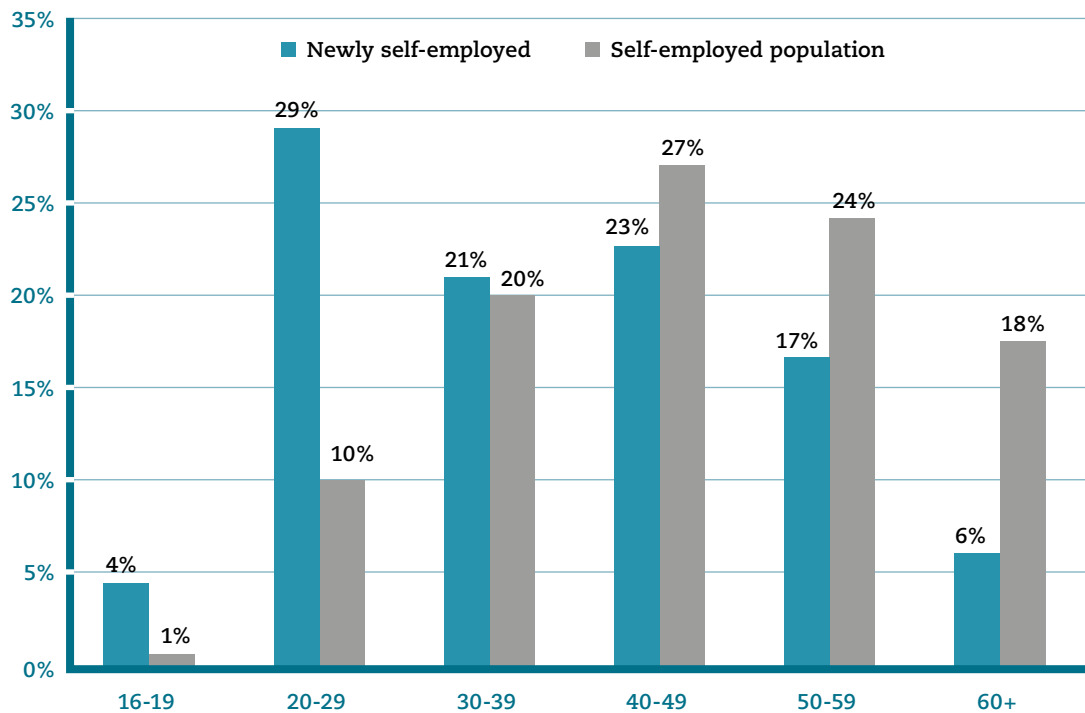
See Case Studies of G John Surveys and 3fPT on pages 36 and 37

Start Up Loans does more than provide funding. The crucial thing for start-ups is not only the finance; it is access to advice and support. Organisations that deliver Start Up Loans also provide access to a mentor for the first year of a business, along with other events and seminars that support the managers of new ventures to make their businesses successful.

### Enterprise for everyone, whatever their background

The early success of Start Up Loans convinced the Government to remove the existing age cap and increase funding to enable it to produce more loans. This enabled a broader range of delivery and referral partners to join. By the end of 2014, we had lent £131 million to 25,000 businesses. When you take in to account the employees of these businesses, Start Up Loans has supported 33,000 jobs in under three years. The businesses are

## Enterprise is for everyone, at all ages



Source: BIS ED analysis of ONS Labour Force Survey, average Q1 2013 to Q4 2013

incredibly diverse; as are the people who run them. 37% are female-led, compared to 20% of all businesses. The age range of loan recipients range from 18 to 75. 45% were unemployed before they obtained their loan.<sup>9</sup>

I was particularly keen that this universal programme could also be focused at areas of particular need. Those leaving our armed forces are in many cases highly-skilled in risk management, decision making, team working and specialist technical skills. Yet self-employment for ex-military personnel is not always thought of as a viable option; indeed it may not even occur to those who have spent years in a chain of command. In 2013 I was pleased to launch X-Forces, a Start Up Loan delivery partner that focuses exclusively on the ex-military community. The businesses they have helped to launch are proving that military training equips many people with the right skills for self-employment. In their first

18 months, they have offered 250 loans and these applicants are proving to be some of the most successful Start Up Loan businesses.

I also wanted, to test whether enterprise could have similar results in supporting ex-offenders who have completed their sentence. Since April 2014, The Department for Business, Innovation and Skills and the National Offender Management Service have been working with the Start Up Loans Company to pilot targeted enterprise learning and business planning support at prisoners in the last few months of custody. This pilot involves two existing Start Up Loan delivery partners: Bright Ideas Trust and Pinetree Trust. For those that have a business idea, they can then benefit from group and one-on-one business planning support and apply for a Start Up Loan. If their application is successful, the loan will be drawn down once they are released.

<sup>9</sup> Start Up Loan Company figures



It is early days and too early to know if the scheme is a success – the full evaluation will follow in due course. I do not want to preempt the results but, given that re-offending rates on sentences over one year, fall from 24% to 19% if the individual feels re-engaged with society through employment,<sup>10</sup> I expect enterprise support to also play an important role in supporting offenders to re-engage in society. Separately, I would like to see the Ministry of Justice consider what provision can be made for those in transition between prison and release – for example in the two open units in the female estate – to start a business and begin test-trading.

See Case Study of Prosper 4 Group on page 38

As well as these examples, there are many others for whom starting a business might be the best option, for example: people with caring responsibilities, long-term

conditions that make it hard to work from anywhere but home, or people who frequently relocate for their spouse's job.

### Looking ahead

In the last five years, government and the private sector have done a great deal to change the attitude towards starting a business and the support for start-ups, particularly through Start Up Loans. While I

am certain that there are more start-ups to come, as more people realise their aspiration to work for themselves, the challenge for growth is how we can support these small firms to be productive, find the skilled employees they need, and win contracts.

This attention to growth should be the focus of future enterprise policy but this must not be at the expense of making it easy to start a business, particularly for those who find it harder to access employment or other sorts of start-up capital. I would like to see Start Up Loans increasingly measured as an employment programme that has a social benefit, rather than purely on the growth and turnover of the businesses.

As the number of loan recipients increases, we might look ahead to a model where repayments for Start Up Loans, which are personal loans, can be collected via the tax system in a similar way to the student loan repayment model. This would reduce the bureaucracy involved for collecting repayments and chasing defaults – substantially reducing costs which benefits both government and the individuals. I would hope it would also have an impact on the default rate as people whose business fails would find it easier to make repayments if they enter employment.

<sup>10</sup> Ministry of Justice, Analysis of the impact of employment on reoffending following release from custody using Propensity Score Matching, March 2013

# ENTERPRISE IN EDUCATION

**The changing world of work** and the increasing aspiration towards starting a business poses a challenge for our education system to which some still have to recognise. Schools, colleges and universities are responsible for equipping young people with the skills they need to succeed in life. At one time this meant the ability to work as part of a team in a large organisation; today working in a small company or for yourself requires quite different skills. More small firms mean that there is greater churn in the labour market, leading to portfolio careers.

With self-employment on the rise, young people need to leave education with skills like creativity, resilience, perseverance and self-belief, summed up by the word 'enterprise'. It is now well over 30 years since I introduced the Youth Training Scheme. The challenges we faced then are similar to those we have today, namely the number of young people demotivated with few or no qualifications, and only convinced that they are failures. On the other end of the spectrum, our academically gifted are offered narrow career options and lack the core skills that enterprise can encourage. This was a key focus of my third review on Enterprise for All.

## **Embedding enterprise into education**

Enterprise in education is much more than the creation of entrepreneurs. It is about motivating young people to succeed and supporting them to develop a more positive attitude to life. This is important in any future profession

or vocational activity, and will enable them to make better choices throughout their education, professional and personal lives.

In 2014 I reviewed enterprise in the entire education system. In Enterprise for All I highlighted many good examples of education institutions and their staff creating enterprise experiences for their pupils and students. This should begin at the earliest age and I have seen this work in pioneering schools like Herringthorpe Infant School in Rotherham, where enterprise is embedded into everything they do.

See Case Study of Fiver on page 39

I am keen to replicate this across more schools throughout the country and in 2014 we introduced Fiver (with Young Enterprise and Virgin Money), to give children £5 for the month of June to see what they could turn it in to. The first year was a spectacular success with 31,000 children taking part<sup>11</sup> and at the award ceremony it was duly revealed that Flutterflies, the most profitable business in the 9-11 age group, made £495.23 in just four weeks by making and selling bookmarks and bracelets. Clearly young entrepreneurs to watch!

I have also seen the impact that enterprise learning can have in further and higher education including Barking and Dagenham College and Leeds University where I was able to visit and see first-hand how they share a common approach to enterprise and engagement with business and employers across all of the areas that their students study. This emphasis on enterprise learning is happening in other areas of education but it is not the norm.

<sup>11</sup> Young Enterprise figures

The offer from education institutions supported by government and the private sector needs to be managed with greater coherence to allow all young people to benefit as a lifelong experience of enterprise throughout their education.

The government and the employers I have engaged have recognised this need for change. The recommendations I made (where responsibility lies with government) will be enacted in full. In December 2014 we announced the creation of a new enterprise and education company, to be chaired by Christine Hodgson, Executive Chairman of Capgemini UK. This company will be focused on leadership and engagement between employers and educators, to do more to better inspire and motivate young people in their education and choices for their futures.<sup>12</sup>

### **Making education captive and relevant – Enterprise Advisers**

The disconnection between education and businesses has made it difficult for young people to plan their future. Imagine entering a profession when you do not understand what it means to work in an office and interact with customers, let alone how business works. The new company will break down the barriers between work and school. This means private sector organisations taking the responsibility to work with the education sector to improve the skills of their future workforce.

The new company is proposing to work with the Local Enterprise Partnerships and other local intermediaries to put in place a network of Enterprise Advisers, who will often be local business people, providing advice to head teachers on developing an enterprise offer for their pupils as part of their duty under the Careers Statutory Guidance. The two areas I would like Enterprise Advisers to focus on are getting speakers in to schools that can enthuse and motivate young people with the reason for their study and programmes that give young people a taste of what their future holds for them, not just in business but also in the public sector and their professions. For many young

people the fourth R is relevance and we must keep education relevant to their life to come.

Traditional careers advice has focused its attention on young people when they are about to leave school. That is too late. The age that I think is most important, and where Enterprise Advisers can play a key role, is with 11-13 year olds and when children are being introduced to academic education. This is the age when they can be inspired and motivated to excel in their studies but also be switched off education entirely.

### **Closing the gap between employers and young people – an Enterprise Passport**

The changes in the world of work mean that employers are looking for different skills when recruiting. Smaller businesses in particular need to know more about an individual than exam results can show, such as how they can work in a team or their ability to come up with new ideas and challenge the status quo. According to this year's CBI/Pearson Education and Skills survey, over half (61%) of firms are concerned about the resilience and self-management of school leavers and a third (33%) with their attitude to work.<sup>13</sup>

To develop these work and life skills, young people must have rich, rewarding and stretching enterprise experiences at school, college and university. Through the creation of an Enterprise Passport, employers will be able to see what activities their prospective employee has undertaken outside of his or her core lessons, and the impact of these on the individual, enabling them to form a better picture of what they might bring to the firm. Once this is in place, those schools and colleges that embrace and encourage enterprise and extra-curricular learning will have a mechanism for chronicling their achievements and for having these recognised by Ofsted.

### **Future Earnings and Employment Record**

Within higher education, it is the students themselves that must be convinced of the value of enterprise to drive change. Since 1970 there has been a great change in the funding of universities and eighteen year olds are now

<sup>12</sup> <https://www.gov.uk/government/news/new-careers-and-enterprise-company-for-schools>

<sup>13</sup> <http://www.cbi.org.uk/media/2807987/gateway-to-growth.pdf>

making the choice to invest large sums of money in their future. In Enterprise for All, I recommended that the government publishes the Future Earnings and Employment Record (FEER), to enable young people to make informed decisions about education choices based on the benefits and future prospects they stand to gain. From this year, work on FEER will begin and this will show the types of occupation and the salaries that graduates from different courses and institutions can expect and enable potential undergraduates to compare one university with another. This will also apply to colleges.

I would expect FEER to be a catalyst for these education institutions to adopt more focus on enterprise. There are an increasing number of young people who want to work for themselves and FEER will create an accurate record of the number of graduates who start a business upon graduation.

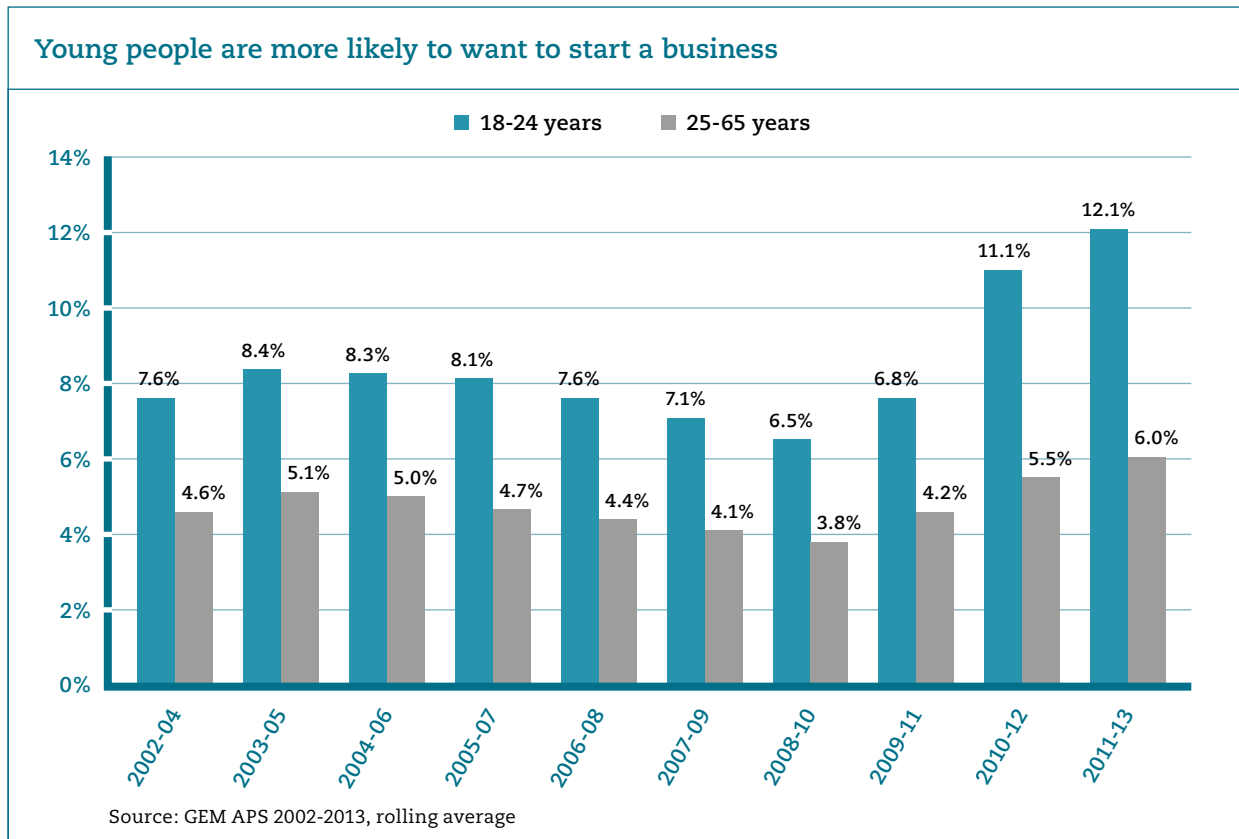
This will provide important evidence for us to judge universities' enterprise and entrepreneurship credentials. In the meantime, universities' commitment to student entrepreneurship will be judged by a new Duke of York Award for University

Entrepreneurship and I hope this illustrates good practice and help to improve the collective enterprise offer across the higher education sector. I am pleased that the National Business Awards are going to run the award and look forward to the first winner to be announced in November.

### Supporting young people to start a business

It is clear that there is an incredible entrepreneurial spirit amongst young people. This has been intensifying since 2010 and it is now the case that those aged 18-24 are almost twice as likely as older age groups to say they intend to start a business in the next 3 years. This spirit should be encouraged.

The option to start a business should not be confined to those studying business or high-tech subjects. In the 2000s, there was a move in universities to support science and digital 'spin-outs' but enterprise wasn't seen as something for arts or humanities students. In the last five years, universities have recognised that low-tech and no-tech businesses can be successful and provide



their students with a way of supporting themselves. In the same period, universities have placed greater importance on student enterprise as opposed to just focusing on generating intellectual property, tech transfer and businesses started by their academic community.

The best mechanisms that I have seen for universities to reach all students are enterprise societies to spark their interest and elective modules to equip them with a basic understanding of new venture creation. In Enterprise for All, I set out some of the good examples of these modules I have seen during visits to universities across the country. I would like all students to have the chance to take one of these modules as part of their undergraduate studies. Taking a module in enterprise or entrepreneurship should be about more than just learning enterprising skills; it should also equip students with a basic understanding of how to start and run their own business as a part of their qualification, including business planning, pitching to investors and doing a cashflow.

One of the benefits of these modules, where they are cross-faculty, is that by bringing together students of different disciplines, they will learn how to build constructive teams with individuals from different backgrounds with different interests and skill sets. I have seen how this builds their communication skills and confidence that will stand them in good stead when applying for a job or seeking customers in the future.

Further education students must be given the same opportunities to learn how to work for themselves as their peers. Students taking vocational courses are not only learning employable skills; in many cases they are preparing to enter sectors where being self-employed or freelancing is increasingly common. This makes it very important they know how to either start a business or to manage their affairs as a freelancer.

14 The Annual Population Survey, Office for National Statistics (ONS), 2012

In Enterprise for All, I was pleased to announce that City and Guilds had decided to move to include a business start-up offer as a companion to level 3 qualifications, and that Pearson was intending to take steps in this direction. This is a good start but needs to go further. I would like every vocational course at all levels to include this module, and for it to be compulsory.

### **Modern businesses require employees with relevant digital skills**

In Growing Your Business, I looked at the reasons that more small firms were not trading online, and found that they did not all have the capability to make effective use of digital tools and opportunities. A constant challenge for small firms is keeping up with the high pace of technological change. Most firms report that they cannot find people with the right skills to recruit. Yet computer science degrees have the highest unemployment rate six months after graduation,<sup>14</sup> whilst Information and Communications Technology courses have the highest unemployment rate of all vocational subjects.<sup>15</sup>

I made this a priority in my role on the Government's Digital Taskforce. Over the next decade it is estimated that the economy will create an additional 1 million new digital roles that need filling so we must make sure that courses are equipping people with the skills that businesses want. In November 2014 we announced a set of new government and industry-backed digital qualifications. Degree Apprenticeships will allow young people to complete a degree at the same time as working for a business – earning a salary which is two thirds funded by Government, whilst learning how to use their newly acquired skills in a business environment.

The fast-moving nature of the digital economy means that even those who have digital skills need to keep these up to date. A new set of industry-designed and accredited short courses will provide intensive training in the areas that employers need immediately, and will be delivered flexibly so that they can

15 Higher Education Statistics Agency – Destinations of Leavers from Higher Education Survey 2012/13



be studied alongside a full-time job. Small businesses looking to hire people for digital jobs will have confidence that applicants who have completed these courses will have the skills they are looking for.

Part of the problem is that not all courses teach the skills that businesses need. To train the digital innovators of the future and to set the standard for higher vocational provision, we are creating a National College for Digital Skills with industry and education providers. The first phase of the National College, with its hub in London, will start developing the new curriculum and working with students in 2015 before scaling up in terms of student numbers and potential new locations in other parts of the country in future years.

### Teachers

I want to increase emphasis on the important part teachers have to play in the delivery of enterprise in education. The role of businesses and employers is key to providing teachers and lecturers with both the tools to bring enterprise in to the classroom and in providing the incentive for them to do so. Teachers and lecturers who have not recently worked in business may naturally find it harder to inspire their students about their future work choices, including the possibility of setting up a business. The world of work is changing so fast that we need to make it easy for teachers to convey a positive attitude to work to their charges.

During my work on Enterprise for All, I worked with the Confederation of British Industry (CBI) on the concept of a programme for teachers to gain insight into the principles of running a business and the skills looked for by today's employers. I want to repeat my call to all businesses and business groups to take this forward. As well as being useful for teachers to update their knowledge, I would like this to be incorporated into every teacher training programme so that new recruits to the profession have the chance to apply their understanding of business to their lesson plans straight away.

### Looking ahead

The creation of the new enterprise and education company marks a crucial moment

in the relationship between government, employers and the education sector to improve young people's skills and their readiness for the future. The time where government knew best and could set the agenda alone has gone. I proposed this company as a genuine partnership to help break the disconnection between education and work. Once the company is in place, the private sector will be equally responsible for saying what skills are needed and making the Enterprise Passport and Advisers relevant to them and a success.

I want us to ensure that the Careers Statutory Guidance increases its traction with head teachers and their responsibility to inspire and engage their pupils about enterprise opportunities for their futures. Whilst the enterprise offer takes different forms in different schools, both the Enterprise Passport and Advisers provide critical tools to support headteachers in achieving this, whilst the teacher training programme will improve support for teachers. A key part of this will be about how the new company and its partners can support headteachers in resolving the correlation between enterprise learning and delivering their priorities around attainment, behaviour and participation. The role of Ofsted is also pivotal in how schools demonstrate the impact of their enterprise offer.

Finally, the FEER will provide a critical backdrop and is something that universities and colleges must plan for. Now more than ever, colleges and universities must demonstrate their added value, the uniqueness of their institutions as well as the richness of their student experience. Enterprise and entrepreneurship is a point of differentiation. I have spoken to young people who have selected a university on the sole reason that the institution provides a good entrepreneurship programme. The FEER will also present young people with the opportunity to compare courses and university and college. I believe we have a duty to encourage conscious decision-making and provide young people with the tools and information to choose a course that will best enable them to realise their potential.

# NEW WAYS OF DOING BUSINESS

**A number of factors** are driving the increased aspiration to work for yourself, and the ease of doing business in the UK. In 1971, technology meant the three T s – typewriter, telephone and telex. Businesses needed premises for their clients to reach them, employees to take customer orders and write invoices. Economies of scale meant that larger businesses were more efficient and so flourished. There was little support available for small firms.

In 2015, you can start a business with nothing more than a smart phone. Effective use of social media allows you to reach customers. Goods can be sold online, with PayPal handling the payment. Even without your own website, you can sell products via eBay, Amazon or specialist sites like [notonthehighstreet.com](http://notonthehighstreet.com). You can start a business from home, or from flexible premises that also provide support.

## **Technology is making it easier to start a business**

Technology is having a transformative effect on small business to trade, raise finance, export, market and network. Effective use of technology and the internet can lower business costs by making processes more efficient and automated, and allow businesses to reach more customers. Yet only 1.6 million (less than a third) of small firms actively trade online.<sup>16</sup>

Recent research suggested the internet represents a £19 billion opportunity for small firms and the UK.<sup>17</sup> A clear illustration of how quickly habits are changing is that in the run up to Christmas in 2014, high-street shops reported a decline in sales from previous years, while throughout 2014 online sales grew by 14% to £104 billion, according to ‘e-tail’ trade association the IMRG.<sup>18</sup>

One barrier is the infrastructure. Not all businesses have fast connections to the internet, and in 2012 8% of businesses had no internet connection at all.<sup>19</sup> In *Growing Your Business*, I looked at the importance of access to broadband for business practices, and since then have been part of the cross-Government effort to drive change. In 2013, Government launched a £100 million Broadband Connection Vouchers scheme to offer small firms a grant of up to £3000 to cover the cost of getting super-fast broadband installed in their premises. So far, 7000 small firms have benefitted but this is just the tip of the iceberg so we are widening the areas this year so more can apply.<sup>20</sup>

Another barrier is simply whether small firms understand the opportunity. Go ON UK, in partnership with the Department for Business Innovation and Skills, is running a SME Digital Capability Programme, to ensure that small businesses have the opportunity and ability to build their basic online skills and presence. During its first year it is estimated that the

16 BIS Small Business Survey 2012 and Business Population Estimates

17 Booz & Co 2012

18 IMRG CapGemini e-Retail Sales Index 2014

19 BIS Small Business Survey 2012

20 Broadband Delivery UK figures at end December 2014

programme has inspired 30,000 SMEs and educated 5,500 of them to a greater level leading them to take further action.<sup>21</sup>

Those firms that are trading online can become ‘inadvertent exporters’ by overseas customers accessing their site and becoming customers. In *Growing Your Business*, I reported that 25% of PayPal’s activity in the UK comes from overseas trading.<sup>22</sup> 81% of SMEs on eBay export to five or more countries.<sup>23</sup> Last year, eBay launched a new initiative to support UK businesses to sell overseas by allowing them to create a shop for other eBay sites across Europe.

This ‘e-exporting’ needed more support from Government. In 2013, as part of our Digital Taskforce, we worked with businesses to identify the barriers and obstacles faced trading online in Europe. Issues identified ranged from regulatory barriers caused by the absence of a harmonised EU regulatory framework to differences in language and cultural preferences. Government intends to make changes to the regulations to remove what barriers we can, and to do more to support businesses to adapt their websites through UKTI’s Passport to Export scheme.

See Case Study of Allied Ventura on page 40

Another significant change that technology has enabled is the rise of the sharing economy, through many platforms and apps. For consumers, it means cheaper taxis and more places to stay. For small firms, it can mean no longer having to buy expensive assets such as tools or vans and instead using these on a per hour basis as needed.

### Home-based businesses

The physical barriers to starting a business are also falling away. In 1980, we found that there were not enough garage sized workshops available for small businesses to start and to

encourage the building of more, we had to use tax incentives. That problem is no longer with us for today, knowledge based or service businesses do not require large amounts of space, and even small, artisan craft or food businesses can be run from a well-equipped kitchen. Once you might have been concerned about presenting a professional image or worried about giving customers your home address, today there are now many ‘virtual offices’ that provide these home-based businesses with a credible business identity. In 2013 there were 2.9 million home-based businesses; an increase of nearly half a million since 2010. They contribute £300 billion to the economy.<sup>24</sup>

In *Make Business Your Business*, I looked at the guidance available for entrepreneurs thinking of starting their business at home, and found it to be confusing. To make things simpler, we published a Home Business Guide which set out the legal position.<sup>25</sup> In August 2014, the Prime Minister went further and announced a package of measures, including updated business rates and planning guidance, to make it even easier to start and run a business from home.<sup>26</sup>

### Incubation and acceleration

For those who are either unable or choose not to run their business from home, it no longer means taking out a long, inflexible rent on a property. Often a hot desk in a shared office provides enough space for most new start-ups. At any one time, small firms can apply to use one of 80 Government sites with 1000 desk spaces available, under the Space for Growth programme. Large businesses are following suit, in particular banks that recognise the benefits of forming relationships with growing businesses at an early stage in their development. According to a recent O2/Telefonica report, the number of start-up programmes has increased by 110% from 2011-2014.<sup>27</sup>

21 Go ON UK figures

22 PayPal figures

23 eBay figures

24 BIS Small Business Survey 2012 and Business Population Estimates

25 <https://www.gov.uk/government/publications/the-home-business-guide>

26 <https://www.gov.uk/government/news/backing-for-home-based-business-boom>

27 *The Rise of the UK Accelerator and Incubator Ecosystem*, O2/Telefonica, December 2014



Incubators and accelerators provide premises and advice to help businesses establish themselves and grow providing, in many cases, much more than just a desk. For example, some incubators offer wet-lab space or access to tools for product testing. Sometimes they are sector-specific, so businesses benefit from making connections with future clients and other start-ups.

## Social Enterprises

One change that is driving the increased aspiration to start a business, particularly amongst young people, is the option to start a social enterprise. The National Association of College and University Entrepreneurs (NACUE) say that interest from their members in starting a social enterprise is noticeably increasing, and last year 19% of their members were involved in founding a social enterprise.<sup>28</sup>

These are businesses that are set up to address a need or improve the lives of people, and reinvest their profits back in to this social mission. They are different from charities in that they are businesses and do not rely on donations but generate revenue that is invested back in to the business. Since 2010, there has been an increase in the number of social enterprises, from 240,000 to 300,000 and they now account for nearly 6% of small firms,<sup>29</sup> although 15% of SMEs report they have a social mission.<sup>30</sup> They are increasingly disrupting traditional markets by providing innovative models in sectors such as energy, transport, health, education, and consumer products.

See Case Study of Rotunda on page 41

In *Make Business Your Business*, I reviewed the support that Government was providing for social enterprises. I found that they often reported

being unable to access finance, yet there is increasing diversity in the finance available for social enterprises. For example, Big Society Capital has invested £150 million, unlocking

£50 million from other investors so far, creating 30 intermediaries specialising in lending to social enterprises.<sup>31</sup> In April 2014 we introduced a Social Investment Tax Relief to encourage further investment. The UK social investment market is worth over £200 million, growing by c.25% annually.<sup>32</sup>

## Looking ahead

As the barriers to starting a business continue to fall, running a business will become more and more mainstream. Over the last five years, I have met many entrepreneurs and business owners that would struggle to get a business off the ground or remain viable, without the opportunities available to them today through technology.

Small businesses have the potential to become even more sophisticated in the way they operate and interact with customers but this will require them to develop their digital skills and capability. Employing the right people will continue to be critical, and small firms will need to find ways to target and attract college-leavers and graduates with specialist skills. At the same time, firms will be smarter about when they need to take on employees and when they can outsource particular pieces of work – to other small firms set up to take advantage of this type of opportunity.

The other area where I can see further growth opportunities is by increasing the export potential of small and micro firms. I described earlier, the rise of the ‘inadvertent exporter’ and how this is made possible by the availability of trading platforms like ebay. These traders are responding to overseas demand in a reactive way; I would like to see them thinking more strategically about reaching customers overseas and this means further encouragement and investment in their export skills including further advancement in their digital capability.

28 NACUE figures

29 BIS Small Business Survey 2012 and Business Population Estimates

30 Cabinet Office (2013) *Social enterprise: market trends*. Based on data from the BIS Small Business Survey 2013, there are an estimated 180,000 Small and Medium

Enterprise (SME) social enterprise employers in the UK, making up 15% of all SMEs

31 Big Society Capital (2014) *Annual Report 2013*

32 City of London (2013) *Growing the Social Investment Market: The Landscape and Economic Impact*

# PUBLIC PROCUREMENT: A QUARTER OF A TRILLION POUND OPPORTUNITY

**Opening up public procurement** to innovative and competitive small firms has been one of my priorities in supporting both economic growth and efficiency for the taxpayer. This chapter sets out how new public procurement reforms taken this Parliament will transform the way small businesses can gain better and more direct access to the public sector market.

A lack of access to public sector contracts has been a perennial problem for small businesses. The public sector spends nearly a quarter of a trillion pounds each year on goods and services, and offers huge growth opportunities for small businesses, voluntary and community providers and social enterprises. Yet in 2010 only 6.5% of the value of central government procurement spend went to SMEs;<sup>33</sup> along with a very mixed picture across the wider public sector in terms of engagement with and procurement from small suppliers.

## Visibility, bureaucracy and payment

In *Growing Your Business*, I looked in detail at what shuts small suppliers out of public procurement. Small firms told us that excessive bureaucracy through the use of Pre-Qualification Questionnaires (PQQs) had made access almost impenetrable; contract opportunities were too hard to find; and late payment not only impaired a supplier's

access to working capital but also discouraged them and others from competing for and delivering future public sector business. These impediments also pointed to a fourth issue, that small firms reported little means of recourse available to them when they were treated poorly by a public procurer or as a sub-contractor in a public procurement supply chain.

Central Government has already taken positive action to improve its procurement practices and it is likely to achieve its 2015 target of 25% spending (for both direct and indirect procurement) going to SMEs. This has been assisted by G-cloud which establishes framework agreements with a large number of providers of cloud computing services, and lists those services on a publicly accessible portal known as the digital marketplace. Public sector organisations can call on the services listed on the Digital Marketplace without needing to go through a full tender process.

See Case Studies of Andrew Francis Butchers and Austin Hayes on pages 43 and 44

This development in central Government is welcome news but procurement at this level represents a relatively small proportion of the procurement opportunity available to small businesses – about 20% of overall public sector business won by small firms. It is in local government and the NHS where the vast opportunities for these businesses lie – some 70% of small suppliers supplying the public sector sell to these markets alone.<sup>34</sup> I have come across some

<sup>33</sup> See Cabinet Office: Making Government business more accessible to SMEs (July 2011), page 7

<sup>34</sup> See National Audit Office (NAO): Managing Government suppliers (8 November 2013), page 8.

very good examples where small firms are actively courted for the quality and innovation they deliver to the NHS and local government. However, these two areas of the public sector receive the majority of complaints, in particular about their use of PQQs.

### **A 'single market' for procurement**

It has been my intention to deal with the problems faced by small businesses in procurement across the entire public sector. In 2013, I recommended a set of 'single market' principles to be put into legislation, to provide a more simple, consistent and accessible approach to procurement across all Government and public bodies including local government, NHS hospitals and providers, Police, Fire Service and parts of the education sector. Government is making this happen through a package of reforms delivered via the transposition of EU Procurement Directives and the fourth session Small Business, Enterprise and Employment Bill.

### **Changes to PQQs**

PQQs have been found to be onerous by small businesses, often imposing more than 40 pages of pre-qualification questions before they can be considered for bidding for a contract. Every procurement opportunity has a different PQQ, thus requiring a bespoke response from the supplier. Often, PQQs contain questions about the public body's wider objectives that are completely unrelated to the procurement itself. This puts small businesses at a distinct disadvantage when bidding against larger firms that have the resources to respond to the number, size and requirements of PQQs.

Legislation will take effect this month and deal with this in two ways: firstly by abolishing all PQQ requirements across the whole public sector for contracts below the EU thresholds for goods and services; and secondly, for larger contracts, providing a standard PQQ for firms to complete once and use for all contracts. I am expecting that this

will dramatically reduce the red tape involved in tendering for public sector contracts.

### **Making all procurements opportunities accessible in one place**

Central Government already uses Contracts Finder to advertise all Whitehall departments' procurement opportunities. From February 2015 this site will be expanded and dramatically improved to host all public contracts above £10,000 in central Government and £25,000 across the wider public sector. This will be a world first, creating a single, authoritative repository for all public contracts, and to enable suppliers to search for public sector business on the basis of price, location and sector.

Contracts Finder will deliver additional features and functions that will make it easier for small firms to access contract opportunities. It will publish the award of all procurements so that suppliers can identify who won, at what price and use this information to make approaches to the successful bidders for potential sub-contract opportunities. It will also share APIs to enable business champions and representatives like trade bodies and Local Enterprise Partnerships to target their small business members about procurement opportunities relevant to their sectors and it will be made compatible with smart phones and tablets so that these suppliers can have quick and easy access.

For public bodies, the use of Contracts Finder will not take away their autonomy to run their own procurements including the use of their own procurement portals or local and sector channels to advertise contract opportunities. But it will bring all of their procurements along with all other public bodies' procurements into one place and into the view of many thousands of potential suppliers. This offers these public bodies the opportunity to engage the best suppliers, and drive competition and value in the procurement of goods and services they offer to their customers and communities.

## Paying on time

There is a clear leadership role at stake for Government and the wider public sector to pay its suppliers on time. In 2008, central government set an ambition that it would pay at least 80% of invoices within five days. Meanwhile, it was not untypical for prime contractors to push their sub-contractors out to over 90-plus days for payment. In other parts of the public sector, Mystery Shopper, the Government's complaint service for suppliers about procurement practice, has received cases where 100 days were still common in 2010.

A recent National Audit Office (NAO) report said that small and medium enterprises (SMEs) were paid more quickly by the government than the private sector, but in a third of cases, public sector clients took more than 30 days to settle up.<sup>35</sup> From February 2015 all public bodies will have a legal duty to pay invoices within 30 days and to ensure that 30 day payment terms flow down all public sector supply chains, benefitting sub-contractors. To enhance the process for administering payment in the public sector, the Small Business, Enterprise and Employment Bill proposes provision for Government to accept electronic invoices to reduce bureaucracy and speed up payment.

## Enforcement and accountability

Small firms and their representatives rightly point out that the reforms will only work if public bodies are made accountable for enforcing compliance amongst their procurers and if there is recourse when things go wrong. Transparency and peer pressure are often the best drivers of change, and as a first step to achieving this, the imminent procurement reforms will compel all public bodies to publish annual statistics on the time they take to pay invoices. The Small Business, Enterprise and Employment Bill, when enacted, will allow government to impose duties on contracting authorities in relation to their procurement functions. These may include timescales for

pre-procurement, the contracting stage, and payment, as well as ensuring that procurement documents can be accessed free of charge.

My review of public procurement also looked at the existing complaints procedure through Mystery Shopper and some key developments to this service will strengthen the way small firms' interests are protected when engaging public procurers or prime contractors. Mystery Shopper's focus had been primarily to react to complaints coming forward but often suppliers report a reluctance to do this when it threatens to jeopardise an existing commercial relationship with a public procurer or prime contractor. This has been addressed by adding a proactive function to Mystery Shopper where it is able to make spot-checks on any procurement process to determine whether it complies with procurement rules and correct practice.

Mystery Shopper also relies on the goodwill and cooperation of public bodies to carry out its investigations. The Small Business, Enterprise and Employment Bill proposes to strengthen its hand by giving it a statutory power to summon documents and information from the procurers. The results are published on GOV.UK, in line with government's commitment to transparency, as well as being publicised on social media to ensure that malpractice and remedial action taken by procurers and contractors are identified and accounted for in full view of the public and the wider business community.

## Looking ahead

It will be for government to monitor the implementation and impact of these procurement reforms closely, and react quickly to improve its measures where they can deliver further transformation to enable small firms to make winning bids for public sector business. In particular, I do not want to see the superfluous questions, once contained in PQQs, to resurface in Invitation to Tender documents.

<sup>35</sup> Paying Suppliers on Time, NAO, January 2015

I would also expect government to keep a close eye on payment performance of undisputed invoices across the public sector. If the reforms do not deliver demonstrable progress in the timeliness of supplier payment, I would propose that government goes further and considers automatic payment of interest on late payment.

There are some additional areas where I see potential to maximise the value small businesses can offer to public sector procurement.

I would like to see a second phase of development on Contracts Finder, so that small suppliers can increase their exposure to more contract opportunities, in particular by expanding its functionality to enable prime contractors to advertise supply chain opportunities on the site. This would give small suppliers access to a share of some of the biggest multi billion pound procurement programmes in the UK including High Speed 2, the Strategic Road Network and Crossrail.

It should also be possible to use Contracts Finder to share insights about the procurement market based on data gathered from the procurements advertised on the platform, to enable small firms to benefit from the repository of data. This can offer powerful market intelligence to suppliers about what the public sector purchases, who is winning contracts and at what price. Another potential option worth investigating could be how best to include a mechanism for

engaging feedback on procurement authorities and prime contractors, which incorporates much closer integration of Mystery Shopper within the Contracts Finder site. Ultimately, I would like to see Contracts Finder spun out of government through mutualisation, as I see this as a significant opportunity for this portal to reach its full potential.

As well as creating more visibility of contract opportunities for small suppliers, I want commissioners and procurers to have much more sight and understanding of what the market of small firms can offer. The Small Business Research Initiative is already in place to connect public sector challenges with innovative ideas from industry but I would like us to go much further so that this kind of pre-procurement engagement can routinely capture the solutions and ideas from some of our most exciting and disruptive small businesses.

Finally, I would like government to revisit the issue of contract size and the optimal circumstances for procuring on a large scale versus purchasing through smaller procurements. Contract size continues to be a key determinant of whether small suppliers win procurement contracts, and this leaves them up against bulk buying and aggregated procurement which aim to generate cost savings but often at the expense of the innovation and greater value that small firms can offer. I propose that a full review of contract size needs to be made a priority in any future small business procurement programme.



# ACCESSING FINANCE

**The debate around small business finance** has focused almost exclusively on the availability of bank lending. The issues have ranged from affordability, banks' risk appetite for lending to start-ups and growing small firms, and the quality of funding proposals put forward by these firms for bank finance. My reviews on start-ups and growing small firms focused on highlighting sources of non-bank finance available to entrepreneurs and small businesses and how they can access them.

The data shows small businesses' reliance on their banks for funding – over 90% of loan or overdraft applications are made to a small firm's main bank.<sup>36</sup> In *Growing Your Business*, I highlighted the removal of bank managers from branches, and the damaging effect this has had on lending decisions to small businesses, based primarily on the personal credit rating of individuals within a business and not on that business's performance or viability.

While it is encouraging that gross lending to SMEs is a third higher in 2014 when compared to the same period in 2011, issues still remain. Net lending to SMEs remains near zero as small firms continue to pay down their debts.<sup>37</sup> Government has continued to work with banks to address these issues. In December 2014, the Bank of England and HM Treasury announced a one-year extension to the

Funding for Lending Scheme, targeted at the availability of credit for small firms. This will provide lenders with continued certainty over the availability of cheap funding to support lending to SMEs during 2015, even in the event of stress in bank funding markets.

Additionally, government has put in place new measures to support banking reform including in areas of transparency and accountability as well as a more rigorous process for overseeing lending appeals. A measure in the Small Business, Enterprise and Employment Bill will require large banks to share data on their small business customers. Despite these measures, my concern has remained that an unsuccessful application for bank finance should not be seen as discouragement for an entrepreneur to start or grow a business. I have proposed that a key role for Government in this area should be to help stimulate and promote new and diverse sources of finance available to smaller businesses.

In 2012 the Government announced Start Up Loans, featured earlier in this report, which has helped to fund the creation of over 25,000 new enterprises in all parts of the country, and these are backing viable business propositions to get the venture off the ground. Start Up Loans sit alongside other sources of small loan finance like loans provided by Community Development Finance Institutions which have supplied essential capital to many small firms and entrepreneurs unable to get funds from high street banks.

<sup>36</sup> SME Finance Monitor

<sup>37</sup> BBA Statistics

## A new British Business Bank

In 2014, Government announced a new British Business Bank, designed to unlock finance to small business, from a greater number of providers, through a wider range of products. I am impressed by its early progress including the way in which it has been able to attract additional private sector investment alongside public funds to increase finance available to small businesses. This has generated £890 million of new lending and investment to smaller businesses in the 12 months to end September 2014 and 71% of support is being channelled through new, emerging or smaller finance providers.<sup>38</sup>

## Peer-to-peer lending and crowdfunding

See Case Study of Market Invoice on page 45

The provision of new sources of finance to small businesses is emerging in part through the rise of digital platforms, offering peer-to-peer lending and crowdfunding. I highlighted these in my earlier reports and these platforms are beginning to play an increasing role in micro and small

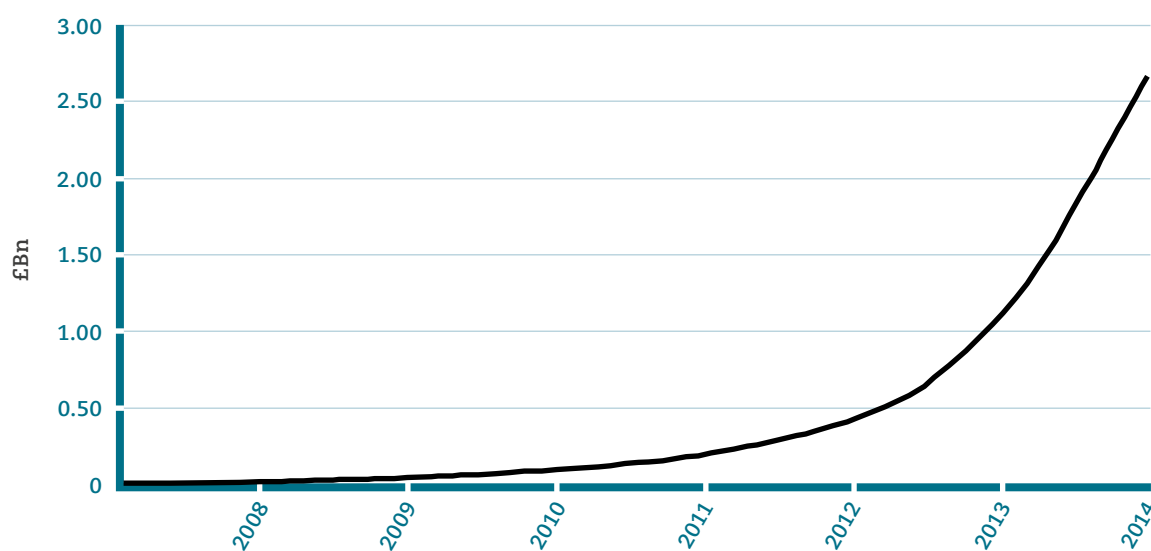
firms' ability to access working capital, invoice finance and equity-based funding.

There has been a cumulative rise in alternative finance originated through online platforms in recent years. AltFi estimate that £0.7 billion worth of transactions occurred in 2013 with values at the end of October 2014 doubling to £1.3 billion despite only being part way through the year.<sup>39</sup>

The other interesting development has been the emergence of reward-based crowdfunding for entrepreneurs and new small businesses looking to fundraise, develop new ideas and pre-sell exciting new projects.

The Government is supporting new and emerging sources of finance through the British Business Bank's Investment Programme, which is making investments into a range of different finance providers including peer-to-peer lending platforms. Government provided the Investment Programme with a further £100 million of funding, bringing its total investment capacity

Liberum AltFi Volume Index (Cumulative Financing Volumes)



Source: AltFi, [www.altfidata.com](http://www.altfidata.com)

38 British Business Bank data

39 Liberum AltFi Volume Index

to £400 million, which it is using to increase the supply and range of finance available to smaller businesses.

I am beginning to see these funding platforms strengthen their credibility amongst businesses and potential investors. This has been apparent through the emergence of associations that represent UK Crowdfunding and Peer to Peer Finance. I have also been keen to ensure that any regulation of the peer to peer sector strikes the right balance between protecting investors and enabling the sector to grow. This will be overseen by the UK's new market regulator, the Financial Conduct Authority. I took part in a thorough appraisal of the regulations before they came into force, as part of the Challenger Business Star Chamber, and I see this as a key step to increasing consumer and business confidence in using these alternative finance platforms. London is the world leader for raising capital through crowdfunding platforms, beating cities like New York and San Francisco.<sup>40</sup>

### Business angels

My review on Growing Your Business focused on small micro businesses, often low cost and low tech companies where relatively small amounts of debt or equity funding have been essential to their finance needs. Other parts of Government have focused on early stage, high technology and innovative companies where venture capital has been more appropriate. However, it remains important to recognise the importance that business angels have played in the period since 2010 and during the economic downturn, where their role has been pivotal in helping small firms secure the investment they need to scale up and grow. Each year private investors account for between £800 million and £1 billion of early stage investment in the UK.<sup>41</sup>

Small business and their champions have often described business angel finance as the

'only game in town' in particular where banks have reduced their investment activity and venture capitalists have tended to invest in higher value and later stage deals. Business angels' investment has been equalled by their knowledge of markets and sectors and the contacts they can bring to the small firms they invest in.

I am pleased that the Government has been proactive in supporting the business angel market, and in 2011 capitalised the Angel CoFund. The Angel CoFund aims to improve the quantity and quality of business angels investing in the UK by co-investing with syndicates, increasing both finance and other forms of support. The Angel CoFund is a British Business Bank programme with £100 million investment capacity, which to date has facilitated over £90 million of investment into smaller businesses.<sup>42</sup>

In Growing Your Business, I also looked at the Seed Enterprise Investment Scheme (SEIS), which aims to encourage investment in small firms by offering tax relief to the investor. This has proved to be a popular investment programme for small businesses and investors and I fully support Government's decision to make SEIS permanent. By July 2014, over 2,000 companies had raised over £175 million of SEIS investment since the scheme launched in 2012.<sup>43</sup> This sits alongside the more established Enterprise Investment Scheme (EIS). A recent Centre for Entrepreneurs and UK Business Angels Association report found that 9 out of 10 angel investors use the SEIS/EIS schemes, and almost 80% of all investments were made using EIS (55%) or SEIS (24%).<sup>44</sup>

### Looking ahead

I see the establishment of the British Business Bank as a strong addition to Government's commitment to increasing small businesses' ability to access finance. The next step in its development should be for it to embed its

40 Crowdfunding Centre

41 UK Business Angels Association figures

42 British Business Bank data

43 <https://www.gov.uk/government/collections/enterprise-investment-scheme-and-seed-enterprise-investment-scheme-statistics>

44 *Nation of Angels*, Centre for Entrepreneurs and UK Business Angels Association, January 2015



position as a long term institution that can not only increase the supply of finance to these businesses but also expand the choice of funding options and the number of finance providers available to small firms.

I also want the British Business Bank to play a stronger role in helping to raise awareness of these alternative sources of non-bank finance amongst small firms. This requires not only contact with small firms but also the intermediaries and advisers that they rely on for finance and business advice.

This emphasis on awareness should also extend to SEIS, in particular to potential and existing investors into small start-up business. I am concerned that the ability for financial advisers to promote SEIS is restricted because of current regulations that specify a 'professional' investor's status based on a requisite number of investments required by the individual in every quarter of the preceding financial year. This prohibits investors that invest less frequently but are still able to understand the risks and benefits involved in investing in small firms. I would like to see this changed.

Tackling late payment across public and private sector is another crucial element of small firms ability to access finance for working capital and to use as funds for investment. Around 80% of business to business transactions are undertaken on

credit terms of some form, and trade credit constitutes about 37% of total business assets. Most companies in the UK supply goods and services on credit, agreeing to defer payment for a period after delivery rather than demanding immediate payment. This system is an essential element of business practice in the UK. However, BACS's most recent data (July 2014) showed that £46.1 billion of overdue payment was owed to all businesses, of this £39.4 billion was owed to SMEs.

Late payment can have a damaging effect on small companies. This is why the Government is taking forward a package of measures to tackle late and prompt payment. Through the Small Business, Enterprise and Employment Bill, a measure will be introduced to require large firms to publish information on their payment policies and practices. Increased transparency, through a tough and transparent new reporting requirement on all the UK's largest companies, will take significant steps to addressing the current imbalance in economic power between small and large contracting parties. This will complement the measures to improve public sector procurement outlined in the previous chapter. Overall, measures outlined in the Bill will provide suppliers with better information on their customers' payment practices and I would expect this to create a competitive pressure on them to improve.

# BUSINESS SUPPORT

**My reports on small business** have highlighted an abundance of advice and resources available to small firms to help them start and grow. This has ranged from online tools to enable an entrepreneur to get an enterprise started, advice about regulation, mentoring and coaching, and a plethora of schemes designed to help small firms to innovate, raise finance and expand into new markets.

Government and its private sector partners have had good reason to commit funds and resources into business support: the evidence demonstrates that small firms that take external help and advice are most likely to grow and maximise their contribution to the economy. The challenge for Government has been to get the right support to the right businesses at the right time.

## Encouraging small firms to take advice

Despite the obvious benefits of small firms seeking help, these businesses are not always inclined to actively engage business support. Data tells us that only 30% of small businesses take external advice and this is because most of these firms say that they don't understand the benefit of the help on offer.<sup>45</sup> This makes them less likely to seek or pay for help. Small firms also report that the market for accessing help is fragmented, which affects the trustworthiness of advice and the ability of businesses to navigate what's on offer.

In *Growing Your Business*, I looked at how to stimulate demand among small firms to take advice and what areas of help business most need. Government has responded with the Growth Vouchers programme which provides a subsidy of 50% of the cost of strategic advice to small and micro firms that have not taken this advice before. These target specialist areas of growth including finance, marketing, recruitment, digital capability and leadership and management.

Those that apply for a Growth Voucher will complete a business advice assessment and this will provide these firms with robust diagnostic help about the growth needs of their business. Businesses can then use a new online marketplace powered by Enterprise Nation to access over 7,000 providers of business advice, including 3,000 that are accredited to be Growth Voucher Advisers. To date there have been 20,000 applications for Growth Vouchers.

See Case Study of Giant Leap Childcare on page 46

A key feature of this programme is to test a variety of innovative approaches to help small firms overcome the growth barriers that hold them back. This is a ground-breaking programme which will be the largest trial ever in the western world<sup>46</sup> and enable us to see and quantify the impact of business support, in particular which firms to target, and in what form to offer support.

<sup>45</sup> Research to understand the barriers to take up and use of business support CEEDR (2011)

<sup>46</sup> Growth vouchers academic panel

## Improving Government's support offer to business

Small business and their representatives have also reported that the landscape of business support schemes is too confusing to understand and navigate. Most of all they want simpler access – and this means better awareness of what's out there and easier referral between schemes and providers.

This was the catalyst for a high-level review of all Government support, led by Ministers from key departments, to which I brought my understanding of what support small firms need to grow. We examined how Government's offer to small business could improve by being clear, simple, effectively targeted and properly evaluated. Government is seeking to deliver this in two ways.

The Government had already begun to look at how it could simplify and streamline its online advice to small business from all parts of Government. This has produced [www.GOV.UK](http://www.GOV.UK) which provides accurate information on legal compliance and regulation. This is important information for small firms and [GOV.UK](http://GOV.UK) delivers it in a clear manner. However, those who are about to or have just started a business will look online for more than just legal information; they seek advice and inspiration. My review on Growing Your Business highlighted how this move to GOV.UK had left a gap in the way we encourage people to create and develop a business idea.

Government has responded with [www.GREATbusiness.gov.uk](http://www.GREATbusiness.gov.uk) where all Government advice, guidance and support are brought together into one place. It is written in business friendly language and provides a simple and straightforward way for businesses to get help to start-up, grow and find sources of finance. This is supported by an online tool that helps businesses identify the right support for them and a national helpline for businesses that want to talk to an adviser. We also know that entrepreneurs and small firms are increasingly turning to social media platforms to seek guidance

and encouragement and this provides Government, through its GREAT twitter coverage, a means to deliver practical advice to large numbers of small businesses in an efficient and targeted way.

## Targeted support for growth potential businesses

A second key issue for small firms about their take up of business support is duplication. Small businesses find it unreasonable and discouraging to have to make several separate approaches to providers of business support before they can establish what help they need and where they can access it. Small firms want the provision of help to be coordinated better, so that one approach can bring together all support available in a simpler and quicker way.

Government has put in place a new Business Growth Service to make this happen for businesses with the right level of ambition, capability and capacity to improve and grow. It is a personalised service, for up to 20,000 businesses a year, with advisers agreeing packages of support tailored to a businesses' need – from developing a business plan or new products to help with different funding options or breaking into new markets. From now on Government's flagship business support schemes such as Growth Accelerator and the Manufacturing Advisory Service and schemes from the Intellectual Property Office (IP Audits) and the Design Council (Design Leadership) will be consolidated into the single service. Export support is provided by UKTI and UKEF and the service is closely linked to support from InnovateUK and the British Business Bank.

What should this mean for growing small businesses? The key for them is that they will have a single point of contact, be referred seamlessly to experts within the service and never have to give the same information twice.

## Enabling small firms to access help on the ground

The Government can fund and offer all kinds of business support programmes but it must also ensure that it has the reach to enable

small firms to access these schemes. This requires advisers and providers which are close to and trusted by small firms in their local business communities and sectors of business.

The closure of Regional Development Agencies and Government Regional Offices has made that contact between government business support programmes and the businesses they target that much more difficult to achieve and it has taken time for the Local Enterprise Partnerships to establish a footing with their local small business interests. I see the development of growth hubs as a step in the right direction and these will bring together local, national, public and private sector business support so that there is one access point for business support in each area. I expect this to offer the Local Enterprise Partnerships a clearly defined role in helping to bring together public and private sector partnerships including local authorities, Chambers of Commerce, enterprise networks and other local business interests.

My review on Growing Your Business also explored the role that university business schools could play if they were to extend their reach into their local small business communities. There are around 138 business school, focused on management and business studies and concentrating their effort primarily on research outputs and preparing students for futures in large companies.

As this report and others before it have reported the world of work and business is changing rapidly – increasingly fewer large firms are being surpassed by the rise of many more small businesses including people wanting to work for themselves. Business schools will need to adapt quickly if they are to respond effectively to this shift in the business population and labour market, and more importantly for them to retain any relevance for undergraduate and postgraduate students.

There are a number of business schools that are seizing that opportunity to refocus what they do and to play a more prominent role in the promotion of enterprise and entrepreneurship, not only within their

institutions and for the benefit of their students but also within their local economy. Business schools are well placed to do this; they have students, staff and facilities such as incubator space which can offer local businesses specialist help they need to drive their growth; and, expertise in enterprise, new venture creation, leadership and growth strategies that small firms can benefit from. This makes them natural allies of small firms and identifiable places where entrepreneurs can go for help.

I have spent the last year working with the Association of Business Schools to develop a Small Business Charter to provide recognition to the business schools leading the change towards small firms, and an incentive to the rest. Business schools that prioritise supporting entrepreneurship and the growth of local small firms can become members of what will soon become a Royal Charter, following a rigorous assessment by a panel that includes small firm owners. The initial cohort was 20; many more are in the process of applying.

This Charter group are also taking an active role in business support. For example, some are delivering a programme of peer group learning under the Growth Vouchers programme, while others have combined their expertise to design a leadership and management skills programme for clients of the Business Growth Service. Many are cementing their places in the local landscape by being part of a growth hub, including by locating advisers in the business school site.

### Looking ahead

It will take some time for us to do a full assessment of the impact of Growth Vouchers and the effect Government's changes to the delivery of business support will have on its small business customers. One lesson we have learnt from promoting Growth Vouchers is that HMRC can have a powerful role in the way Government uses its business customer data and contact with many thousands of businesses, to target support and key messages to small business.

Another lesson from my review of small business is that the role of the private sector is a key element to helping small firms to find and receive the right kind of support they need to drive their growth. This makes the role of Local Enterprise Partnerships and the intermediaries that small firms use like accountants and lawyers, increasingly important, in particular during the coming years when public finances for business support will remain tight. It also makes it imperative that the results from the Growth Vouchers programme are fully evaluated so that we can prove where business support can be used to best effect and enable Government

to use the evidence to demonstrate to small firms that getting advice makes sound financial investment in their business.

I also expect more to come from business schools, and I have high hopes that they will become focal points for business advice as part of growth hubs. I can see more opportunity for Charter award business schools to integrate with future business support and this should include a stronger relationship with Start Up Loans and potential to do more in areas where small firms can grow by breaking into markets such as exports and procurement.

# CASE STUDIES

## CASE STUDY

G John Surveys Ltd

Gareth John, Surveyor



G John Surveys Ltd  
Land & Engineering Surveyors

After six years with the Royal Engineers, Gareth John now runs his own business, G John Surveys Ltd., performing Land and Topographical Surveys, Measured Building Surveys, Engineering Surveys, Setting-Out, and Asbestos Surveys.

### What made you decide to leave the Forces?

I joined the Royal Engineers in 2008 to gain trade skills, after 5 years in the Territorial Army and two tours in Afghanistan, the redundancies within the Forces changed the way I felt about serving. I wanted to try my hand at being my own boss, and be in control of my own journey. At the same time the improvements in the UK economy made leaving service a more appealing option.

### How did you come to start your own business?

After leaving the Forces in October 2014 I explored employment opportunities in the survey and construction industry. None of these accurately reflected the level of role I was qualified for through my training and experience in the military. This led me to consider self-employment. I applied for business funding through the

Start Up Loans Company website, and got a call from X-Forces the next day. With their support I was able to set up my own business, G John Surveys Ltd.

### How did X-Forces help you?

X-Forces helped me put together my business plan, making sure that I had thoroughly researched my industry, and that it was the right time to start this business, economically and personally. They have assigned me a business mentor and the funding I accessed through X-Forces has allowed me to transfer smoothly from the army into running my own company. The loan helped me buy the equipment I need, fund the various insurances and establish a website and reputable brand identity to give my business the foundation I needed.

### How have the skills you learnt in the army transferred to your business?

I am using my extensive survey experience within the Army to support myself. I am now a small business owner and I hope to, as the business grows, be able to expand and hire employees.

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



# CASE STUDY

3fPT

Catherine Ko, Personal Trainer



**3fPT is a holistic personal training service run under the ethos of 'Functional, Flexible, Fun.'** Clients can benefit from the wealth of experience, knowledge and passion through the dedication of helping people from its owner, Catherine Ko.

## Why did you join the Forces?

I wanted to join the army when I left school, but I took a different path, which was to attend university for a course in jewellery design, and then went into full time employment in the retail catering sector.

There I found myself in an abusive environment, under unhealthy circumstances, and decided to change my life. At first when I tried to join the Army, I failed the fitness test. This was a big setback but I began exercising regularly and getting myself healthy to a standard so that I could join Military Intelligence.

## Why did you leave the Army?

Early in 2014 I felt that I had done my bit, and the time had come for me to enter the next phase of my life. Joining the Army pulled me out of a bad environment and was a fresh start for me. It gave me a passion for what I have made into a business.

## How did you come to start your own business?

In April 2014, having left the military, I found another job but after a career in the

services, I could not do something that didn't fulfil me. So I considered starting my own business, and found out about X-Forces while researching for possible funding sources. With their help, I was able to start-up my own fitness studio and do something every day that I am truly passionate about.

## How did X-Forces help you?

Working with my Business Advisor from X-Forces, I built up a business plan that was viable. For me, the support on determining how the cash flow would work, and making sure the company was viable, was really important.

Even continuing our relationship, the support from X-Forces has really worked for me. I quickly connected with my business advisor who helped me get loan funding from the Start Up Loans Company and they are continuing to provide the support that my business needs.

## How have the skills you learnt in the army transferred to your business?

In order to join the Army, I had to change my life and get healthy. My fitness, organisation skills and discipline were honed throughout my time in the military, and I have been able to put them to use in my business. Now I seek to improve on my weaknesses, and build on my strengths so as to provide the best quality of service to help my clients develop their true potential.

[www.3fpt.co.uk](http://www.3fpt.co.uk)

# CASE STUDY

## Prosper 4 Group

Michael Corrigan, Chief Executive



Prosper was founded in 2014 with the help of a Start Up Loan. Its mission is to support every aspect of finding work, employment, training and other opportunities for marginalised individuals, specifically serving prisoners and ex-offenders.

### Where did the idea to found Prosper come from?

I met my co-founder, Steve Newell, while we were both serving sentences in Brixton Prison. While there we led on a project, reporting directly to the Governor, to get serving prisoners in to work while still serving their sentences, where they were able to leave the prison on daily release. Over 200 men found work, and many developed careers as a result. This is what led to the formation of Prosper: being able to implement employment services for offenders and ex-offenders in the real world.

### What are your experiences of working in prisons to support ex-offenders in to self-employment?

We work with individuals hoping to find employment and those who would

like to start a business upon release. Prosper has introduced unique new concepts for would-be entrepreneurs. We deliver courses and programmes for ex-offenders – ‘Seize the Day’ – which focus, absolutely, on the challenges of people with convictions setting up their own businesses. From business plans to insurance, and banking to book-keeping, and applying for business Start Up loans, our programme is unique. With quite modest skills, that we had always taken for granted, we can offer real help and make a lasting impact on ex-offenders futures, their families and ultimately society.

### What next?

We are currently developing a career portal providing state of the art employability, personal development, CV building and e-learning for life. We are also looking to expand our ‘Seize the Day’ programme for entrepreneurs to build on its initial success.

[www.prosper4.com](http://www.prosper4.com)



# CASE STUDY

Winner of the Fiver Challenge 9-11 Years:  
Best Community Engagement

Bits & Bobs, Grasby All Saints CE Primary,  
Lincolnshire

Holly Bateson, Fiver Manager, Young Enterprise



The Fiver Challenge, which ran for the first time during June 2014, provides children with £5 and challenges them to see what they can turn it in to. Prizes are awarded in both the 5-8 and 9-11 age groups for Most Profit, Most Inspiring Individual and Best Community Engagement.

## Why did Bits & Bobs grab the judge's attention?

We were particularly impressed with the originality of the team's handmade and sewn gift ideas, especially the way that they were developed and adapted to suit the needs of their customer base. In a wonderful bid to operate as an eco-friendly company, the Grasby All Saints students also used recycled materials in the making of their items which included scented bags, natural lemon hand scrub, bracelets, phone cases and decorations.

## How did the team reach out to their target market?

Before they began their task, Bits & Bobs completed their market research. By positioning themselves at the school gate for a week, they were able to offer samples and taster sessions of their merchandise to a wide range of customers. From the

feedback received the children were able to act on the helpful tips they were given ensuring customer satisfaction.

## What measures did they take to engage with the community?

Bits & Bobs reached out to local gardeners with their ideas, who responded and offered their expertise. They wrote to the village hall and were thrilled to be offered the use of the venue for the trade fair for free. The team designed posters that were displayed within the local communities, posted flyers through peoples' doors and their week at the school gates, with samples of their work, created a real buzz.

## How successful was the project?

With sales to a range of people within the local community, Bits & Bobs made a total income of £83.31 and a profit of £63.31. They donated 25% of their profits to charity and used the rest of the money to organise a disco to raise funds for their next project. The biggest lessons that the children felt they learnt was confidence, resilience, innovation, self-belief and the importance of a unique selling point!

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

# CASE STUDY

## GROWTH VOUCHER RECIPIENTS

Allied Ventura Ltd *David Whitehead, Director*

Ascensor Limited *Andrew Firth, Owner*

**ASCENSOR**



Allied Ventura, based in West Yorkshire, is a specialist vehicle leasing firm for business users whose needs range from single vehicles to entire fleets of cars and vans.

### What made you decide to use a Growth Voucher?

Over a number of months, I had become increasingly aware that our online presence was not leading to new clients – and that we did not properly understand the opportunities to use our website and search engines to drive our business. I applied for a Growth Voucher and selected Ascensor Ltd from the online marketplace as they are specialists in growing businesses online.

### What did Ascensor help you with?

Ascensor helped us to understand the onsite expectations of the search engines, which meant an analysis of website page structures, how to create new website pages that meet good quality standards and how to safely make website changes without risking losing any authority within the rankings. They also provided training in how to analyse a website's external footprint, build up a back-link profile and disassociate the website from any link toxicity.

Ascensor then worked on strategy development for future content production, both on and offsite to ensure the website remains healthy, regardless of future algorithm changes, through good quality, natural SEO.

### What effect has the advice had on your business?

We still have some work to do but are definitely heading in the right direction. The traffic to our website has increased

and we have better engagement online with potential clients. We are getting positive responses to search terms in and around our industry where before we weren't getting any at all. We will be recommending Growth Vouchers to other businesses in the future.

The internet presents a huge opportunity for businesses to grow and when used properly can have a huge effect on their success. This means it is important for businesses to have an understanding of the online world. Even in the UK today many businesses don't have a grasp of their online potential and people still refer to some practices as a 'dark art'. This is not the case – digital marketing is not only very effective but is also very measureable. It is important that businesses take advice to ensure that if they pay for services they understand what they are getting and when they have received a service they can properly evaluate it.

### What has the benefit of the Growth Voucher scheme been to you and your clients?

The Growth Voucher scheme has presented a win win opportunity for our contacts to benefit from strategic support and gain a better understanding of where they sit in the digital space. This has in turn raised our profile, it has helped to strengthen relationships with our clients and has also helped us to build new relationships as a result of the referrals that we have gained.

[www.avc-contracthire.co.uk](http://www.avc-contracthire.co.uk)

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

# CASE STUDY

## Rotunda Living

Gemma Roe, Founder



ROTUNDA LIVING

Rotunda Living was founded in June 2012 by Gemma Roe, when her baby was just two weeks old. The company makes buildings exclusively in the round.

### Where did the idea for Rotunda Living come from?

Rotunda Living CIC is set-up in a similar way to an Environmental Charity, whereby we invest our profits into the British Woodlands and Community Projects. We are passionate about creating beautiful, ethical Roundhouses that are unsurpassed in quality and craftsmanship; driven by our belief that a garden building is not only a very special investment but is a unique purchase; one which should continue to make you happy year after year, decade after decade.

### Why did you decide to set up as a social enterprise?

It allows us to put our profits into woodland regeneration and conservation projects in the UK – in keeping with our enthusiasm for human wellbeing and the natural world, we have a very strong environmental philosophy and are striving to provide a much needed boost to our British woodlands.

### How has the support from Start Up Loans helped?

The support from Start Up Loans was invaluable as a means to kick-start our

marketing and not only offered excellent follow-on support such as a mentor and start-up resource material but also offered a greatly reduced repayment schedule for the first 12 months so as not to over-burden our cash-flow.

### Tell us about your successes so far.

Rotunda Living has been awarded a unique commission, to build the country's first completely round modular eco-classroom for a primary school in the region. Due to be completed this month, the building will be used by the school for lessons and for events such as parents' evenings.

We recently sold our first three module home and are in talks with TV series George Clarke's Amazing Spaces about featuring the build in a future episode.

I currently employ 11 people and hope to expand further.

### What next for Rotunda Living?

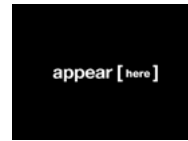
Our next focus is on the UK holiday and tourism lettings market in particular. We are currently working on a commission for a rural landowner for circular holiday lodges and this could be a fertile market for the future.

<http://rotunda-living.co.uk>

# CASE STUDY

## Appear Here

Ross Bailey, Founder, CEO



### Where did the idea for Appear Here come from?

The initial spark came in the summer of 2012. It was the Queen's Diamond Jubilee and there was such a great atmosphere, I wanted to do something to be part of it. A friend and I decided to launch a t-shirt brand called Rock and Rule featuring images of the Queen, with a rebellious twist, in a three-day store in an empty shop we'd spotted on Carnaby Street.

Of all the aspects of setting up a brand in a short time frame, securing retail space was the hardest part. Eventually we managed to acquire the space for the Jubilee weekend. Following the shop's success, we invited other young designers and brands into our store. Everyone wanted to know how we'd secured the space. That's when I realised there were lots of people like me, who wanted to rent shop space for flexible periods and found it a struggle. I couldn't believe there wasn't an easier way to do it.

I used the profit I made from Rock and Rule to launch Appear Here, our mission being to make booking space as easy as booking a hotel room – quick, efficient and easy.

### What is the benefit to businesses from short term/flexible locations?

Previously to launch a shop in a good retail location you'd need to commit to at least a five year lease, normally with a three year break clause, and prove you had the funds to pay the rent in advance. In a prime retail location that could be in excess of £2M.

Appear Here is changing this. By making retail spaces available to rent for short term periods, we help more brands and retailers get a foothold in prime retail location without the large financial commitments. This gives businesses a boost to their brand exposure and creates great PR opportunities to test the

Market. We've introduced a pay-as-you-go service so brands can pay rent on a month-by-month basis, rather than all upfront.

To illustrate, one of our most in-demand spaces, 36 South Molton Street, has a weekly list price of £4,000. While not affordable for everyone, previously brands would have to make a large financial commitment, but through our platform, we've been able to place a stream of young brands and independent retailers on the UK's busiest High Street.

### An example of a business who used a pop-up shop then went on to greater success?

One of our favourite examples is PRESS London, the Californian-derived cold pressed juice bar chain. Transport for London agreed to open up an old broom cupboard in Old Street Station so that we could turn it into a market stall. PRESS London leapt at the opportunity to take this space over. Ed Foy, the founder of PRESS London noted, "the best part was selling out within two hours of opening." This persuaded Ed, that he was onto something good. They now have several market stalls across London, a permanent juice store in Soho and a concession space in Selfridges.

### Do you think pop-up shops/spaces will take over the high street?

I think pop-up spaces will become a permanent fixture on our high streets, although "taking over" might be an overstatement. I think there'll still be a role for permanent stores. Retail has changed and today's consumers are buying into experiences more than products. Pop-up shops are a great way for brands to offer their users an experience. High Streets will become a place for socialising and entertainment. Pop-up shops will play a part in this new social fabric.

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

# CASE STUDY

## Andrew Francis Butchers

*Andrew Francis, Owner*

**Andrew Francis runs a traditional butchery based in Ludlow, and has used the business he has secured with Shropshire Council as a solid foundation for growing his business.**

### Why were you able to bid for the contract?

As a small business, we wouldn't have been able to provide meat to all schools in Shropshire. When Shropshire's Shire Services, the in-house catering service for Shropshire Council, split the business into several smaller contracts, it opened up the marketplace to local small and medium sized businesses. We tendered to supply a small area of Shropshire as part of a larger contract for Shropshire Council, and now provide fresh meat and sausages for schools in the south of the county.

### What is it like working for Shropshire Council?

It has been an excellent and very straightforward experience, and very rewarding to be able to provide a product that is both healthy and that the county's school kids enjoy. As a customer they are excellent too – payment is always

prompt and religiously on time, and as a client they are a pleasure to deal with. I'm glad to have taken the opportunity to work with the public sector, and would recommend it to others.

### What is the benefit to your business?

The contract has been fantastic for the business, increasing turnover year-on-year. I have increased my staff from five people to eleven. We have also had extra business from word-of-mouth recommendations, with parents coming into the shop having seen what they provide for children's school meals.

The quality and value for money that we provide have allowed us to retain and expand the business that we do with the council. In 2010, we were successful in widening our contract to include the supply of free range eggs, we retained the council's business after it was re-tendered in 2011, and Shropshire Council has also recently taken up extension options which will take our supply up to the end of 2015.

[www.andrewfrancisbutchers.co.uk/index.html](http://www.andrewfrancisbutchers.co.uk/index.html)



# CASE STUDY

Austin Hayes Ltd

Nik Vjestica, Managing Director



Established in 1953, Austin Hayes has developed an unrivalled knowledge of ammunition containers and associated parts. The company has become the UK's leading refurbishment specialist and has evolved techniques enabling larger proportions of used ammunition packaging to either be recycled or refurbished year on year.

## Tell us about your contract with the Ministry of Defence (MOD).

In 2010 we secured a 10 year partnering agreement with Defence Equipment and Supplies, with 5 years firm and options to extend for up to a further 5 years based on contract performance. By use of innovative techniques, we have developed to become a key supplier, demonstrating skills that are difficult to source worldwide, and providing significant environmental benefits.

We also dedicated to driving down costs, both as a company and for the MOD as our main customer, and are constantly working to understand their requirements. As a result, the contract is estimated to save the taxpayer £11 million per

year by avoiding the cost of buying new packaging, when compared to cost of refurbished packaging to an equivalent standard.

## How has the work with the government helped you to grow?

Working with the MOD has provided our company with a robust platform to plan for the future. It has provided us with a clear pathway for strategic investment in new equipment and the training of staff. Through continuous improvement and innovation we have generated important contract benefits and cost savings. At the same time and pace, the company has strengthened overall capability and is better prepared to meet any new challenges ahead.

The MOD business has also allowed us to diversify and expand our range of surface preparation and protective coating application services for UK engineering companies supplying steel fabrications, valves and equipment to oil and gas industries worldwide.

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



# CASE STUDY

## MarketInvoice

Anil Stocker, Founder



**Founded in 2011 by two university friends, MarketInvoice helps companies raise working capital by lending against unpaid invoices via its online peer to peer financing platform.**

### What gave you the idea to set up MarketInvoice?

In my previous career in private equity, I spent a lot of time with financial directors and really saw the problems that companies were experiencing first hand in obtaining finance to grow. I thought there must be a way of using technology to disrupt this market in much the same way that music or retail have been. For example, who would have thought fifteen years ago that HMV, then the dominant player, would have been competing today with the likes of Spotify?

### Why is your model important to small firms?

Small firms typically have to wait 30, 60, 90 days for payment but they need cash to grow and pitch for new business. Our business model offers small firms the much needed working capital, for example, to produce their products while they wait for invoices to get paid. We're working with some of the UK's most exciting high-growth businesses, helping them to really push down on the accelerator and take advantage of new opportunities that arise.

### How is it different to other peer-to-peer lending?

Both the lender and borrower sides are slightly different to other peer-to-peer lenders, but the basic model is the same. The main difference is that we're offering short-term finance, typically our loans last about 45 days. On the lending side, investors are buying invoices which they have a legal

right to claim on. The average rate of return in 2014 was 11.62%, well above the 7% or 8% typically offered by stock markets, and we have a waiting list of sophisticated investors wanting access.

### What has been the impact of the British Business Bank?

One of my proudest moments was the Government's British Business Bank signing up in 2013, after eight months of due diligence. The bank allocated £5 million to be lent through the platform, which, because most invoices pay out in an average of 45 days, equates to £40 million in funding annually. I think the bank is very happy with the returns we're generating for them. It was reported in the press that we've given them a 14% return in a year. That's pretty good.

### How have you seen the alternative finance market grow?

Since we founded in 2011, 800 businesses have signed up to MarketInvoice, and we have sold over 4500 invoices, which is more than £300 million in working capital that has been lent, £200 million of that was in 2014. As the peer-to-peer sector matures, we're seeing funding milestones accelerate, and now we're setting our sights on half a billion and a billion. It's speeding up.

### What's next?

We raised £5 million in November, our first round of fundraising since we launched. We are planning to roll-out new products as well as considering launching MarketInvoice in new countries. The alternative finance market is only going to grow – banks need to get used to a world where they can co-exist with new online lenders.

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

# CASE STUDY

## GROWTH VOUCHER RECIPIENTS

Giant Leap Childcare *Rafael Schiel, co-owner*

AskAskew *Maureen Askew, Owner*



Giant Leap Childcare and Learning Centre, located in Burnley, decided to take a Growth Voucher to improve their marketing strategy.

### What attracted you to take a Growth Voucher?

After being open for 18 months, we weren't happy with our occupancy figures. We decided to take some advice and chose AskAskew as they have specialised expertise for businesses operating in the early years and childcare sector.

### What difference has the advice made to your business?

Maureen Askew created a detailed marketing plan and worked with us to put it in place. Working with Maureen has brought great benefits to our business and our marketing output has been completely

transformed – I can't thank her enough. I would recommend all small business explore Growth Vouchers – it's a fantastic way to improve aspects of your business with the aid of an expert adviser.

**Maureen Askew, Owner, AskAskew**

### Why is Growth Vouchers so important to your clients?

I think the great thing about Growth Vouchers is that it gives small businesses the chance to have an 'outsider' looking in and that's really important. You can see things as an outsider that they miss and can help them focus on seeing the bigger picture and getting to where they want to be.

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

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

# NOTES

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# NOTES CONTINUED

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- 40 Crowdfunding Centre
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The Report on Small Firms 2010-2015

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