

## **Economy, Employment and Skills Overview and Scrutiny Committee – Business Start Up Task and Finish Group**

### **Minutes of the meeting held on 1 February 2012**

#### **Present:**

Councillor Richards – in the Chair  
Councillors Chappell, Clayton, Hackett and Strong

Paul Breen – Manchester Solutions  
Dave Carter – Manchester Digital Development Agency  
Jim Crook - Blue Orchid  
Shaun Fensom – Manchester Digital Trade Association  
Heather Hayes – Blue Orchid  
Richard Jeffrey – Economic Solutions  
Cath Needham – Royal Bank of Scotland  
Louise Pinfold – South Manchester Credit Union

#### **EES/BSU/12/07                      Tour of the City Library at Business Information Service**

Prior to the meeting members went on a tour of the business information section in City Library. The Service Development Manager for the Manchester Library and Information Service explained what resources were available for people starting up a business and how they could be accessed. The business information section included market information books broken down by business area, valuable Mintel market research books and access to the 'Cobra' business research resource. Support was available to people to access this information which showed them what legislation and regulations they needed to be aware of and what processes to follow to set up a business in a particular area. Staff at the library were not qualified business advisers and so did not deliver advice, but advisers such as Blue Orchid and Her Majesty's Revenue and Customs held sessions in the library where business advice could be sought. The service was aiming to improve the way it collects statistics regarding how many people were accessing business information at the Library.

The Government has requested that the British Library extend its Intellectual Property and information service to the 'Core Cities' including Manchester. This would greatly enhance the offer it can provide to fit with the City's key priorities of promoting innovation and supporting high growth businesses.

Members felt that the range of high quality information available was a valuable asset and it was important that people starting a business were aware of the business information they could access there and how it could help them.

## **EES/BSU/12/08                      Minutes**

The minutes of the meeting of the Task and Finish Group held on 1 January 2012 were submitted. The Chair thanked Councillor Hackett for acting as Chair in her absence.

### **Decision**

To approve the minutes as a correct record of the meeting.

## **EES/BSU/12/09                      Access to Finance**

The Group received a report of the Interim Head of Regeneration on access to finance and loans for businesses starting up. Members received additional information on the North West Access to Finance Service, a Manchester Solution service designed to support start ups and small and medium sized enterprises to be ready to invest and access suitable and affordable finance. The Group welcomed Paul Breen from Manchester Solutions who delivered a presentation to members on the service. Mr Breen said that of particular relevance to start up businesses was the loan element of the New Enterprise Allowance and the Small Business Loan Scheme.

A member asked whether people applying for finance through the North West Access to Finance Service received feedback on their application. Mr Breen advised that feedback on loans was provided which included comments on the strength of the business proposal.

The Group welcomed Louise Pinfold from the South Manchester Credit Union and Cath Needham from the Royal Bank of Scotland who attended the meeting to discuss how they make finance available to individuals considering starting up a business.

Ms Pinfold explained that credit unions may become a significant future source of finance for start ups. Until 8 January credit unions could only lend to individuals who had a 'common bond' with the union, for example they lived in the same area or worked in the trade the credit union was connected to. On 8 January credit unions obtained the right to lend to organisations such as community groups, companies, social enterprises, religious groups and local authorities. The South Manchester Credit Union was considering extending its services accordingly.

A member asked what the maximum loan would likely be for the credit union if they extended their services. Ms Pinfold advised that it was likely to be around £2,000 which could represent an important first step for a start up business, such as purchasing an important piece of equipment.

Ms Needham gave an overview of Royal Bank of Scotland's approach to making loans available to start up businesses. The bank employed 14 business managers located in branches to support businesses with a turnover up to £250,000. She advised that banks were willing to make loans to small businesses in the right

circumstances, however many people starting up a business were doing so following redundancy and had received capital to start a business as part of their agreement with their former employer. In addition, detailed conversations took place with people looking to loan money for their businesses and this often revealed that sufficient preparation had not taken place to develop a viable business proposal and work out the level of finance required. There was a clear need for sound information and advice to help people develop a viable business proposal before applying for a loan.

Members asked under what circumstances people might be refused loans. Ms Needham advised that, aside from the absence of a viable business proposal, county court judgments and debt could lead to refusals, however the circumstances of any convictions or debts were fully taken into account.

The RBS has seconded a member of staff to the Access to Finance service to introduce clients that were refused bank lending to the Small Business Loan scheme.

A member asked whether Royal Bank of Scotland worked with agencies delivering start-up support, such as Willow Park Housing Trust. Ms Needham confirmed that the bank had a good working relationship with Blue Orchid who had referred many investment ready clients but that no links had yet been established with registered housing providers.

### **Decision**

1. To note the potential for credit unions to become a viable source of finance for people starting up a business.
2. To recognise the need for close working between banks and start up support providers to help people develop viable business proposals before applying for a loan and so that support providers can easily refer people to appropriate sources of finance.

### **EES/BSU/12/10            The Growth Hub**

The report of the Interim Head of Regeneration submitted for the previous item provided an overview of the role of the Business Growth Hub. The Group received a report on the Greater Manchester Business Growth Strategy. The Group welcomed Richard Jeffrey from Economic Solutions who described the role and development of the Hub.

Mr Jeffrey explained that the Hub had been operational since November. It brought together a referral network of banks, accountants, and other public and private sector service providers aimed at promoting business growth. It had been developed by Manchester Solutions to supplement Government support for businesses who could grow at a rate of 20% or more per year, and aimed to support all businesses with the ambition to grow. The Hub had a staff of seven people and included a dedicated telephone number and website. So far the Hub was ahead of its target for the number of businesses it had supported.

Around 60 organisations, including Royal Bank of Scotland, were linked to the Hub and their services were available through it. A range of advice was available through the Hub for businesses looking to start growing or reinvigorate their growth, this included leadership, efficiency, access to loans and carrying out a strategy review.

Mr Jeffrey advised that the future development of the Hub would include more services beneficial for start up businesses. Start up businesses could access support through the Hub currently where their services were relevant.

A member asked whether the Hub relied on public funding. Mr Jeffrey advised that it had been developed by Manchester Solutions and so had not used public funds. Discussions were taking place on the future direction of the hub, including what impact funding from either the private or public sector would have on the Hub's effect.

### **Decision**

To note the role of the Growth Hub and its potential to support the growth of start up businesses.

### **EES/BSU/12/11            Access to the Internet**

A report of the Head of the Manchester Digital Development Agency was submitted. The report covered set out the impact of the Internet on starting up a business. The Group welcomed Dave Carter, Head of Manchester Digital Development Agency and Shaun Fensom, Chair of the Manchester Digital Trade Association.

Mr Carter set out that Manchester had the largest cluster of digital companies outside London. Mr Fensom said that the majority of these companies were small or medium sized enterprises and one of the reasons for their success was their openness and willingness to share information, advise each other and work together.

The report included specific information on what effect the increase in online shopping was likely to have on small business and businesses starting up, and the effect it would have on district centres. Mr Carter advised that he did not feel that digital companies were having a detrimental impact on district, town or city centres but they may affect out-of-town shopping malls. He said that markets, particularly craft markets, were thriving in Manchester and that many stalls used their websites to attract people to visit them or to show people a wider range of stock if they had been to a stall. A good uploading speed was crucial for selling on the Internet, and he advised that he felt more could be done to promote Manchester's emerging digital companies.

The report also covered the ways in which technological advances, such as cloud computing, can be used by business start ups. Cloud computing open data could bring benefits including hosting data without the requirement for infrastructure. Online applications based in the 'cloud' provide good opportunities for small software houses to become suppliers as well as for keeping costs down for start-ups who can avoid buying proprietary software. However there were still some issues around privacy and security which were rapidly being addressed. Mr Carter felt that by

increasing access to high speed wireless-internet in social housing the option of setting up small digital business selling on the web would be more feasible for a wider range of people. Selling on the web courses run across the city had proved to be very popular which demonstrated the demand and interest in Manchester.

The report demonstrated that the Council and its partners were looking to support new businesses to make the most of opportunities to grow their business including through the use of the Internet. This included hosting the annual Digital Skills Summit, developing and improving access to ICT infrastructure and encouraging the networking of resources such as the Sharp project and the Innospace facility. Members felt that it was important both that the technological infrastructure supported the establishment of new digital businesses and that people had the flexibility and creativity to take advantage of the technology. Skills development and education in schools and colleges were seen as a crucial component. Members supported the inclusion of technological creativity and code writing within school, college and university Information Technology curriculums and courses. Discussions were taking place with schools about a pilot to train some teachers in this area so that they can teach these skills. The Group expressed their support for this initiative.

Members discussed the difficulty in encouraging dialogues between universities and colleges and local digital businesses as many were small and universities tended to be more suited to engaging with large employers. Mr Fensom advised that it was important that small and medium sized digital businesses collaborated and worked together to act as a single large employer for these purposes.

**Decision:**

1. To recognise the importance of widespread access to high-speed internet within social housing to encourage the development of small business selling on the web and to stress the importance of 'selling on the web' courses to support this.
2. To stress the importance of teaching and developing technological creativity and code writing skills in schools and further and higher education to support people to take advantage of opportunities to set up or work for digital businesses.
3. To stress the need to support collaboration and the development of effective networks within small and medium sized digital businesses so that the sector can be represented effectively to support their continued success and to support the development of links with universities and colleges.

**EES/BSU/12/06                      Work Programme**

The Group agreed that the next meeting should focus on reviewing progress to date and the draft report of the Group's work so that the Group can agree whether to report its conclusions, or whether there are further issues that require investigating. In order to do this it was agreed that external agencies involved in the investigation should be consulted on the draft report rather than invited to the meeting.

**Decision**

To agree the work programme as amended.