Manchester City Council
Report for Information


Subject: Additional Support for Start Up Businesses

Report of: Interim Head of Regeneration

Summary

This report outlines the types of support available to aspiring and new start up businesses through community, public and private sector channels. It highlights examples of innovation, good practice and networks that will be discussed in more detail at the meeting of the Task and Finish Group on 4 January.

Recommendations

Members are requested to note the information in this report.

Wards Affected:

All

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1 Introduction

1.1 The Economy Employment and Skills (EES) Overview and Scrutiny Committee decided to set up a Task and Finish Group to explore issues around start up support. The Terms of Reference and the draft Work Programme for the group were adopted on 7 September.

1.2 At its first meeting on 1 December the Group was provided with an overview of business start up provision. The second meeting took place on 20 December and discussed barriers that specific resident groups may face when accessing these services and explored how the Council’s procurement practices support growth in small businesses.

1.3 The third meeting, on 4 January, will highlight what other support is available for aspiring and new start up businesses.

2 Background

2.1 From 2006 – 2011 Government has streamlined publicly funded business support services under the Solutions for Business framework with the aim to improve quality, make savings and reduce market confusion.

2.2 During that period the main source of start up support was the Intensive Start-up Support (ISUS) programme, funded by the Regional Development Agency. The aim of ISUS was to promote enterprise among underrepresented groups and in deprived areas across the Northwest; in Manchester ISUS was primarily delivered by Blue Orchid.

2.3 The other mainstream programme delivered from 2008/9 – 2010/11 was the High Growth Programme, a regional, lower volume initiative, also funded by the NWDA and delivered by Winning Pitch from its base at One Central Park in East Manchester.

2.4 ISUS and the High Growth Programme together with the Business Link advisory service closed in 2011 and are being replaced by a more limited mainstream offer: a start up hub on the national Business Link web site, the New Enterprise Allowance programme and, following a successful bid to the Regional Growth Fund by the National Enterprise Network, a relatively small scale ‘National Start Up Programme’.

2.5 At sub regional and local level public, private and third sector organisations are looking to complement these mainstream programmes but with limited resources and against ever increasing competition for public and charitable funding.

2.6 The implication is that from 2011 onwards there will be less free and affordable start up services with providers competing in a fragmented and confusing market place which will impact most on residents that are in need of most support.
3 Support for start ups: innovation and good practice

3.1 Although there will be a reduction in start up provision there is a range of other channels that residents can access to help them start a business. Some of these are start up services in their own right, others support one or more elements of the pre-start, start up or early trading process; they are provided by the third, public or private sector, either free, subsidised or at full cost. The remainder of this section highlights a number of free and subsidised services deemed good practice.

3.2 Examples of start up services by third sector organisations include direct delivery by centres such as the Levenshulme Inspire and the Wai Yin Chinese Women’s Society. Others such as Benchill Community Centre and the Grange Community Centre are being used as outreach venues by mainstream or specialist start up providers.

3.3 As part of the Get Britain Working, DWP is providing funding for community organisations to set up and run work clubs. Work clubs provide information and advice for job seekers and fifteen have been set up across Manchester. Working with JCP the Council will ensure that work clubs are able to promote enterprise and refer residents to appropriate support.

3.4 Examples of public sector support include Manchester Library, the Council’s Enterprise Services Network, Corporate Property, Manchester Markets, Midas (Greater Manchester’s Inward Investment Agency) and Registered Providers (formerly known as Registered Social Landlords).

3.5 Manchester Library runs Business Information Points in the Central Library and local libraries in Withington, North City and Wythenshawe. The Economic Development Unit (EDU) and Libraries are planning additional ones in Longsight, Beswick and Chorlton. Business Information Points provide residents with access to market research, business directories, business ideas, business planning tools and patent advice. They are also being used by start up providers to deliver awareness sessions and 1-2-1 advice.

3.6 The Council’s Enterprise Services Network brings together a range of Council services that deliver information and support for businesses to promote joint working between Council services and with start up and business support agencies. This has resulted in Council services running workshops for start up clients about e.g. licensing, energy efficiency and business continuity and start up providers running awareness sessions in schools and libraries.

3.7 The Council owns a portfolio of light industrial and retail units but because of high occupancy rates there is only a small number available for start up businesses at any given time. Corporate Property does not currently operate specific schemes aimed at start -up businesses. Under current legislation, and Council policy, it is expected to seek best value from all its commercial property, which means that full market value has to be charged. Wherever
possible the Council does try and assist new businesses, by being flexible when negotiating the terms of any occupation. This could include:-

- Rent free periods ranging from 1 to maybe 6 months, to allow for any start up costs which tenants may incur, or any property improvements they propose to make.
- Stepped rents, allowing for lower rents to be paid at the outset, in return for higher rents when the business is established, or more frequent rent reviews, say every 3 years rather than 5.
- Allowing rent to be paid monthly, rather than the usual 3 monthly period normally used for lease agreements which assists with cash flow.
- Payment plans to assist new businesses who fall behind with their rent, rather than seeking re-possession of the unit.
- Helping tenants seek grant assistance where available, or advice on rating issues where this would reduce rating liabilities.

3.8 Market trading is a low cost alternative to trading from owned or rented premises. It enables residents to undertake a period of low risk trading during which they can gain experience and confidence, test products and markets and scope future premises requirements. Manchester Markets provides wholesale and retail units at affordable rates and under flexible terms and supports new traders with business planning, setting up and quality assurance.

3.9 MIDAS, Greater Manchester’s Inward Investment Agency, is funded by the 10 Local Authorities. One of the services MIDAS provides is an online property search facility that businesses and start ups can use free of charge.

3.10 Many Registered Providers provide services to support tenants back into work; few however offer start up support and fewer still promote running a business from home. In the last decade more and more people started working from home but most tenants in social housing seem disconnected from this development: whilst over 6 million adults in England live in social housing, fewer than 20,000 of them run a home-based business. The reasons for this include tenancy conditions discouraging or banning tenants running a business from home; allocations taking no account of families’ space needs for work or study from home; housing benefit rules discouraging the provision of an extra room which could make employment and educational advance more likely. In a communication in January 2011, Bigger Better Business – Helping Small Firms Start, Grow and Prosper, BIS announced it would work with Housing Association and Councils to remove red tape and encourage more tenants to start up.

3.11 Willow Park Housing Trust has long been one of the exceptions. It started its Enterprise Support Project in 2005 to assist residents in the three most deprived wards in Wythenshawe (of which a high percentage are Willow Park Housing Trusts tenants) to move out of worklessness and improve economic activity. Critical to success was the establishment of a locally based, easily accessible enterprise service within a community setting. This culminated in the opening of a bespoke enterprise and incubation centre by Sir Richard Leese in October 2011.
3.12 Two examples of private sector organisations providing free or subsidised services are the Co-operative Enterprise Gateway and the Enterprise Lab.

3.13 The Co-operative Enterprise Hub - [http://www.co-operative.coop/enterprisehub/](http://www.co-operative.coop/enterprisehub/) - funded by the Co-operative Group, was set up to grow the co-operative economy by creating strong, ethically minded businesses. The Hub provides free advice, training and consultancy support, and access to a grant and to the Co-operative Loan Fund which provides unsecured loans without the need for personal guarantees.

3.14 Enterprise Lab provides a range of services to promote enterprise and employability in schools through curricular and extra-curricular activities and to help young people aged 16 – 30 set up their own business by helping them develop their business skills, mentoring, incubation, training and partnering with larger organisations.

4 Networks and community links

4.1 Having access to a network of supportive family members, friends and role models is often regarded as the most critical factor in people aspiring to and succeeding in starting a business.

4.2 Residents from deprived areas and disadvantaged backgrounds are less likely to have these personal networks and may instead need to turn community networks in or outside their own neighbourhoods. This section highlights a number of examples available to Manchester residents.

4.3 On behalf of the Council, the Manchester Alliance for Community Care (MACC) provides information and support to build the capacity and sustainability of voluntary and community sector groups in Manchester, in particular to help make them procurement ready. The service is called Manchester Community Central and provides support in the following areas: finance, governance and management, managing risk, volunteering, project development, planning for the future and enterprise.

4.4 The service in effect prepares residents for starting a (social) business because setting up and successfully running a VCS organisations requires similar skill sets and resources. The support MACC offers is therefore similar to that of business start up providers: developing a business case; developing a business plan, budgeting, collaboration and merger, strategic planning, funding and income generation, procurement readiness and incorporation. Where appropriate VCS organisations will be assisted with a referral to appropriate start up support e.g. the Co-operative Enterprise Hub.

4.5 Manchester Community Central runs until October 2012 but consultation has started to scope the specification for a continuation service. The intention is that that service will take more of a ‘business management’ approach to support groups and help them prepare ‘evidence-based’ business cases of
how to provide better outcomes that are also value for money. This is expected to include an information source for commissioning opportunities, generic training on the commissioning process, a diagnostic tool to assess commissioning readiness and a commissioning-ready “Manchester Kitemark”. It is hoped that this more comprehensive approach to commissioning support will have the knock-on effect of helping organisations to become more entrepreneurial.

4.6 MACC also runs two websites that provide VCS organisations and social enterprises with a range of resources to help them run and grow their business such as enabling them to improve their purchasing power through group buying (www.manchestercommunitycentral.org) and to market their services to a wider audience (www.onecentralplace.org).

4.7 Networks can be effective ways for self-employed people and new start up businesses to expand their customer base. Networking activities are offered as part of membership of organisations such as GM Chamber and pro Manchester, Institute of Directors, Federation for Small Businesses etc. or by specialist organisations such as Downtown Manchester, The Business Network, Manchester Business Breakfast Club and others.

4.8 More informal networks can also help businesses grow for instance in the area of international trade. Import and export activity can be developed using contacts that different communities in Manchester have maintained with countries of origin. Examples include networks such as the Federation of Chinese Associations of Manchester, the Wai Yin Women’s Society, the Thai Cultural Forum and the African Caribbean Business Network and less formal grouping of business people that have contacts with Chambers of Commerce and Councils in e.g. Pakistan and Bangladesh. These links are used to promote cultural awareness, organise inward and outward trade delegations, trade fairs and business-to-business contact. They usefully complement services provided by UK Trade International who, because of the greater risk involved, mainly target more established businesses rather than start ups. However, the UK Trade International Team based at the GM Chamber of Commerce is able to provide some discretionary support for start up businesses new to export or looking to enter new markets. As part of an action plan businesses can access a £500 grant for language and cultural awareness preparation or web site development and a grant to cover travel expenses.

5 Conclusion

5.1 Changes in Government policy and public funding will mean that from 2011 onwards there will be less free and affordable provision of (mainstream) start up services with providers competing in a fragmented and confusing market place. This is likely to impact most on residents that are most in need of more intensive support.

5.2 There is a range of other channels that residents can access to help them start and grow a business. Some of these are start up services in their own right, others support one or more elements of the pre-start, start up or early
trading process; they are provided by the third, public or private sector, either free, subsidised or at full cost. Examples are given in this report.

5.3 The Council can use its influence and resources to ensure that start up and related services provided by the public, private and third sector are better connected and that awareness of and access by Manchester residents is improved.