



St. Helens Council

**Regeneration, Housing Culture and Leisure
Scrutiny Committee**

Report of Task and Finish Group – January 2011

Business Start Up Costs



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Chairman's Foreword and Acknowledgements



Councillor Bill Anderton (Chairman of Task Group)

" When asked the question " Are start up costs a barrier to starting a business in St Helens" you would think the answer might be easy. Look at the data, examine the statistics, check the evidence and there you go.

Unfortunately the Group found that there was hardly any comparable data with other boroughs and areas, and little concrete evidence.

In addition, along the way all sorts of other questions started to come up that could have distracted the Group.

In the end we found substantial evidence, albeit anecdotal that did answer the question.

But the question then is what do you do with all the other issues and questions?

This report answers the basic question, and through the conclusions, highlights a large number of the other things that came up.

The hardest job for the Group was keeping focused on the original question. We believe that we have done this. Also we have highlighted some, if not all, of the other questions that it raised.

What the report does, I believe, is show that the work was at the same time frustrating, interesting, challenging, timely and important. Especially given the climate that local government is operating in.

More work needs to be done. This report could lead to many other reviews over a period of time.

The Group hopes that everyone who reads the report will be at the same time challenged, interested and inspired to move St Helens forward".



Task Group

Councillor Bill Anderton (Chairman)

Councillor Gareth Cross

Councillor David Kent

Simon Skidmore – Co-opted member from Community Empowerment Network

John Whaling – Economic Development Manager

John Quirk – Business Location Service Manager

Stuart Barnes – Scrutiny Link Officer

Joanne Heron – Scrutiny Team

James Morley – Scrutiny Team

1. Introduction

- 1.1 At the Scrutiny Workshop held in June 2010, a list of topic suggestions was considered for possible inclusion in the scrutiny work programme for 2010/11. Cost of business start-ups was an issue that had come forward from members of the Community Empowerment Network (CEN). Concern had been expressed that it was more expensive to start a business in St Helens than in neighbouring towns.
- 1.2 At its meeting in July 2010; the Commission agreed that the Regeneration, Housing, Culture and Leisure Scrutiny Panel undertake a spotlight review on costs of business start-ups. The Panel subsequently appointed a Task Group and invited St Helens Chamber to attend their meeting in July where they received a presentation on its role in promoting and supporting new business start-ups. Due to the complexity of the topic area it became apparent that there was a distinct lack of data which would allow for like for like cost comparisons due to the variety of the factors depending on the size or nature of the business concerned. However it was shown that the general costs for start-ups (via the Chamber) were favourable when compared to other areas and survival rates of new businesses.

2. Purpose of Review

- 2.1 To clarify if it is more expensive to start a business in St Helens than in neighbouring authorities, bearing in mind the lack of evidence/clarity in respect of the initial issue raised by the CEN

3. Methodology

- 3.1 A presentation by St Helens Chamber was given to the Regeneration, Housing, Culture and Leisure Scrutiny Panel on 21st July 2010.
- 3.2 A meeting was held on 12th October with John Quirk, the Council's Business Location Service Manager where an overview of the Business Location Service was given.
- 3.3 On 3rd November 2010 the task group met with the following representatives:



Kath Boullen – Chief Executive St Helens Chamber
Ann Holcroft – Kick Start Manager St Helens Chamber

4. Background

4.1 St Helens Profile

- 4.2 St Helens is one of the five districts of Merseyside and is placed centrally between Manchester and Liverpool. The population is estimated at 177,500 which accounts for 13.1% of the total population of Merseyside.
- 4.3 St Helens has undergone a massive period of industrial change and restructuring. Almost 40 years ago St Helens was a highly specialized industrial town particularly dependent on glass making (Pilkingtons and other firms), on coal mining and other manufacturing industries. At their peak the coal mining and glass manufacture between them employed around 50,000 people (mainly men) in St. Helens, or well over half the workforce.
- 4.4 The fall in employment in key sectors from the 1970s through to the early 1990s led to the loss of over 20,000 jobs (between 1978 and 1995). By 2000, employment in the core glass sector had fallen to just over 2,000 jobs.
- 4.5 The industrial past and rapid change over the last 20-30 years have left important challenges for St. Helens – an obvious physical legacy to overcome and less obvious, but potentially more challenging, cultural and business structure legacies.
- 4.6 During the 1990s a real shift in St. Helens' fortunes was seen, with the beginnings of a significant transformation of the Borough. Some of these changes were led by the public sector, through the provision of new infrastructure, some by the private sector via new investment, and some through public-private sector partnerships.
- 4.7 As at 2009, the number of VAT-registered businesses in the borough was 3,725. However, whilst St Helens' overall business stock per 1000 people is on par with that for Merseyside as a whole, it remains substantially lower than the national average (19.6 VAT registered businesses compared with 33.2)

2009	Business Density against England 2009 Data %	% increase from 2005
England	N/A	N/A
North West	86	2
Merseyside	62	2
St Helens	59	2

- 4.8 There are currently 73,500 residents in work (2008/09) with 5,400 of these in self-employment. St Helens' unemployment rate has increased markedly



over recent months, with an additional 2,501 people claiming Job Seeker's Allowance in the Borough in December 2009 compared with 2 years earlier.

- 4.9 St Helens maintains a strong manufacturing base, with 13.3% of the Borough's residents employed in manufacturing compared with 11.4% nationally and 9.2% in Merseyside overall. However the largest industries are within the service sector, including hotels, distribution and catering and health, education and public administration (which account for 17.9% and 34.8% of employment respectively)

5. St Helens City Growth Strategy

- 5.1 St. Helens was selected by the Government in 2002 as one of only four areas in the UK to pilot the City Growth Strategy (CGS), which takes a radical, private sector-driven approach to local economic development based on maximising competitive strengths and locational advantages.
- 5.2 The original 10-year CGS was launched in 2003 but was comprehensively revised after 5 years because the vast majority of the original 70 projects had already been implemented or were on their way to being delivered
- 5.3 The 2008-2018 Strategy retains the original CGS vision for a revitalised St. Helens as a "vibrant modern place for enterprise and a regional location of choice", plus the four main transformational themes - growing and strengthening the business base, raising aspirations, improving the physical environment and raising the Borough's profile and image.
- 5.4 The central purpose of the CGS is greater wealth creation and economic growth in St Helens.

6. The National Local Enterprise Growth Initiative Programme

- 6.1 The Local Enterprise Growth Initiative (LEGI) represented an important policy initiative in the field of local economic development and has a key plank in the previous Government's effort to tackle the low rates of enterprise in deprived communities; Nationally, the programme aimed to:

"Release the economic and productivity potential of the most deprived local areas across the country through enterprise and investment, thereby boosting local incomes and employment opportunities, and building sustainable communities."

- 6.2 LEGI was designed to allow local authorities, in partnership with key stakeholders, the freedom to identify and best determine local needs, options and solutions for stimulating economic development in their local areas. In line with the national LEGI objectives, the St Helens LEGI programme, delivered mainly by St Helens Chamber is seeking to achieve three key outcomes:



- Increase entrepreneurial activity among the population in deprived local areas
 - Support the sustainable growth and reduce the failure rate of locally owned businesses;
 - Attract appropriate investment and franchising into deprived areas, making use of local labour resources.
- 6.3 St Helens was awarded LEGI funding of £13.2 million to be spent over the 3 years 2006/07 to 2008/09 including additional funding of £5m for 2009/10 to 2010/11.
- 6.4 There have been some major economic changes since the St. Helens LEGI programme began. However, the lag in publication of National Statistics data means that performance on most official indicators does not yet reflect fully the impact of the UK recession which officially lasted from the second quarter of 2008 up to the end of the third quarter of 2009, but whose effects are clearly ongoing.

7. St Helens Chamber

7.1 St Helens Chamber is charged with delivering the majority of the LEGI programme on behalf of the Council. Key to its success is the provision of the following services to help encourage new businesses and develop enterprise education with young people.

7.2 **Business Taskforce Project** - this is intended to provide businesses with support to help them during the recession and anticipated recovery, focussing on:

- **Human resources:** to support the difficulties being faced by businesses who may be dealing with issues around redundancy, short term working etc
- **IT:** to help businesses on how to make the best use of their existing IT and to advise on investments that may help the business develop and strengthen.
- **Finance:** to help businesses with the financial and negotiating skills they need in more stretching times.
- **Marketing:** development of a strategic approach to business marketing, including the development of e-commerce.
- **Health and safety and environment:** helping firms to comply with rules/regulations that can sometimes be overlooked when businesses are facing other pressures.

Demand for the Business Taskforce service has been very strong, particularly for marketing support. During the past year 262 businesses have received specialist support in areas of strategic importance to their business.

7.3 **Enterprise Development** – this focuses on helping new businesses to start.

7.4 The Chamber's business start up schemes provides expert advice, support, mentoring and grants of up to £5000. This service has helped 1471 businesses to get off the ground. During 2009/10 the Chamber assisted 307



new business start-ups with 70% of new businesses surviving beyond two years.

7.5 The Chamber has a suite of 'Enterprise Greenhouse Business Units'. This comprises 31 fully equipped business units available to new companies in St Helens. There is a 50% rent subsidy which provides an opportunity for new business to utilise a cheap, affordable, modern and professional environment. The units provide fully serviced office accommodation, including telephones, computers and internet access

7.6 The units, which can accommodate between one and four people, are available on a license basis so there are no long-term lease agreements to sign up to. New companies are able to occupy the units for a maximum of two years and there are generous rebates available for the first 18 months. A two-person unit starts from as little as £250 +vat per month.

7.7 Enterprising St Helens Project

7.8 Many of the Chambers activities focus on getting young people to think about enterprise and the world of work. Delivery of enterprise education in primary and secondary schools is steadily increasing through targeted events. Enterprise clubs have been established at Cowley Language College, Sutton High School, St Augustine's High School and De La Salle High School.

7.9 This project is very much focused on the medium-long term, and its aim is to ensure that future generations of school leavers understand work, enterprise and entrepreneurship, and see their future in that context, especially those young people for whom work and enterprise is not currently part of their home life.

7.10 A major problem arising out of the high levels of worklessness in St Helens is that many young people are brought up in homes where work and enterprise are just not part of their experience – this project finds other ways to bring the understanding and experience of work into their lives, and to raise their ambition and aspiration.

7.11 The main methodology of the project is to provide activities during which young people will explore the skills below in practical ways and to facilitate ways for businesses to get involved, making sure they can influence the future workforce. The enterprise skills are defined as:

Communication
Teamwork
Creativity and Innovation
Risk-taking
Problem solving
Organisation.

7.12 The Chamber currently delivers to 12 primary schools, 10 secondary schools, 2 special schools and 6 sixth form colleges.



- 7.13 The 'Menu of Enterprise Opportunities' comprises of small projects that allow pupils to practice these skills in both the classroom environment and within local businesses. These are supported by employability skills projects and personal finance education.
- 7.14 Underpinning the enterprise projects is the delivery of the 14-19 Work Experience programme. This involves sourcing, vetting and arranging over 2000 work experience placements for students in years 10-13.
- 7.15 Entrepreneurial Capability is a key element of the project and the Young Entrepreneurs Chamber allows those young people from across the Borough to come together to develop business ideas. The Young Entrepreneurs Bank, which is able to support young people with the funds to explore their business concept and hopefully begin trading, supports this.
- 7.16 Entrepreneurship on a global scale is very important to the idea of enterprise education. Young people from St Helens have had the opportunity to travel to France, Sweden, India and Nicaragua to experience enterprise in the foreign environment as well as developing their leadership skills and communication in other languages.

8. St Helens Council

- 8.1 The Council's Economic Development Team is a sub-division of the Urban Regeneration & Housing Department, and currently comprises the following core functions:

- Economic Performance & Strategy
- External Funding, Projects & Programmes
- Employment & Skills
- Enterprise, Business Location & Aftercare
- Rural Economy & Sector Development
- Tourism & Town Centre Development
- Place-Shaping & Destination Marketing

The team offers a range of support services in order to help inward investment as well as facilitate local business retention and growth:

- Details about available sites & premises
- Guidance on potential grant funding and financial assistance
- Economic intelligence re. local costs and benefits
- Dedicated aftercare support
- Assistance with recruitment and skills development
- Marketing support
- Advocacy and access to Council Departments
- Links and signposting to other key partners and sources of advice.

- 8.2 The Business Location team works closely with (and is co-located at) St. Helens Chamber on all aspects of enterprise in order to ensure comprehensive, seamless, business support. It includes an Investor



Development Manager employed by The Mersey Partnership specifically to deal with the larger and foreign-owned companies based locally.

- 8.3 The overall role of the Business Location Team is to promote the borough as a business location, generate enquiries for sites and premises, enquiry handling and follow up, funding advice and assistance and development support, sector development and aftercare.

9. FINDINGS

9.1 Chamber's Business Start Up evaluation

The Business Start Up evaluation was designed to establish what businesses found most helpful from the programme and how the support had impacted on their business. Businesses started between April 2006 and August 2010 were invited to respond. A total of 164 responses were received representing a response rate of 11%.

Summary of Results

Just under half (46%) of respondents first heard about the Business Start Up Programme by word of mouth.

Respondents were asked to prioritise five aspects of the delivery, resulting as follows

- 1st Pre start one to one sessions with your Business Adviser
- 2nd Post start support with your Business Adviser
- 3rd Start up Grant
- 4th Accountancy Support
- 5th Pre start seminars

The programme has had the greatest impact on the establishment of the clients' business with 64% saying it has either had extensive (35%) or much (29%) impact.

Respondents were most satisfied with the understanding by the Business Adviser of what the client needed/wanted to do with 89% being either very satisfied (63%) or satisfied (26%)

59% of businesses think they will be in a position to take on staff in the next two years.

9.2 Measuring the dynamics of Start-Ups in St Helens

The betamodel performed a study into the survival dynamics of a cohort of start-up firms supported by St Helens Chamber compared to unsupported firms, between April 2006 and October 2009.



Headline Results were as follows:

Supported firms have a 1-percentage points higher survival rate than non-supported firms in St Helens over the same period. This represents a 18% increase in the chance of survival by taking up support.

There was no sectoral bias to the improved chances, with higher survival rates reported in 15 out of 15 sectors.

The improved chance of survival was replicated in firms that started in deprived neighbourhoods.

9.3 Entrepreneurship: Baseline Survey Data Analysis

A baseline survey is completed every year with a sample of Year 10 students from schools across St Helens. It is intended to measure attitudinal changes towards the importance of enterprise as part of their education and entrepreneurial skills as part of their employability and career progression. All data is comparative and was collected from over 2000 students' responses between 2007 and 2010.

Summary Results:

- Between 2007 and 2010 there was an increase of 45% of students who felt that enterprise skills were important in their education.
- In 2007 31.8% of students felt they had developed skills through taking part in enterprise activities which had increased to 88.6% by 2010.
- The number of pupils who said they would not feel confident at an interview halved from 22.7% to 11.4%
- There has been a positive increase in the number of young people, from 4.6% to 17.1%, who felt that St Helens was a good place to start your own business.
- More young people would now consider starting their own business immediately or in the near future and less perceive there to be significant obstacles to doing this.
- In 2010 74% of students stated that they had already taken part in their own trading including buying and selling items on eBay and other trade/exchange outlets

10. Department for Business Innovation and Skills (BIS)

10.1 The Government has recently published a paper entitled Backing Small Businesses that focuses on the needs of small and medium sized businesses. The paper sets out six steps to support small businesses by:

1. Improving access to finance
2. Opening up government procurement and ensuring prompt payment
3. Supporting those starting a business



4. Making sure the competition framework helps new companies access existing markets
 5. Providing targeted support to those that have a high-growth potential
 6. Ensuring that Government is deliberately re-orientated towards their needs.
- 10.2 The Business Secretary, Vince Cable has also announced plans to help social tenants start up businesses at home, by removing any barriers and working with social landlords to encourage their tenants to develop entrepreneurial skills. Housing minister Grant Shapps said: “Tenants should have the same opportunities as anyone else, and landlords have the key to unlocking this untapped entrepreneurial talent. “I want them to get the message out loud and clear to their residents that wherever possible, and in the majority of cases, they will be able to set up and run their new businesses from home.”
- 10.3 The Government has asked for a investigation to be carried out on what changes are necessary to make government more small and medium-sized business and start-up friendly. A report will be completed by Spring 2011 and following publication work will be undertaken with relevant departments across government to bring the proposals into effect.

11. Public Administration, education and health employee jobs in St Helens

Year	St Helens	St Helens %	North West %	England %
2000	13,600	24.2	25.8	23.4
2001	13,900	21.8	26.0	23.7
2002	14,900	22.1	26.1	24.2
2003	15,000	26.1	27.1	25.3
2004	15,800	26.6	27.4	25.7
2005	15,700	26.4	28.3	26.3
2006	15,700	25.9	27.9	26.3
2007	16,500	26.4	28.3	26.3
2008	15,500	25.3	28.2	26.4

Source: ONS annual business inquiry employee analysis

- 11.1 The government has predicted 330,000 public sector job losses over the next four years but has insisted that this will be compensated by a rise in private sector jobs. The fact that private sector employment has flat-lined will raise concerns regarding the future employment of St Helens residents.

12. Business rent and rates

- 12.1 Non-domestic rates are levied at the same level across England, and are approximately 41p in the Pound Sterling of rateable value. However service charges levied by landlord vary according to market rates, and the level of service provided.



- 12.2 A review of rental costs for premises likely to be favoured by start-up businesses compared the known costs from St. Helens, Halton, and Knowsley properties currently on the market, across public and private sector landlords. The review was limited to offices of 200 sq ft to 300 sq ft, and industrial units of 400 sq ft to 1,000 sq ft.
- 12.3 All three Boroughs have a similar property offer and commensurate rental levels dependent on the age and condition of the property, its, and the level of service provided.
- 12.4 Nevertheless, the current economic climate means that landlords are now more willing to offer incentives in order to have leases signed. These offers vary and it is not possible to run a meaningful comparison exercise across the whole range of properties or boroughs.

13. Conclusions

- 13.1 The spotlight review highlighted a number of issues in relation to costs and barriers to starting a business in St Helens:
- The task group has found that despite extensive research, there is no evidence, both statistically or anecdotally to suggest it is more expensive to start up a business in St Helens.
 - The business density rate of change as at 2009 has remained consistent with Merseyside and the North West (see page 2) at 2%. Up to now there has been an increasing reliance in St Helens on employment by the public sector from 13.6% to 15.8%. Whilst the 2% increase in business density has been able to bridge the gap, it is doubtful that this rate of change in the private sector will meet the needs of the predicted losses of public sector jobs. Should business density increase at the same rate, current theories suggest that if growth remains the same then it could take up to 20 years to meet this. If the shock of the predicted dramatic cuts reverses this trend, then this could take much longer.
 - The business environment remains more difficult than assumed when the LEGI programme was drafted. This makes creating new businesses and new jobs harder than anticipated.
 - The harsher business environment, credit crunch and business cash flow issues (and the knock on effect on business confidence) also make it much harder to get local businesses to make major investments and to engage firms in programmes and projects much harder, especially where the payback (i.e. financial returns) may take some time to emerge.
 - The recession will ultimately reduce the public sector resources available for regeneration and economic development (in fact this appears to have already begun in some quarters). This may make it harder to secure additional funding (whether local authority funding or that of other partners at sub-



regional, regional and national level) to continue activities once LEGI funding has ended.

- Almost 40 years ago St Helens was a highly specialised industrial town which was dependent on glass making, coal mining and other manufacturing

industries. This industrial past has resulted in significant challenges for St Helens, namely the heavy industrial legacies and the expectations of those generations who worked within these areas. The historic dependency on large employers (with a mainly male workforce) in St Helens is common to other former coal mining, shipbuilding and steel-based communities. In all cases this has tended to mean a tradition of small firms and entrepreneurship and low rates of new business start-ups and stock of businesses. This is due to weak demand (relative lack of spending power) but more specifically to a lack of entrepreneurial tradition. There remains an ongoing reliance for employment in these traditional industrial areas that are now in decline throughout the country together with the belief that it is safer to work for someone else than to start your own business. If St Helens had the same number of firms per adult as the North West average, there would be around 1,600 extra businesses.

- We have heard that a great deal of good work takes place via the Enterprise Team in engaging schools. Research shows that young people believe that St Helens is a good place to start up a business, however family culture also play a big part in influencing whether or not a young person will strive to start their own business (i.e. if a family member already has a business. Unfortunately evidence suggests if a young person's family has a history of unemployment then more external support/encouragement is required to prevent them from becoming unemployed themselves.
- The Business Start Up evaluation shows us that respondents prioritised pre-start one to one sessions with their business adviser and post start support as the most helpful services offered, with the grant coming in 3rd position Up to now the LEGI programme has supported this provision but this has now ceased. Alternative funding streams are currently being investigated however if this is not successful all support for business start-ups could be withdrawn.
- The task group recognise the good work undertaken by the Chamber in respect of support for business start-ups and educating and encouraging enterprise and entrepreneurial skills in young people. However they are concerned that delivery of this support should not be the responsibility of the Chamber alone. Partner organisations should consider how they can help deliver this within their own organisational plans.
- The task group has found it difficult to find statistical data that is reliable, robust and consistent. It is unclear what data is now required by central government and how this should be collected. At the start of 2007 only 2.1 million of the estimated 4.7 million enterprises in the UK were registered for VAT or PAYE and on average a fifth of all businesses that register for VAT are below the VAT threshold which may also differ by locality. Therefore changes in the VAT threshold over time has made trend analysis awkward. A



more robust measure which will provide a more accurate picture of business start ups is required

- Living in social housing and being unemployed makes it much harder to generate the funds needed to start a business. At the moment, tenants in social

housing are not allowed to run a business from home, however the task group welcomes Government's plans to help social tenants start up businesses at home, by removing any barriers and working with social landlords to encourage their tenants to develop entrepreneurial skills

- As elsewhere in the UK, St Helens' unemployment rate has increased markedly over recent months, with an additional 2,501 people claiming Job Seeker's Allowance in the Borough in December 2009 compared with 2 years earlier. If a young person comes from a working family background then it is more likely that he/she will also strive to be in employment.

14 Recommendations

1. That the Council and the Chamber continue to develop work with local schools and businesses to build on the success of the Enterprising St Helens projects.
2. That the correlation between the number of young people who believe St Helens is a good place to start a business and the number of new businesses they start be investigated further.
3. That the Council and Chamber continue to seek out and secure alternative funding streams in light of the cessation of LEGI funding after March 2011.
4. That, where applicable, the programme of initiatives undertaken via LEGI funding be mainstreamed into the delivery of plans of other partners.
5. That the recommendations set out in the previous scrutiny review of Job Prospects be re-visited in 12 months time and be reported back to the Regeneration, Housing, Culture and Leisure. This should include an analysis of the policy context emerging from central government, and how this could impact on St Helens.



St. Helens Council

Rec No.	Recommendation	Responsible Officer	Agreed Action and Date of Implementation
1	That the Council and the Chamber continue to develop work with local schools and businesses to build on the success of the Enterprising St Helens projects.		
2	That the correlation between the number of young people who believe St Helens is a good place to start a business and the number of new businesses they start be investigated further.		
3	That the Council and Chamber continue to seek out and secure alternative funding streams in light of the cessation of LEGI funding after March 2011.		
4	That, where applicable, the programme of initiatives undertaken via LEGI funding be mainstreamed into the delivery of plans of other partners.		
5	That the recommendations set out in the previous scrutiny review of Job Prospects be re-visited in 12 months time and be reported back to the Regeneration, Housing, Culture and Leisure. This should include an analysis of the policy context emerging from central government, and how this could impact on St Helens.		