



Championing the UK's

Real-Life Entrepreneurs™

Six to Fix: A Programme to Nurture London's Real Life Entrepreneurs

A large graphic at the bottom of the page features a group of colorful silhouettes of diverse people. The silhouettes are in various colors including green, pink, yellow, red, and blue, representing a multicultural and inclusive group of entrepreneurs.

This
programme
for London costs
more to print than
it does to
implement

The principles of this programme for London

The 2012 election will be held against the backdrop of the tightest squeeze on public spending in recent years. With economic growth having stalled and the Government looking to the private sector to put the economy back onto firm ground, we believe that implementing our recommendations will enable the Mayor to raise the fortunes of London's 700,000 Real-Life Entrepreneurs.

It is unrealistic for the Federation of Small Businesses (or any other organisation) to call at this time for significant additional funds to be provided by the taxpayer to support projects to benefit businesses.

The proposals in this programme would help enterprise and boost London's small business sector, but do not require an increase in public spending... Any increase in spending would be financed by our proposals for a new approach to procurement.

In short, this programme for London costs more to print than it does to implement.

In this document, the following terms apply:

- Self-employed: Single business owner with no employees
- Micro-business: Fewer than 10 employees
- Small business: Between 10 and 49 employees
- Medium-sized business: Between 50 and 249 employees
- Large business: Over 250 employees

We sometimes use the term MSB (micro and small business employing fewer than 10 people) rather than the more common SME since the FSB believes that many of the issues facing medium-sized and large firms are fundamentally different from those affecting small concerns.

Introduction

Since Londoners last went to the polls to elect their Mayor and Assembly, the world has become a very different place.

The global financial crisis, while not originating in London, has had a major impact on every aspect of life in the city.

London's economy, much of it centred on the financial services sector, was shaken to its core. It has been argued that it is a tribute to the resilience of London's economic community that the results of the recession have not been greater. However, joblessness remains a major problem and the inequalities of opportunity are as stark as ever and, for many businesses, the future is far from secure.

London must look forward, recognising the new economic environment. Never again must assumptions be made about the financial services sector being the key driver for growth. Instead, London must aim to ensure that all sectors of the economy are given an equal chance to thrive and grow.

Before the recession, official data showed that 64 per cent of all new jobs in London were created by self-employment.¹ Recent research from the FSB indicates that this trend is likely to continue, with most businesses that intend to expand seeking to do so through the use of freelancers and consultants rather than salaried employees.²

London needs a Mayor who recognises the importance of both business and of the contribution that the self-employed and the micro and small business sectors will make.

London needs government at all levels that will *applaud* the work of the Real Life Entrepreneurs and *reward* enterprise. Small businesses make up 99.4 per cent of all businesses in London.³

1 Labour Market Statistics, first release 2007

2 London Members' Survey: FSB, April 2011

3 BIS SME Statistic for UK and Regions 2010 Unlocking public value - page 2: GLA December 2010

Six to Fix



The FSB has identified six areas in which action could make a significant difference to London's Real Life Entrepreneurs. These are:

- 1 Procurement
- 2 Business Advice and Support
- 3 Transport
- 4 Crime
- 5 Skills and Employability
- 6 Promoting London and its Businesses

This document outlines new approaches for policy and new ways of operating which, if adopted, would increase the ability of London's business communities to benefit from the anticipated economic upturn and create wealth, opportunity and lasting jobs for all Londoners.

Central to this should be the recognition of the importance of micro and small businesses to the London economy. As a first step, all tiers of government in London should:

- Ensure that recognition of the role played by micro-businesses and businesses with no employees is included in all business statistics, reports and assessments of the London economy
- Undertake impact assessments on the effect on the MSB community of any policies or decisions taken by the GLA family or London's Councils.



1 Procurement

The Greater London Authority spends over £3.4bn a year on goods and services.⁴ In addition, London's 33 local authorities spend more than £9bn a year on discretionary spending.⁵

The public sector in London – and the private sector as well – should do everything they can to maximise the opportunities for local and small businesses to win a share of this business. The Government has confirmed that its target of 25 per cent of procurement contracts being awarded to SMEs refers to 25 per cent by *value* and not by number of contracts.⁶

The GLA should set itself a similarly ambitious target, but the size of the task should not be underestimated. A radical change in attitude is needed, not least towards risk, if SMEs are to obtain their fair share of London's procurement contracts.

In 2009/10 only 13 per cent of GLA group expenditure was with SMEs⁷ and London's local government admits that over 80 per cent of their expenditure is typically "with less than 3 per cent of the supply base (around 250 suppliers), [most of whom] are large corporations and multi-national bodies, often operating on a cross sector basis, and sometimes through subsidiary companies".⁸

Those buying goods or services have a right to expect that their suppliers will do a good job for a good price.

London's small businesses do not want special treatment. They recognise that they will not win business just because they are small or local or nice people. They accept that they have to demonstrate that they are the best people to deliver a contract at a competitive price.

However, it is reasonable for all parts of the business community to expect to be treated fairly by those procuring business opportunities.

Central to this are two practices that should be actively discouraged by procurement departments.

The first concerns the rolling-over of annual contracts. At present a five-year contract supplying £100k of services a year is regarded as a £500,000 contract. This has the effect of automatically eliminating a large number of potential suppliers whose turnover levels are not seen as high enough to imply that they could deliver the contract.

The second relates to the increasing tendency to aggregate contracts to produce fewer, larger contracts. This also has the effect of reducing the number of potential suppliers and, ironically, makes it less likely that the best price will be achieved.

The FSB believes that it should be recognised that widening the supply chain is of benefit to London's

4 Unlocking public value – page 2: GLA December 2010

5 London Procurement Strategy 2009-2012 – page 3: Capital Ambition 2009

6 Spendmatters.co.uk: Procurement Commentary 17 May 2011

7 Unlocking public value – page 8: GLA December 2010

8 London Procurement Strategy op cit.

economy. To do this, it is desirable to ensure that all opportunities should be made available to as many potential suppliers as possible. At present, there is a wide range of ways in which contracts can be advertised and a multitude of administrative hoops through which potential suppliers have to jump.

The FSB believes that all GLA and London Council opportunities should be posted on a single web portal which would increase transparency and create a level playing field for all businesses. CompeteFor offers the best service to London's small business community.

The FSB proposes

- **All GLA, London Council and private sector contracts and projects should be placed on the 'already established' CompeteFor procurement portal.**

The Mayor should encourage the private sector to do likewise, especially tier-one suppliers to the GLA family. We would suggest that CompeteFor be used for this purpose – as 44 per cent of all Olympic/Paralympic contracts have been won by micro and small businesses nationally. The FSB is concerned that a variety of portals are now in operation alongside CompeteFor. The Government's 'Suppliers' Feedback Service' should also be widely publicised to allow firms to flag up instances in which they believe the procurement process has been unfair.

- **Relaxation of restrictive requirements.**

Consortia of small firms should be eligible to bid for contracts without having to form legal entities before the contract is awarded.

- **Contracts should not be constructed in a way that automatically reduces the opportunities for small businesses to compete.**

Aggregation of contracts should be resisted and turnover requirements should be reviewed to ensure that the annual value of a contract is the figure used to assess the financial viability of potential suppliers.

- **A single registration system should be introduced.**

Too much time is wasted by potential suppliers in duplicating administrative requirements and PQQ forms. This model should be built on the one established by central government and supported by the FSB.

- **Single portal funding – a modest commission should be paid by businesses winning contracts through this portal.**

The funds raised would firstly finance the CompeteFor portal and its promotion and, secondly, could be used to generate income for business support and economic development.



2 Business Advice and Support

Whatever the journey they are undertaking, business owners need guidance and help to ensure that they can avoid the pitfalls and mistakes that many have made before.

“I wish I had known then what I know now” is one of the most common statements business owners make when asked about the early years of their business, and the provision of business support services and the availability of good business advice will be an essential part of helping to move London’s economy forward.

FSB research in 2009 showed that over half of business owners did not feel that they had the information they need to steer their company through the recession⁹ and in April 2011 45 per cent were still saying that they lacked the information and practical knowledge to grow their business¹⁰.

London has historically had the highest level of business start-ups in the UK. But it has also had the highest levels of business closure.¹¹ The FSB believes that the correlation between the two is, in part, due to more businesses starting without being in possession of a robust business model as well as a business plan. Historically, many advice providers have been judged by their start-up rates rather than by the business survival figures, with potential business owners being unaware of what running a business *really* entails.

The FSB fears that the ending of a regionally focused Business Link service means there is the danger of a reduction in business advice and support, which is particularly important as business emerges from the effects of the recession.

New businesses need credible and sage advice from people who have experienced the journey on which they are embarking and existing business owners often need help in shifting from being ‘someone who does’ to ‘someone who manages’.

There is a need to recognise that an increase in funding for business support and advice from the current 2010/11 levels will be necessary if London’s economy is to move forward and benefit from the eventual uplift in the British and global economies.

Consequently, this is the area of policy where the FSB is advocating an increase in spending, financed by the contributions made by the business community through our proposals on procurement, outlined in the previous section of this document.

The FSB believes that the focus of business advice and support should be on two specific groups who have very differing needs:

- Those considering starting or acquiring a business, and
- Those aspiring to grow their businesses.

⁹ FSB Members’ Survey Dec 2009

¹⁰ London Members’ Survey: FSB, April 2011

¹¹ Data for 2009 shows a London business birth rate of 12.6% compared with a national rate of 10.1%, but a business death rate of 13.7% compared with the national rate of 11.9%: ONS Business Demography, Dec 2010

The FSB proposes

A. For potential business owners and start-ups:

- **A full web-based information service.**
This would provide information on all aspects of business ownership, with an interactive noticeboard for entrepreneurs to engage with each other and space to publicise events and sources of funding.
- **A sustainable model built on the advice and information service currently delivered via the Business and IP Department at the British Library.**
- **Regular workshops and seminars on the realities of entrepreneurship.**
These could also be delivered across London on the British Library model and provide self-awareness assessments about suitability for entrepreneurship.

B. For existing businesses with growth aspirations:

- **A full web-based information service, as above.**
- **Greater promotion of the business mentoring service.**
To ensure that the London section of the mentorsme.co.uk website is fully populated with business mentors with a small-business background and not oversubscribed with retired bankers.
- **A greater focus on 'business promotion' support for businesses.**
Sales and marketing support is needed for businesses in London for improvement to the business or for development in order to grow.
- **Training the owner.**
As a business grows, the requirements of management change – moving from being the owner-worker to being a manager.



3 Transport

Transport always features near the top of any list of Londoners' concerns and priorities. The city faces increasing pressures on its transport networks and increasing demands to address the environmental consequences of transport.

The FSB recognises and supports the need for public investment in London's transport infrastructure to ensure that the city has a world-class transport system. This applies not just to the road network but to rail and air. We support moves to encourage a greater use of affordable and sustainable transport, through public transport and cycling.

However, policy makers need to understand and incorporate into their policy the differing reasons why journeys are made and how, for many, alternatives to private transport are not available.

This is particularly true for the business community. In many cases, the movement of goods and services – an essential requirement for economic activity – can be done only with the use of an essential business vehicle.

Policies or actions that hinder or prevent such movement inevitably damage London's economic performance and competitiveness.

In recent years a raft of measures have been introduced that are designed to address traffic flow or air quality issues – from the congestion charge to the LEZ and restrictions on road usage and parking – yet, despite this, 54 per cent of business owners report that movement around London has deteriorated in the past four years (with only 7 per cent thinking it has improved).¹² These figures reflect the views of the general motorist as well.

So while these measures have not improved journey times or significantly increased average vehicle speeds in London,¹³ they have seriously hampered or financially burdened businesses wishing to go about their daily work.

The FSB acknowledges that there are environmental and political pressures to go further.

However, it must also be acknowledged that, at a time of economic hardship, the impact of these measures has been particularly significant for the small-business community and has affected that community disproportionately.

Consequently, the FSB proposes a range of measures which could address some of these political and environmental concerns while protecting the small-business community.

¹² London Members' Survey: FSB, April 2011

¹³ Department for Transport data shows that average weekday-morning peak vehicle journey times on London's 'A' roads decreased by only 0.3 per cent between 2008/9 and 2009/10 and journey speeds increased by only 0.2mph between 2006/7 and 2009/10. This equates to a reduction of only five seconds on a 25-minute journey.

The FSB proposes

- **There should be a moratorium on extending the scope of the LEZ.**

There should be no proposals to extend the scope of the LEZ or make changes to the emissions levels until after the 2016 mayoral election. Any changes should allow for a three-year lead-in to enable small businesses to plan for any necessary modifications to their vehicles.

- **There should be no increase in the level of the congestion charge.**

No increase should be levied on vehicles entering the zone during the next mayoral term of office.

- **Every business registered in the zone should be entitled to the residents' discount for one nominated vehicle.**

- **Parking policy should be uniform in London and accept the needs of businesses.**

All levels of London government should accept the terms of the FSB's *Charter for Parking*.¹⁴

- **Income from the Roadworks Permit Scheme (RPS) should be used to support affected businesses by means of reductions in business rates and other compensatory measures.**

Roadworks and temporary closures have a disproportionate effect on smaller businesses. Financial assistance, improved signage and promotional materials should be funded by the RPS.

- **Changes to delivery regulations will need to recognise the needs of small businesses.**

Many parts of London – particularly the central area – suffer from problems caused by the needs of businesses to make or receive deliveries, and the FSB supports moves to try to reduce peak-hour congestion. However, it needs to be recognised that, for small businesses, there is less flexibility with regard to when deliveries can be received. Supermarkets, large businesses and pubs may work an 18 or even a 24-hour day and can therefore receive deliveries outside normal working hours. This is not an option for the majority of small businesses.

¹⁴ www.fsb.org.uk/london/charterforparking



4 Crime

The recent London riots have highlighted the need for a strong connection between the newly created Mayor's Office for Policing and Crime (MOPC) and the business community.

Businesses have felt detached from policing and law enforcement structures. They have not felt that business crime is taken seriously by the police,¹⁵ evidenced in part by the lack of a national definition of business crime, which makes a comprehensive assessment of the level of such crime impossible. In addition, business is woefully represented on many of London's Borough Community Safety Partnerships, and only a few have specific business crime panels.

FSB research suggests that, despite crime costing its victims an average of £2,900 a year, businesses historically do not report up to 40 per cent of crimes committed against them – usually because they do not feel it would be taken seriously or lead to a conviction, or because they are not making an insurance claim and so do not need a crime reference number.¹⁶

At present, official recorded crime statistics are not giving a true picture of the level of crime in London – both business and residential crime. It is therefore difficult for the police to identify where resources should most effectively be deployed. The MOPC need to lead a major drive to encourage all Londoners to report all crimes.

This will, of course, lead to a significant increase in the crime figures, but it needs to be recognised that inaccurate or incomplete crime statistics are of little real use. The police, the public and politicians need to accept that an increase in the figures – if they reflect better levels of reporting crime – is in the long-term interests of both Londoners and the police.

In a recent FSB survey, 57 per cent of respondents who did not report crimes stated that they did not do so because they regarded crime "as part and parcel of business life".¹⁷ This philosophy of despair should be regarded as unacceptable. They should be encouraged to report those crimes and be confident that the crimes will be taken seriously.

However, most alarming of all is the fact that in the 2010 Metropolitan Police Authority (MPA) consultation 'Have your say on policing in London', only 72 businesses responded to the business section of the consultation – and over half of those did so as a result of the FSB urging some of its members to contribute.¹⁸

If one takes results from the rather larger numbers of respondents in the FSB's own survey work, businesses are clear about what they feel are the main actions needed to help tackle business crime and how engagement with the police can best be achieved.

¹⁵ Localism and Tackling Crimes Against Business: FSB, 2010

¹⁶ Ibid.

¹⁷ London Members' Survey: FSB, April 2011

¹⁸ Consultation analysis, 'Have your say on policing in London': MPA, Jan. 2011

¹⁹ London Members' Survey: FSB, April 2011

²⁰ Ibid.

The most significant step that could be taken – supported by 43 per cent of respondents – is for police authorities to include a designated representative tasked with consulting the local business community.¹⁹ (This should apply to all levels of police representation – from London-wide to ward level.)

A distant second (15 per cent) came the idea of local neighbourhood meetings to give businesses a chance to have a say in person. It should be noted that the

business community has historically been sceptical about the merits of such consultation meetings, whether organised by local authorities, regional agencies or even the private sector, sensing that they are usually cosmetic ‘tick-box’ exercises with little real chance of changing policy.

It should also be noted that the survey showed little demand for elected police commissioners, with support for it (11 per cent) being even lower in London than the national average.²⁰

The FSB proposes

- **A major drive to ensure greater reporting of business crime.**
The MOPC and the business community should work together to increase the reporting rate for crime.
- **A standard definition of ‘business crime’.**
The current definition of business crime used by the MPA– ‘all offences of robbery of business property, employee theft, theft from shops, non-domestic burglary and fraud and forgery’²¹ – is not sufficiently comprehensive. The MOPC should adopt a more comprehensive definition (the FSB would suggest ‘any crime against a business or on business premises’) and lobby for its adoption as the national definition.
- **Tackling business crime as a KPI.**
Reducing levels of business crime and increasing the clear-up rate should be a Key Performance Indicator for every Borough Commander.
- **Specific responsibility for business crime.**
An Assistant Commissioner should be given specific responsibility for business crime. At present, the MPA has no member with specific responsibility for business crime and very few with a business background.
- **Automatic crime reference numbers.**
Every time a crime is reported, whether on the website, in person or by phone, a crime reference number should automatically be issued. This would ensure that every crime is officially logged and contributes to the crime statistics.

21 www.mpa.gov.uk



5 Skills and Employability

The 2011 Annual London Survey showed that education and training was now the top priority for improving London as a place to live.

Mentioned by only 15 per cent in 2010, it is now a concern for 34 per cent, with job creation (the other side of the same coin) being the second highest-rising priority, increasing by 9 per cent in the past two years.²²

This reflects the continuing gap between London's and the nation's unemployment levels, with the Office of National Statistics (ONS) unemployment rate for London rising to 9.9 per cent in the three months to September 2011 compared with a national drop to 8.3 per cent.²³ According to the ONS, there are 400,000 unemployed Londoners.

This is not, of course, a matter of concern merely for them. It is of concern for business owners.

FSB research shows that, of those businesses aspiring to take on staff in the next 12 months, nearly two-thirds report having previously experienced skills shortages among applicants.²⁴

The most significant shortages are the lack of basic literacy, numeracy and communication and customer service skills – abilities which are crucial for any business and essential for anyone hoping to get a job.

There is a danger of London having a large cohort of unqualified and unemployable people, with an education system that continues to churn out young people who lack basic work-readiness skills.

Addressing the employability and skills problems will therefore be crucial to delivering future economic growth in London, particularly with an anticipated 750,000 additional people needing jobs if London grows in population by 2031, as envisaged in the London Plan.

However, policy should also be directed towards encouraging and enabling as many businesses as possible to take on additional staff. We know that a third of small businesses are put off employing because of employment regulations.

Equally important is the need to minimise the costs for employers seeking to expand their workforce.

With over a third of London's MSBs seeking to create conventional employment opportunities,²⁵ they need encouragement to do so, and there are two particular areas where assistance should be offered.

FSB research has shown a high level of ignorance among small-business owners about the merits of apprentices, but, from those who *have* taken on

22 Annual London Survey 2011: GLA, May 2011

23 ONS Statistics: December 2011

24 London Members' Survey: FSB, April 2011

25 London Members' Survey: FSB, April 2011

apprentices or who have investigated the possibility, the response has been broadly favourable.

Similarly, the FSB demonstrated in 2009 that a modest investment in internships could often lead to the

creation of a permanent job. Employers were keen to take on an intern, not as a way of getting cheap labour for a menial task but as a way of discovering the merits of a potential employee without formally engaging them for a trial period.

The FSB proposes

- **Adequate MSB representation on the London Local Enterprise Partnership (LEP).**
The Board's priorities must reflect the likely sources of job creation in the future.
- **An approach to apprenticeships that minimises employers' paperwork.**
The 'administratively-lite' London Apprenticeship Company model should be adopted by all agencies. This model takes away the burden of employing an apprentice and simply acts as the host company.
- **Greater recognition and provision for in-house training.**
Structured work-based training is tailored to the needs of the business and should be allowed to count towards vocation qualifications.
- **An extensive internship programme both for graduates and school-leavers.**
Pressure must be put on the Department for Business, Innovation and Skills by the Mayor to reintroduce a 'co-funded' Small Business Graduate Internship Scheme – which helped create 8,500 placements in 2010. The revenue to the Exchequer in jobs created outweighed the outlay for the scheme.



6 Promoting London and its Businesses

London is, and must remain, a world city. Owing to the 2012 Olympics, it has a once-in-a-lifetime opportunity over the next two or three years to seize the world's attention, to promote its merits and to market its unique qualities. It must demonstrate that it is not only a world city, but also a world-class city.

It was always a duplication of effort having a range of bodies with the broadly similar objective of promoting London doing so in isolation, and the FSB welcomes the creation of London & Partners as a way of pulling together the various organisations that were marketing London.

It is important, however, that London & Partners (L&P) does not, as a single organisation, repeat the errors that its predecessor bodies were individually making.

L&P must avoid the mistake of Think London, which concentrated too much on inward investment and importing. While important, inward investment should not be seen as the be-all and end-all of L&P's existence: there is as great a need to encourage London's businesses – of all sizes and from all sectors – to seek new opportunities and markets abroad.

For too long, the image of itself that London has tried to project on the international scene is that of the world's financial centre.

A survey of FSB members in April 2010 showed that 63 per cent of businesses agreed or strongly agreed with the statement "When promoting London, too much attention is paid to the financial services sector", and a similar majority (62 per cent) felt that "the perception of London as a global city is important for small businesses in the capital".²⁶

The financial sector is of course important, but, at a time when its image has been tarnished, there are many other spheres that London should also vigorously promote, with 90 per cent of respondents in the FSB survey agreeing that "London should promote its diverse range of businesses".²⁷

Its creative sectors, its role in pioneering environmental change, its academic centres of excellence and the wide range of cultural businesses – all these need to be sold as part of London's offer.

Equally, there is a need to promote London domestically as well as internationally, showcasing the city as a rich source of suppliers and providers.

²⁶ London Members' Survey: FSB, April 2011

²⁷ Ibid.

The FSB proposes

- **Greater promotion of London's diverse business communities.**

The capital is more than just the Square Mile and Canary Wharf. The full mosaic that is London should be included in the image of the capital's offer to the world, including every sector, geographical area and size of business.

- **The promotion of Micro-Business clubs during and after the Games.**

While these clubs are planned at the corporate level, opportunities must be provided to promote small businesses to domestic and foreign investors – as part of the Games legacy. London & Partners must take a firm and decisive lead in making sure that London, its residents and its businesses do not miss out on taking full advantage of all the opportunities the Games will bring.

- **Study London must promote all aspects of London's educational offer.**

This should include language schools and other colleges as well as the city's universities.

© Federation of Small Businesses

Federation of Small Businesses

2 Catherine Place, London SW1E 6HF

Website: www.fsb.org.uk/London

www.facebook.com/FederationOfSmallBusinesses

Twitter: @fsblondon

This report can be downloaded from the FSB website:

www.fsb.org.uk/London

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission of the Federation of Small Businesses (FSB). While every effort has been made to ensure the accuracy of the facts and data contained in this publication, no responsibility can be accepted by the FSB for errors or omissions or their consequences. Articles that appear in the report are written in general terms only. They are not intended to be a comprehensive statement of the issues raised and should not be relied upon for any specific purposes. Readers should seek appropriate professional advice regarding the application to their specific circumstances of the issues raised in any article.

