



**The Federation of Small Businesses
West Midlands Policy Unit**

**Response to the
West Midlands Economic Strategy -
Connecting to Success
Delivery Framework: Consultation Draft**

February 2008

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INTRODUCTION

The Federation of Small Businesses (FSB) is the UK's largest lobbying organisation representing the self-employed and owners of small businesses. Founded in 1974, the FSB has over 210,000 members across all industry trades and sectors within the UK. In the West Midlands the FSB has 17,716¹ members employing over 200,000 people². This response is on behalf of our members here in the West Midlands.

FSB West Midlands Policy Unit (WMPU) welcomes the opportunity to contribute to Delivery Framework Consultation of the West Midlands Economic Strategy (WMES). We hope that the comments and recommendations put forward in our response will help to strengthen the delivery of the WMES in order to ensure that all businesses can play their part in achieving the vision for the region and the contribution from the small business sector can be recognised.

Small Business Contribution to the Economic Success of the West Midlands

Taking into account the figures from the SME Statistics UK and Regions 2005³ report, small businesses in the West Midlands make a significant contribution to the region's economy.

It shows that the West Midlands has over 353,000 businesses of which 99.2% are classified as small businesses (i.e. under 50 employees) and of those 95.1% are classified as micro businesses (i.e. under 10 employees). The contribution of small businesses to the success of the West Midlands is clearly demonstrated by these figures:

All industries	Enterprises		Employment		Turnover	
		%	(/ 1,000)	%	(£million)	%
Sole Traders	251,320	71.1	278	14.4	15,399	8.0
1-4	66,410	18.8	192	9.9	16,854	8.8
5-9	18,295	5.2	128	6.6	12,156	6.4
10-19	9,450	2.7	132	6.8	11,931	6.2
20-49	5,040	1.4	155	8.0	14,824	7.7

For the Delivery Framework to be effective it needs to speak to businesses in a language that they easily understand. The majority of small and micro business owners find the phrases and jargon employed mean very little. We would ask that the language employed in the final document makes the strategy easily accessible to small business owners and uses terminology that businesses will understand - not one reliant on 'civil-service-speak'.

The Delivery Framework needs to ensure that the focus is not only on creating the right environment for the rapid development of the high-technology, high-growth potential sectors, but for creating an environment for all businesses that want to grow as well as those who need to diversify to realise their potential. Though the 'gazelle' type industries are undoubtedly a key component of the strategy, it must also clearly demonstrate to the wider business community that it can address their needs as well. Without the strategy encouraging successful small businesses across all business sectors, Advantage West Midlands' (AWM) ambitions for creating sustainable communities will not be realised.

¹ As at January 2008

² Extrapolated from FSB Lifting the Barriers to Growth 2006 Survey

³ <http://www.sbs.gov.uk/sbsgov> - SME Statistics UK & Regions 2005

SUMMARY OF OUR SUBMISSION:

1 – Business

1.1.1

- The FSB supports this objective.
- Marketing of clusters is mainstreamed in the overall marketing budget.
- Closer involvement of the Business representative organisations in the development and implementation of cluster strategies. We are supportive of West Midlands Business Council (WMBC) taking on a conduit role for dissemination of information.
- We feel there is an issue around use of GVA per employee measures which do not include contribution of the self-employed.

1.1.2

- This objective only goes part-way to delivering what is needed.
- The FSB supports the WMBC request for collation of larger sums to support manufacturing following economic shocks to the region in recent years.
- There should be a division of Cluster Opportunities Groups' funding to help the growth of small and micro businesses.

1.1.3

- E-commerce offers practical ways to assist SMEs grow and develop their businesses.
- Opportunity policies should be proportionate and not preclude SMEs from bidding for appropriate contracts
- FSB has 10 key policy points on procurement.
- There should be a commitment from all West Midlands regional bodies to seriously consider small local businesses for procurement.
- We are concerned at level of fees charged by supply2gov scheme and request Advantage West Midlands (AWM) to make representations that the fees do not become unaffordable for small businesses.
- Full usage of supply2gov scheme by Local Authorities and NHS West Midlands is commended. The number of access points to public sector procurement should be minimised and largely directed through supply2gov.
- We would like to see more regular events organised along lines of 2012 Games business opportunities are organised for procurement opportunities in the public sector and European Services Directive.

1.2.1 & 1.2.2

- We want to see the same opportunities for small and micro businesses to engage in proposed development programmes.
- Delivery should include any business representative organisation with the expertise and capacity to deliver.
- The West Midlands in Europe (WMIe) office should concentrate on work with representatives of other European regions for cross regional commercial links.
- AWM promotional overseas offices should be linked directly with the business community, in particular business representative organisations.

1.3.1

- The FSB supports the commitment to enhanced support, but is concerned at the emphasis on the first 2 years of new businesses.
- We would like to see more commitment to support existing, established businesses diversify and grow.
- The use of VAT registrations is not an efficient indicator measure – we would suggest use of HMRC business registrations.

1.3.2

- There should not be discrimination against conventional businesses in favour of social enterprises.
- Again, HMRC business registrations should be used instead of VAT registrations as a reliable indicator of new business start ups and survival rates.

1.4.1

- We welcome the action point to encourage local markets and local sourcing.
- We welcome the commitment to reduce regional business costs, ensure security of supply and improve resource efficiency. We look for the specialist advice provided to be of a high quality and to understand small and micro business needs.
- We would like to see this objective taken up by all public procurers across the West Midlands.

1.5.1

- The FSB broadly welcomes the action commitments.
- The issue of succession planning should also be included.
- We are pleased to see mention of addressing business crime, but would like to see this applied more widely than only with ICT usage.
- FSB has a 10 point action plan on crime against business.

1.6.1 & 1.6.2

- We are pleased to note a commitment to the communication of the benefits to business for up-skilling, but ask for an acknowledgement that up-skilling does not immediately raise profitability.
- Full recognition of the value of on-the-job and in-house training should be made.
- AWM should look at ways to remove disincentives for taking on apprentices and to enable integration of the teaching of management skills in the FE programme.
- Value and ongoing requirement of low-value jobs should be acknowledged.
- Outcomes and indicators of what has been achieved since the last review of the RES should be given.
- Fit for purpose qualification and accreditation systems based on needs and requirements of businesses should be developed by the Sector Skills Councils.
- Business should be engaged in the design of training and skills development.

1.7.1

- Careers interest should start at 12 years of age.
- More information should be given to young people about starting your own business and manufacturing career opportunities.
- We would like to see committed support for Young Enterprise.
- Careers advice should be provided for all ages, including older people facing careers changes – whether forced or voluntary.

1.8.1 & 1.8.2

- There must be a major shift across the board in understanding the needs and requirements of the smallest businesses trying to access R&D support.
- All business support and expertise must fully support owner managers (including the self-employed), across all business sectors.
- We support the increase in number of Knowledge Transfer Partnerships (KTPs) and look for additional training for college staff about small businesses.
- There needs to be better promotion of KTP schemes to small businesses – using several channels of communication.

- KTPs should be encouraged in all types of businesses, not only those with significant growth potential.
- There should be closer collaboration between businesses and research departments, with more robust confidentiality agreements and higher levels of professional respect for the business ideas.
- We would like to see high quality advice for registering and protecting patents.
- Innovative mechanisms for providing support should be investigated to encourage more small and micro businesses to invest in R&D.
- We would like further research undertaken to establish the reason why small businesses show little propensity to take up R&D tax credits.
- Support and help for small and micro businesses must be based solely on their needs.
- Better access to finance at proper commercial rates should be available to businesses irrespective of size.

2 – Place

2.1.1

- Birmingham should be the focus of the centre of the Region, as long as this does not lead to it failing to recognise the central role it has with regards to the rest of the urban areas and the shire counties.

2.2.1

- We support this objective and proposed action points.

2.2.2

- The FSB welcomes the objective of pioneering new technological transport solutions as long as this is not automatically used to impose road pricing and congestion charging.

2.3.1

- The FSB welcomes this objective, and comments that the high level of house building rates requested by government must not jeopardise employment land volumes.
- We have concerns that the removal of barriers must not lead to an unsustainable reduction in the amount of manufacturing/industrial land available in favour of offices.
- Measurement of re-developed brownfield land is too blunt a metric. We suggest the measures should look at previous usage and changes of use.

2.3.2

- We ask that objectives aimed at 'safeguarding and managing our natural and agricultural assets' should be applied proportionately, remembering that the rural farms and businesses are working environments and need to remain as competitive as their urban counterparts.
- The small businesses based in and near to the Staffordshire Peak District and National Forest should be promoted and support-packages developed that are similar to those offered to businesses in the East Midlands.
- A measure and indicator should be included that shows the progress being made in this area.

2.4.1

- The FSB broadly welcomes the proposed actions.
- Any decentralised energy infrastructure systems introduced must take account of issues facing small and micro businesses to ensure they are not disproportionately disadvantaged.
- We support the WMBC proposal for an amendment to the definition of waste.

- AWM should investigate the possibility of piloting a project to address this issue.

2.5.1 & 2.5.2

- We are concerned that crime is only briefly touched on and that reducing crime rates are not included in the expected outcome and related indicators.
- The four Police Forces across the West Midlands and GOWM should be involved as partners.
- Small businesses need to be properly considered when decisions about a local community are taken and not automatically included with the large business sector.
- Small businesses should not be viewed simply as a revenue stream, but seen as a valuable resource to the benefit of their local communities.

2.6.1

- We welcome the action point to significantly raise overall opportunity levels for enterprise.

2.6.2

- We welcome the commitment to the use of innovative design to 'design out crime', and hope this is not only to be included when dedicated regeneration resources are utilised but in all physical environment development.
- We also welcome the commitment to the use of local labour.
- SMEs should be fully engaged with this objective, but the role should not become onerous or overly concerned with planning minutiae.

2.7.1

- We broadly agree with the actions proposed.

3 – People

3.1.1

- We are pleased to see an encouragement for individuals to change behaviour rather than placing the onus on business.

3.1.2

- We would like to see restrictions lifted or amended on usage and access to local domestic waste facilities for small businesses.

3.2.1

- The FSB encourages the Regional Skills Partnership and partners to deliver training provision to address the skills gaps in business sectors rather than meeting qualifications requirements.

3.3.1

- We are concerned at the quality of careers advice provided to young people.
- There should be greater emphasis on starting up a business and career options in manufacturing.
- Careers advice should be available to all ages, starting at the age of 12 and available until the end of an individual's working life.

3.3.2

- The FSB supports this action.
- We suggest 'mapping' of our skills base should be considered.

3.4.1

- We would like to see the provision of case studies showing how training has benefited individuals and businesses (written from both perspectives) in the low skills sector.
- There should be an acknowledgement that lower skilled positions will still be needed in the short to medium term.

3.4.2

- We welcome the objective of providing easier access to more flexible learning opportunities and also that all adults, regardless of age, are included.

3.5.1

- There must be assurances of confidentiality if employers are asked to provide information and intelligence about future skills needs.
- Small businesses should be able to obtain assistance on assessing skills needs and structuring recruitment information.

3.5.2

- We hope the programmes promoting healthy workplaces, equality and diversity will be rolled out to include support for employers to comply and understand all areas of employment legislation aimed at protecting employees.

4 – Powerful Voice

4.1.1

- We support the work of the West Midlands Regional Observatory.

4.1.2

- The FSB is happy to share our published reports, on request.

4.2.1

- The FSB is pleased to note the WMBC is placed at the top of the delivery partner list and are fully supportive of their work.
- Business should be recognised for the critical and objective support it can give to regional partners.
- We welcome the inclusion of this objective and the recognition that the current framework operates effectively.

4.2.2

- Greater use of the WMiE office should be made to widely advertise FP7 funding to all businesses, regardless of size.

4.3.1

- We hope the reference to the Region's diversity also includes an acknowledgement of the variety of business in the West Midlands, particularly in the small and micro business sectors.
- Key attractions rely on small businesses.
- Small and micro businesses wish to make a full contribute to the promotion of the West Midlands.

4.3.2

- We support the positioning of Birmingham as the regional centre as long as this benefits the whole region and actions undertaken strive to build regional cohesiveness.

RESPONSES TO QUESTIONS

1.1 Developing markets and sectors with the most wealth and employment potential

1.1.1 Facilitate business collaboration to address priority markets and sectors through a clustering programme and related market exploitation projects.

This is a positive action that we warmly support, and we are pleased to see the inclusion and focus on manufacturing to deliver the objective of developing and maintaining a distinctive competitive position.

To ensure clusters deliver effectively we propose the marketing of clusters could be mainstreamed in the overall marketing budget to reach the widest possible audience.

The FSB would like to see closer involvement of Business representative organisations in the development and implementation of cluster strategies for it is these organisations that are an effective and cost efficient approach to reach the widest possible business market. The FSB is fully supportive of the West Midlands Business Council taking on a conduit role for information to business representative organisations.

Measuring GVA per employee rather than per head of population suggests a preference for large firms employing high numbers of people. Many successful small businesses do not have employees, but are still making a significant contribution to the economy through their own endeavours. We should also be ensuring that the GVA contribution of the self-employed is included and recognised in its own right.

1.1.2 Support manufacturing to become more knowledge-intensive by exploiting innovation, technology, design, high-level skills and world class business techniques.

This only goes part-way to delivering what is needed. There needs to be help available for smaller manufacturers to ensure the support and skills they need are delivered.

The FSB supports the West Midlands Business Council request for active consideration to be given to collating larger sums for supporting manufacturing in the light of the series of economic shocks to the sector experienced in the region and its primary importance in the regional economy. (It is recognised that the funds are to be used for pump priming and leveraging in other sources of funding).

Concerns have been expressed in the business community that – upon a preliminary analysis of the Cluster Opportunities Groups' (COGs) Business Plans - SMEs and micro businesses did not seem to be the main beneficiaries of direct funding, though it was acknowledged that benefits could accrue to SMEs and micro businesses in the supply chain. Therefore the division of funding to help the growth of small and micro businesses needs to be considered.

1.1.3 Develop public sector procurement opportunities to encourage innovation and other beneficial economic change.

The FSB have worked with the Small Business Focus Group and the Regional Centre for Excellence regarding the use of e-Commerce for Public Sector Procurement. We feel this offers a practical way to assist SMEs to grow and develop their business. Skills learned in tendering for public sector contracts are useful in other business sectors, whilst reducing reliance on a too-small customer base and spreading non-payment risks.

However, requirements for health and safety, accredited standards and equality of opportunity policies must be proportionate and should not be used to preclude SMEs from bidding for appropriate contracts.

The FSB has 10 key policy points on procurement⁴:

1 – It should be mandatory for local authorities to use the supply2.gov web portal and advertise as many low value contracts as possible, including Olympic 2012 contracts.

2 – E-procurement for public sector contracts should increase SME's ability to compete.

3 – Public authorities should avoid the aggregation of contracts.

4 – It should be mandatory for public authorities to report the break down in spend with SMEs in comparison to spend with large businesses in a comprehensive manner.

5 – A common, single and simple to use standard for accreditation run by the Office of Government Commerce (OGC).

6 – The standardised PQQ (Pre-Qualification Questionnaire) should be mandatory for contracts across all public authorities.

7 – Greater use by Public Authorities of 'Meet the Buyer' events.

8 – Mandatory Sign-up for Local Authorities to the Small Business Concordat. [According to the Dept for Communities and Local Government⁵, as at 7 February 2008, only 19 (out of 38) of the West Midlands Local Authorities have signed up.]

9 – Proper and appropriate feedback must be given, whether successful or not.

10 – Similar principles to be applied as for the supply2.gov portal to London 2012 tenders.

It is also important that there is a commitment from all West Midlands regional bodies (at all levels) to give serious consideration to procuring from small local businesses (where possible) and not to automatically look to work with large companies.

There is already concern at the level of fees charged to small businesses through the supply2gov scheme, especially when the need to diversify the supply chain is so pressing. We would wish to see a pledge that AWM make representations to ensure that the fees on the supply2gov scheme do not reach such a level that they become unaffordable for small businesses, deterring them from registering onto the site in the first place.

We are pleased to see that both Local Authorities and the NHS West Midlands are given the lead on this issue, and also that the Regional Centre for Excellence with NHS Procurement consortia (HPC) are given responsibility for the delivery of this objective. However, we are concerned about the potential for the development of

⁴ For the full report go to <http://www.fsb.org.uk/documentstore/filedetails.asp?id=369>

⁵ <http://www.communities.gov.uk/localgovernment/efficiencybetter/nationalprocurementprogramme/nationalprocurementstrategy/smallbusinessfriendly/authoritieswhohave/>

numerous access points to the public sector procurement bodies and would want to see that full usage of the Supply 2 Gov portal is made to avoid confusion.

The interest in events highlighting 2012 Games business opportunities has been very good. The FSB has worked with AWM and WMBC on several of the initiatives connected to this major event.

We would like to see more events organised regularly (on similar lines to those for the 2012 Games) highlighting other procurement opportunities in the public sector and also those arising from the European Services Directive.

1.2 Competing in the global economy

1.2.1 Help businesses drive up their international competitiveness through a focused trade development programme and increase inward investment from both existing and new investors by more effective understanding and promotion of the region's distinctive knowledge assets

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1.2.2 Increase participation in international networks and partnerships in order to exploit the knowledge and relationships gained, particularly in high-growth markets.

Small and micro businesses should be afforded the same opportunities to engage in any proposed development programmes, networks or partnerships and any associated costs to do so must be set at a proportional level. Delivery should not only include Chambers of Commerce. There are other capable delivery organisations with expertise who may welcome the opportunity to be involved, such as the Engineering Employers Federation (EEF) or the National Farmers Union (NFU).

The West Midlands in Europe (WMiE) office also has a role in this work. We would propose that the WMiE office concentrate on work with representatives of other European regions for cross regional commercial links.

Overseas visits are critical to improving the international competitiveness of the region. One way to improve the visits' effectiveness is to link the AWM promotional overseas offices directly with the business community, in particular with business representative organisations. Many business representative organisations which are represented in the region are also represented with international arms overseas. Therefore links could be made with these structures so that business representative organisations can be seen as an added extension to these offices – promoting the region and improving communications with the business community.

1.3 Creating Economically sustainable new businesses

1.3.1 Enhance support to improve survivability and growth of new businesses, especially high-growth companies, university spin-outs and those in key target areas, markets and communities. Proactively promoted the benefits and challenges of starting a business including ensuring there is access to appropriate sources of finance and related 'investment readiness' assistance.

Whilst the FSB supports the commitment to enhanced support to improve survivability and growth of new businesses, we are concerned at the emphasis on the first 2 years of new businesses. We would like to see more commitment to support existing, established businesses grow and diversify.

We would also observe that use of VAT registrations as an indicator measure is not the most efficient as it excludes the very smallest start-ups from their inception and only notes them as a start-up when they may have already been trading for some time. We would suggest using HMRC business registrations as a more accurate alternative.

1.3.2 Provide bespoke enterprise support, mentoring and training for social enterprises.

Whilst the FSB would wish to encourage all forms of business and entrepreneurship, we do not want to see social enterprises receive support that discriminates against conventional businesses, simply because they do not conform to a particular profile. Any support for social enterprise, must only be provided to redress inequalities, not to favour social enterprise over conventional businesses.

Again, we would observe that the use of VAT registrations as an indicator measure will not accurately reflect the sustainability of social enterprises, as many will operate below the VAT registration thresholds for some time from start up.

1.4 Capitalising on sustainability and low-carbon opportunities

1.4.1 Create effective linkage between low-carbon economic and climate impact opportunities for regional businesses to realise their wealth-generating potential and manage their risk.

A recent FSB survey – ‘Social and Environmental Responsibility and the Small Business Owner’⁶ – showed that 85% of small business owners are motivated to undertake environmentally responsible activities, over half are committed to reducing their environmental impact and 39% already engage in energy efficiency measures.

We therefore welcome your action point to encourage local markets and local sourcing to minimize carbon footprint. We also feel this point is relevant as a wider driver for small businesses, who also indicate (in our survey) that social responsibility is ‘good business practice’ as well giving them an opportunity to ‘put something back’ into their local communities.

The commitment to reduce regional business costs, to ensure security of supply, and also to help businesses improve resource efficiency through specialist advice and support is also welcomed, as long as the advice is of a high standard, understanding of small and micro business needs, and with clearly defined limits at the outset, to avoid raising undeliverable expectations.

We would also wish to see this objective and the action points taken up by all public sector procurers across the West Midlands, to ensure local small businesses are able to fully play their part.

⁶ <http://www.fsb.org.uk/documentstore/filedetails.asp?id=386>

1.5 Investing in business processes and enterprise

1.5.1 Help businesses transform their performance by ensuring they have simplified access to a streamlined range of high-quality market-facing business support services and appropriate finance.

We broadly welcome all the action commitments; however, we do feel that the issue of succession planning should also be included in these actions. Developing a business and preparing for what follows when a business owner wishes to retire or move on to other ventures, enables viable small businesses to continue to contribute to the local or regional economy. It also provides a visible indicator of the economic health of an area.

We are also pleased to see mention of addressing business crime as a key action point, however we would also like to see this apply not only to the usage of ICT to help this issue, but for reduction of crime against business to be integrated into all business process development and for this to be borne in mind by all expert external business support advisors.

The FSB has a 10 point action plan on Crime against Business⁷:

- 1 The Home Office and ACPO should encourage police forces to adopt a national definition for crimes against business and set local targets to tackle it.
- 2 The Home Office and ACPO should encourage forces to collate crimes against business into a single category.
- 3 The Home Office should commit to carrying out a national survey of crime against commercial premises every two years.
- 4 The National Policing Improvement Agency should set out clear proposals for how regional policing will be improved.
- 5 The Government should give greater support to regional Business crime and Fraud Forums emerging across the country.
- 6 Reducing crimes against business should be included as a priority in Local Area Agreements and Local Strategic Partnerships.
- 7 All Crime and Disorder Reduction Partnerships should include tackling business crime in their strategies and priorities.
- 8 Neighbourhood Policing teams need to ensure that they include the business sector in their consultations
- 9 An effective auditing process should be developed to bring stakeholders closer to police procedures.
- 10 Penalties and sentencing for crimes against business need to act as a deterrent and be firm, fair and enforced.

1.6.1 Engage businesses in the design of training and skills development; ensure that training and skills are more relevant to business processes and that the public sector is able to deliver what is required.

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1.6.2 Work with businesses through the fully integrated skills and business brokerage service to develop and make more effective use of the skilled people they need to achieve sustainable improvements in performance.

⁷ To download the full report go to <http://www.fsb.org.uk/documentstore/filedetails.asp?ID=374>

We are pleased to note that there is a commitment to the communication of the benefits to businesses for employees progressing up the skills ladder, however, it should also be acknowledged at the outset that up-skilling does not immediately raise profitability.

It is also vital that there is full recognition of the value of on-the-job and in-house training and that the up-skilling of the business owner through leadership and management skills development is also important and should not be overlooked.

AWM, the Learning & Skills Council (LSC) and the Sector Skills Council (SSC) should look for ways of removing the barriers which act as a disincentive to business owners taking on apprentices and to investigate ways in which the teaching of management skills could become integrated in the Further Education provision. We note and welcome that there are plans in the Skills Action Plan to develop a new Apprenticeship Matching Service.

While up-skilling is important, there should also be an understanding that there will still be a need for low-value jobs to enable many businesses to continue operating smoothly.

The expected outcomes and indicators do not appear to include any measures of what has been achieved since the last review of the Regional Economic Strategy and in 1.6.2 there are no outcomes or related indicators shown at all.

The need for up-skilling and lifelong learning must be recognised by individuals who should take primary responsibility for their own development.

SSCs need to develop fit for purpose qualifications and accreditation systems for the business community based on the needs of businesses.

We are pleased to note that in the recently developed Skills Action Plan, Businesses will be placed 'in the driving seat' and the commitment to establish a new partnership with the major employer organisations, including the FSB is welcomed. It is vital that business must be engaged in the design of training and skills development to ensure what is provided is relevant to what is required and needed by businesses. The intention to provide more 'unitised' qualifications through a bespoke offer to employers is also to be welcomed.

We welcome also, the commitment in the Skills Action Plan to work to raise aspirations and demand for skills from individuals and improve leadership and management within SMEs. The FSB will be happy to work with the LSC and AWM to take this forward.

1.7 Investing in high-value skills for the future economy

1.7.1 Increase the number of higher skilled people in private sector jobs.

While this objective is to be welcomed, the FSB feels there is a need for interest in careers to start at a much earlier age. We would hope to see high quality careers advice provided to young people as early as 12 and for it to include information about starting your own business and also career opportunities in the manufacturing sector.

With this in mind, there should be committed support for the Young Enterprise schemes⁸.

We are also pleased to note in the Skills Action Plan that there is a commitment to provide a universal adult careers service. It is important that careers advice is not solely provided for young people, as many older people are often faced with career changes – whether forced or voluntary – and they should be able to take advantage of information to help with these decisions.

1.8.1 Increase the volume of collaborative business-led research and development, leading to commercial exploitation and improved knowledge exchange between businesses and with universities and other providers.

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1.8.2 Facilitate the creation, development and commercialisation of new product and service concepts by providing access to appropriate sources of finance complemented by high-quality support services

Small businesses are constantly recognised as the 'seedbed of innovation', with nine out of ten commercial innovations coming from this sector. Small businesses therefore have a vital role to play. However, the lack of R&D spend, together with the lack of capital investment, is a major problem and not a new one. Over decades these shortfalls have been a major contributor to the decline of the region. There has to be a major shift across the board in understanding that R&D is essential for survival and that our smallest businesses (when trying to access R&D support) need assistance to overcome the many barriers they face.

In order to ensure that small firms continue to bring innovation to the market place we need to encourage innovation within all business sectors. Innovation is a key driver of business success and takes place at all levels of business. Small businesses are generally some of the most innovative, the main reason being that they have to be in order to survive. All business support and expertise must fully support all owner managers (including the self-employed), across all business sectors. Any new initiatives must have a high quality understanding of small and micro business issues.

We support the increase in number of Knowledge Transfer Partnerships (KTP), but would like to see college staff receive additional training about small businesses and the benefits of working in them. Also, greater effort should be made to promote these schemes to the small business community, whilst accepting that there is no single communication method that can do this. A variety of communication channels should be used to ensure greater penetration of this 'hard to reach' sector.

KTPs are to be welcomed and should be encouraged in all types of businesses, not only those with significant growth potential.

However, one of the potential stumbling blocks to increasing knowledge transfer between businesses and the region's knowledge base is the lack of faith small firms have in the confidentiality agreements signed with Universities, FE colleges etc. For closer collaboration between business and research departments to jointly develop ideas, businesses need to be confident that their ideas will be given full professional respect by the educational establishment.

⁸ <http://www.young-enterprise.org.uk/pub/>

The cost and difficulty to small businesses in registering a patent or their designs and, just as importantly, subsequently protecting these from infringement also needs to be addressed if we are to encourage small firms to bring innovation to the market. High quality, reliable and credible advice must be provided to ensure the benefits of the brightest ideas remain to benefit the West Midlands economy.

The FSB believes that there are a number of barriers to small and micro businesses investing in R&D. In addition there is clearly a gap where small businesses often need additional funding support after the R&D stage but before they are ready to go to market. Innovative mechanisms for providing this support should be investigated, to overcome barriers implicit in current grant funding schemes, e.g. retrospective grants – enabling innovators to fund their next project and for the region to back 'winners'.

On the issue of finance, small firms also struggle to deliver the 'matched funding' requirements of many of the smaller business grants. Small businesses have also shown little propensity for taking up R&D tax credits and further research needs to be done to establish the reason behind this trend. R&D is a normal part of most small business activities, but is not accounted for separately. Meeting the criteria for R&D grants at present is often too restrictive and bureaucratic.

Small firms are looking to the Government and regional bodies to provide correctly focused financial support, better advice, the most appropriate experts, as well as more 'hands on support'. We stress that this support and help must be based solely on the needs of small and micro businesses.

For those businesses prepared to invest in their businesses long term, irrespective of size, better access to finance must be available at proper commercial rates.

2.1 Birmingham competing as a global city

2.1.1 Support the continued investment in, and promotion of, Birmingham as an international brand for the benefit of the region as a whole.

We agree that Birmingham should be the focus at the centre of the Region, as long as this does not lead to it failing to recognise the central role it has with regards to the rest of the urban areas and the shire counties.

2.2.1 Promote the early delivery of economically significant and strategic transport projects that improve accessibility, business competitiveness and visitor perceptions and encourage visitors and businesses to adopt sustainable travel practices.

We support this objective and proposed action points.

2.2.2 Encourage the adoption of existing and future technology infrastructure in ways that improve the region's competitiveness.

Businesses will be happy to adopt and exploit technology infrastructure if it is priced competitively, operates reliably and can clearly deliver a benefit to business.

We welcome the objective of pioneering new technological transport solutions, as long as this is not automatically used to impose road pricing and congestion charging. The FSB is opposed to these charges as we see them merely as an additional tax on business and do not feel they address the fundamental issue of lack of transport infrastructure capacity or do much to influence business travelling behaviours.

2.3.1 Maximising opportunities for achieving economic growth by removing barriers that prevent the productive recycling and development of brownfield land (and waste materials associated with such land), and that restrict wider economic growth, broader regeneration and private sector investment – particularly those barriers relating to site assembly and finance.

The FSB welcomes this objective. The current desire of Central Government to increase house building rates to very high levels must not jeopardise employment land volumes. There needs to be jobs for the increased numbers of households expected in the West Midlands, therefore a relevant level of employment land must be maintained to support this. However the removal of barriers must not lead to an unsustainable reduction in the amount of manufacturing/industrial land available in favour of offices.

Redevelopment of brownfield land should be managed carefully. Simply measuring the percentage of re-developed brownfield land is too blunt a metric; the measure should also look at previous usage and changes of use.

2.3.2 Safeguard and manage our natural and agricultural assets effectively while continuing to support the innovative use and management of our land in response to the region's challenges, needs and aspirations.

We feel strongly that the rural areas of the region, should not be kept 'in aspic' to simply provide recreational spaces for tourists and the region's urban residents to enjoy in their spare time. It should be remembered that the farms and businesses in the rural areas are working environments that need to 'move-with-the-times' to remain competitive, just as much as their urban counterparts. Therefore we ask that objectives aimed at 'safeguarding and managing our natural and agricultural assets' should be applied proportionally.

Part of the Peak District falls into the West Midlands and is one of our most valuable assets from many perspectives. However, we do not feel that it is promoted or supported as well as it could be to the detriment of small businesses based in and near to the Staffordshire part of the Peak District and the National Forest. We would like to see this issue addressed so that support available to Peak District businesses in the West Midlands is structured similarly to that available for Peak District businesses based in the East Midlands.

There should be a measure and indicator that can show what progress is being made in the rural parts in regard to supporting and managing this vital part of our region.

2.4.1 Support the development of secure, low carbon energy and resource infrastructure that supports efficiency in energy use.

FSB members require and desire secure, cost effective, sustainable and reliable energy sources; therefore we broadly welcome the proposed actions to achieve the objective.

It should be noted, however, that small businesses are often unable to arrange contracts with suppliers that allow for the flexibility obtained by large corporate organisations, yet are also unable to benefit from the protections afforded by domestic users, despite their usage patterns being very similar. Any decentralised energy infrastructure systems introduced into the West Midlands must take account of the issues faced by small and micro businesses to ensure they are not disproportionately disadvantaged.

We support the WMBC proposal for an amendment to the definition of waste. We do not feel that waste should include materials that are able to be recycled for energy, i.e. wood or farm waste.

Concerns that waste, as defined by statute (such as the Environmental Protection Act), defines waste in such a way that wood, for instance, could be viewed as "hazardous".

Such a definition leads to market concerns and these market signals increase the industry cost of utilising waste for energy purposes. A more pragmatic approach to the definition of waste is needed – to ease the regulatory pressures on businesses – and to encourage a more sustainable waste sector for energy generation.

We would like to see AWM investigate the possibility of piloting a project to address these concerns.

2.5.1 Deliver a sustainable balance and pattern of development and growth throughout the West Midlands, including both Urban and Rural Renaissance, and complementing the priorities of the RSS

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2.5.2 Improving the quality of our region as a place to live, work and invest in

In both of these action points we are concerned that the issue of crime is only briefly touched on and that reducing crime rates are not included in the expected outcome and related indicators. Also we feel that the four Police Forces across the West Midlands should be involved as partners for these two actions alongside Government office for the West Midlands, given their direct links to the Home Office.

We are pleased to see a balanced approach to (and recognition by) the strategy that understands and supports the provision of a high quality of life for everyone in the West Midlands – in both rural and urban areas.

Underpinning the quality of life is the way in which individuals relate to their environment and communities. Their personal quality of life is greatly enhanced if they live in a safe, secure, attractive and properly functioning community. Key to this is variety – of homes, shops, jobs, schools and lifestyles. High Streets with a good mix of independent retailers among the chains; good employment prospects; reliable transport links; low crime rates; responsive police forces who work with the community and who recognise the impact of crime on businesses, and good schools, all are at the very heart of sustainable and vibrant communities. Maintenance of a high quality rural life is dependent on a successful and profitable agricultural industry, local post offices, banking facilities, pubs and schools - as well as knowledge economy workers. Over-zealous housing development should also be contained.

The small business community is very well placed to ensure much of this variety is in place for safe and secure communities to thrive. However, they need to be properly considered when decisions about the community are taken and not automatically 'lumped' with the large business sector. Neither should they be excluded simply because they are small and hard to reach.

Small businesses should not be viewed as a 'milch-cow' by Local Authorities hungry for new revenue streams, but seen as a valuable resource to be nurtured and protected for the benefit of the communities they serve and in which they are based.

2.6.1 Encourage the sustainable regeneration of our most disadvantaged communities

We welcome the action point to significantly raise overall opportunity levels for enterprise. Key to achieving this will be better and effective communication of the benefit of enterprise to the whole community and linkages with the skills initiatives.

2.6.2 Ensure that the physical environment of our region adds value to our population's quality of life and wellbeing via the forward planning of activity

We welcome the commitment to the use of innovative design to 'design out crime', but hope this is not only to be included when dedicated regeneration resources are utilised but in all physical environment development.

We also welcome the encouragement of using local labour and hope this includes a desire to use local firms, particularly small and micro businesses when appropriate. This Policy would signal a real commitment to local communities and assist to improve the area's economic well-being as money paid to small local firms tends to stay in the community.

It is vital that SMEs are fully engaged with this objective and that they are able to be properly involved in strategic decisions, without that role becoming onerous or overly concerned with planning minutiae.

We would like to see involvement of the four Police Forces and Government Office for the West Midlands in the partners list.

2.7.1 Attract and retain residents, businesses and visitors by providing an improved quality of life and offer

We broadly agree with the actions proposed for this objective. We suggest that local authorities should also be included in the partners list (perhaps through the West Midlands Local Government Association), to avoid possible tendencies to become Birmingham/conurbation-centric.

3.1 Changing attitudes to sustainability and consumption

3.1.1 Encourage people at work, through better information, advice and guidance, to adopt new and creative practices through improvements in technology, changes in working culture and new approaches to procurement which support greater sustainability in energy and resource consumption, including water and waste management, and more healthy lifestyles.

The FSB is pleased to see individuals being encouraged to change behaviours to achieve this objective, rather than placing the onus on businesses, which is the more usual practice.

3.1.2 Encourage people at home and at leisure, through better information and awareness-raising activities, to demand low-carbon housing, transport and consumer products. Encourage lifestyle changes which shift the region towards more sustainable patterns of energy consumption, to support regional supply chains and improve overall efficiency and accessibility

Small businesses are at the heart of communities, whether rural or urban, and as such are keen to maintain the quality of the environment in which they operate. In order to keep costs as low as possible, they automatically work to the environmental ideal of 'reduce, reuse and recycle'.

However, FSB members report difficulties in maintaining this stance due to the different ways in which domestic and commercial waste are treated. We have an example of a retailer operating more than one outlet who encounters very restrictive regulation on how he handles cardboard waste and is thus actively discouraged from recycling.

According to the FSB's Lifting the Barriers to Growth 2006 survey⁹, the trend is for more businesses to work from home, and these businesses find they can take advantage of local authority recycling schemes in ways that their colleagues operating from commercial premises cannot.

We would like to see restrictions lifted or amended on usage and access for small businesses of local resident/domestic facility provision for recycling of items such as paper, cardboard, bottles & jars, cans, wood and ink cartridges.

3.2.1 Work with businesses and business support networks such as Sector Skills Councils

Until there is a Government review of the system of vocational qualifications – recently indicated in the HM Treasury commissioned Leitch Skills review – the FSB would encourage the Regional Skills Partnership and its partners to deliver training provision to address the skills gaps in business sectors rather than meeting

⁹ <http://www.fsb.org.uk/documentstore/filedetails.asp?id=331>

qualifications requirements which may not match with the need to address skills gaps. We recognise the recently Skills Action Plan seeks to address this issue and we welcome the emphasis within the plan to place Businesses and employers in the 'driving seat'.

3.3.1 Establish a clearer understanding of the barriers that prevent people in and out of work from seeking employment

Careers advice is critical in raising young peoples' aspirations and to addressing skills gaps across the region.

However, the business community has long expressed concerns about the quality of careers advice provided to young people. In particular there are concerns that manufacturing and entrepreneurial career options need to be emphasised more when careers advice is presented.

The range of fulfilling career options in manufacturing is significant while the sector is vital for the regional economy. Presenting the option of starting up your own business and seeing it grow and support your family is also important not just to improve peoples' life chances but also to enhance the business base of the region.

We welcome the commitment in the Skills Action Plan to establish a universal adult careers service. Businesses have not understood why such a service is not already universally provided for all age groups especially as, in today's work environment, a person can change jobs on multiple occasions.

The FSB support the West Midlands Business Council proposal that the Regional Skills Partnership commissions an audit of the quality of the careers advice that is on offer and to encourage careers advice providers, such as the Connexions service, to provide advice for young people from the age of 12 so that over the years, in advance of the series of exams that have to be faced, young people and parents have time to discuss with careers advisers the options before them.

3.2.2 Employers need to provide more information about employment opportunities and the skills they 'value' and more information about the range of choices available to young people and adults already in work.

The FSB supports this action as we have regularly called for demand-led training provision. It is important that the channels used to engage business in the process takes account of the limited time resources available to businesses, especially small and micro businesses. We welcome the initiatives outlined in the Skills Action Plan to allow a much stronger employer voice and more systematic engagement through the major business organisations.

Essential 'mapping' of our skills base is one way to deliver what individuals and businesses need and should be considered.

3.4.1 It is essential that people are better informed about the opportunities for work and progression

In an ideal world every adult and young person in the region should have the key skills for employability and opportunities to progress. The up-skilling of the workforce could work towards this and is essential for the jobs in the future, so that we can remain competitive in the future global economy. Various ways need to be used to

effectively communicate, empower and inspire young people as to the reasons why they should do this, but also to help businesses understand the benefits this will bring to their business and how to mitigate any adverse effects. One way to achieve this would be to provide case studies showing how training has benefited individuals and businesses (written from both perspectives) that operate in the low skills sector. The FSB will be happy to work with the LSC and AWM on this issue.

It is also important to acknowledge that basic skills will still be required and these should not be undervalued or demeaned. As people progress up the skills ladder business owners will need to recruit people to do the lower skilled positions that will still be needed and are essential to ensure the smooth operation of the business, and the regional economy in the short to medium term.

3.4.2 Enhance the vocational training and development opportunities for all adults and young people. Implement the 14/19 diploma. Provide easier access to more flexible learning opportunities for people in and out of work.

The FSB welcomes the objective of providing easier access to more flexible learning opportunities and also that all adults, regardless of age, are included.

3.5.1 Employers must play a part by providing information and intelligence about their current and future skills needs and working

If employers are being asked to provide information about future skills needs and working, there must be assurances about confidentiality. Assistance on how to assess these needs and structure recruitment information is particularly required for small and micro businesses.

3.5.2 We also need to raise awareness among employers in key markets about the opportunities and challenges of an ageing workforce, increased patterns of migration, emerging young entrants to the labour market and an increasingly ethnically diverse employee base. We need to support programmes aimed at encouraging employers to promote healthy workplaces and champion equality and diversity in the workplace.

We are pleased to see an acknowledgement of the demographic changes in our workforce in this Delivery Framework and welcome the proposal of support programmes. We hope they will not only focus on promoting healthy workplaces, equality & diversity, but be rolled out to include all areas where employers struggle to comply with and understand the various employment legislative initiatives aimed at protecting employees, which increasingly make employing staff more difficult.

4.1 Improving the evidence base for policy

4.1.1 Develop the evidence base needed to support regional strategies and delivery mechanisms

We support the work of the West Midlands Regional Observatory to develop economic modelling to measure and assess future economic trends for the region and ensure the strategy develops to address the changing dynamics of the economy.

4.1.2 Building understanding of what does and doesn't work by sharing experience and best practice

The FSB undertakes regular surveys on a wide range of small business issues and is happy to share published reports, on request, to add to the evidence base for the region.

4.2.1 Develop a network of strategic contacts, including the Regional Minister, capable of engaging with and influencing national government, the EU, other key strategic bodies and the broader business community

The FSB is pleased to note the WMBC at the top of the delivery partner list. We have a very good working relationship with this body and are fully supportive of their work. The FSB is a national organisation, which also operates at regional, sub-regional and local levels and has its own presence in Brussels.

The WMBC has been instrumental in developing the effective engagement between the various levels of government and the business sector and assisting the business sector speak with one voice on common issues, when possible. We feel it is crucial that business should be recognised for the critical and objective support it can give to regional partners such as GOWM, AWM, the West Midlands Regional Assembly, the West Midlands Local Government Association, and our elected representatives.

We welcome the inclusion of this objective and the recognition that the current framework operates effectively to the benefit of the West Midlands regional economy.

4.2.2 Use the networks to the benefit of the region by identifying areas for potential co-operation with neighbouring regions

Greater use of the West Midlands in Europe office should be made to ensure the opportunities for FP7 funding are widely advertised, and that assistance for accessing these funds is effectively communicated to all businesses, regardless of size.

4.3.1 Develop and implement a coordinated regional marketing and events strategy with support from key partners, which exploits all the region's branded assets and the developing West Midlands brand as appropriate

We note the reference to region's diversity and hope this also includes acknowledgement of the variety of business particularly in the small and micro business sectors that adds to the individuality of many areas. Many key attractions

rely on the small business sector; in particular, the hospitality sector. Small and micro businesses would wish to be able to fully contribute to promoting the West Midlands.

4.3.2 Position Birmingham as the region's capital, for the benefit of every part of the region

Our support for the positioning of Birmingham as the regional centre comes from our stance that this should happen for the benefit of the whole region and for Birmingham to be seen as the gateway to the region. We therefore support this objective as long as actions undertaken strive to build regional cohesiveness.