
Small Business Service

**Mapping of Government
Services for Small Business**

Final Report

A report prepared by

PACEC

For SBS

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Executive Summary

X1 Background

X1.1 In January 2004 the Small Business Service (SBS) appointed PACEC to carry out a project to map the main government services for small and medium enterprises (SMEs) in England. The project was designed to build on, and develop, the initial work carried out by the Cross Cutting Review (CCR) of Services to Small Businesses¹.

X1.2 The outputs of the project are aimed at helping SBS and the government departments develop more joined-up, effective and efficient services and where design and delivery and could be improved. The mapping was originally to include only the main government services provided in financial year 2003/04 that have a potential impact on small businesses, but now includes estimates of tax incentives and the SME share of vocational learning budget.

X2 Aims of Study

X2.1 The aims of the project, in summary, are:

- To provide an indication of the amounts of public money being spent on services to SMEs. The focus would be on central government, detailed mapping in three case study regions (covering all regional and local agencies), and headline mapping in the other non case study regions.
- To provide information, where available, on outputs ie the number of services, targeting and take-up.
- Work with SBS to design a process and techniques for collecting information from central government departments in the future.

X2.2 It was recognised at the outset that a broad definition of a service for SMEs was required to accommodate the variations used by different departments.

X2.3 The methodology used involved a desk study of previous research, meetings with the central government departments and key organisations, for example, Regional Development Agencies (RDAs), and Business Link Organisations (BLOs) and survey research via email using a customised proforma with systematic follow-up and discussions. Initial estimates of budgets made by departments in 2004 were verified by them through SBS in 2005. While information on overall and service budgets was obtained, the response to questions on the breakdown of budgets for running costs, overheads and marketing were lower.

¹ Cross Cutting Review of Government Services for Small Businesses, 2001

X3 Central Government

- X3.1 The key findings from central Government returns were:
- The total budget was £10.3 billion (2003/04) for the mapping exercise compared with a figure of £7.93 billion (2001/02) in the CCR.
 - The central Government budgets for business support programmes was £3,926m in 2003/04 excluding the EU budget (mainly CAP). The main budgets were with the national Learning and Skills Council (£1,672m) including budgets for vocational qualifications, DTI (£425m), DCMS (£336m), DWP / Job Centre Plus (£331m), Defra (£297m) and SBS (£271m).
 - This budget for programmes is larger than the figure identified in the CCR of £1,940m in 2001/02 when production subsidies provided by the EU are excluded, ie CAP. The main difference with 2003/04 is that 2001/02 did not include an estimation of the share of the national Learning and Skills Council budget for vocational qualifications that SMEs benefit.
 - The revised figure for the Cross Cutting Review estimate of spend on direct support provide to small businesses funded at the national (England) and regional level was £2.6 billion (2003/04) compared with £2.5 billion (2001/02).
 - The research with central government departments shows that there were some two-hundred-and-sixty-seven programmes based on the types of support. The range from a single advisory and information service for some departments to over fifty. In terms of objectives the most common programmes types were innovation, technology and design (20 percent) (mainly provided by DTI and SBS) and programmes to develop existing businesses and management practices (23 percent).

X4 Regional Funding and Delivery

- X4.1 The regions with the largest share of central government funding were the North West (17%) of budgets and Yorkshire and Humberside (15%). The lowest shares of just under a tenth were in the East, North East and South West.
- X4.2 When mapping services at the regional level a distinction was made between those organisations that funded and those that delivered services to SMEs. Some organisations can do both such as a Business Link operators (BLO) providing services as well as brokering or subcontracting services and Local Authorities. The key findings of the mapping at the regional level were:
- In most regions the BLOs collectively were the largest funders of business support for SMEs, followed by Regional Development Agencies. Generally the funders deliver few services themselves and sub-contract to other organisations to deliver them.
 - Amongst the delivery organisations, the Local Authorities, Enterprise Agencies/Development Companies and Chambers of Commerce usually have the largest budgets.
 - Net regional budgets² for business support of the four main funding agencies, RDAs, BLOs, Government Offices and LSCs, range from a total of almost £50m

² Excluding transfers between organisations.

in the smallest region (ie the East), to £120-130m in the largest regions (ie London, the North West, and West Midlands).

X5 Case Study Regions. Business Support Services

X5.1 The following findings are based on the three in depth case studies of the North East, West Midlands and Eastern Region.

- BLOs provided 14 percent of services identified in the case study regions. Enterprise Agencies and Local Authorities provided the greatest number of services, each representing one fifth of services.
- Most business support providers identified in the mapping provided primarily information/signposting and advice in the main.
- The majority of services were concerned with general business development (65 percent), followed by start up services (49 percent) and strategy/business planning (42 percent).
- Around a 40 percent of services are for all firms while 60 percent are targeted on specific types of firms, mainly micro businesses (up to 10 employees) and small firms (11 to 50 employees).
- Local Authority funding was the mostly commonly used source of funding, used for 33 percent of services, followed by European funds (ie European Regional Development Fund (ERDF) and European Social Fund (ESF) at 17 percent and 18 percent respectively) and Business Link funds (17 percent)
- Budgets varied significantly by type (focus) of service provided. The largest median budgets in 2003/2004 were for workforce development (£500k pa) and ICT support (£323k pa). The smallest budgets were for start ups (£75k pa) and for marketing and international trade (£99k pa).

X6 Non Case Study Regions. Business Support Services

X6.1 The nature of service delivery was similar to that in the case study regions shown above (i.e. information, advice, and consultancy) as was the type of services, and their targeting. Figures for the non case study regions only capture sources of funding from the four main funders (RDAs, BLOs, Government Offices and Local Skills Councils) and not funding from smaller organisations (e.g. Local Authorities).

X7 Total Budgets on Support for SMEs

X7.1 The total Government budget for support for SMEs in 2003/04 of £10.3 billion (see Table X1) consisted of central government programme budgets (£3,926m), finance through tax relief (£3,615m), the Common Agricultural Policy (CAP) (£2,398m) and the separate budgets of RDAs and Local Authorities.

X7.2 Table X1 provides comparison figures with the Cross Cutting Review, where they are available, showing an overall total of £7.9 billion. In some cases they are not directly comparable due to methodological differences between the CCR and the mapping study. The most significant difference being the inclusion of an estimate of the SME share of vocational learning, which is included in the LSC National figure in 2003/04

- X7.3 By applying the GDP deflator it is possible to adjust CCR figures to 2003/04 figures. The preferred estimate of government programme budgets (business support budgets and tax incentives) for CCR in 2003/04 money is about £5.4 billion.. This change is made up of actual increases in expenditure, provision of estimates by additional departments and agencies and differences in the methodologies used in the CCR and this mapping study.
- X7.4 The equivalent figure to the £2.5 billion Cross-Cutting Review figure expenditure on direct support to small business support is £2.6 billion.

Table X1 Government Budgets for Support for Small Businesses in 2003/04 and 2001/02, £ms

| | Department | 2003/04 | 2001/02 |
|--------------------------------------|---|---------------------------|---------------------------|
| Central Government Programme Budgets | Arbitration and Conciliation Advisory Service | 46 | NA ³ |
| | Department of Environment, Food and Rural Affairs (excluding CAP) | 297 ⁴ | 297 |
| | Department for Culture, Media and Sport | 336 ⁵ | 332 ⁵ |
| | Department for Education and Skills | 126 ⁶ | 138 |
| | Department of Trade & Industry | 425 | 275 ⁷ |
| | Department of Work & Pensions / Job Centre Plus | 331 | 71 |
| | HM Customs and Excise | NA | 31 |
| | Home Office | 6 | NA |
| | Inland Revenue | NA | 50 |
| | Learning and Skills Council (National) | 1672 ⁸ | NA |
| | Office of Science and Technology | 49 | NA |
| | Office of the Deputy Prime Minister | 10 | 107 |
| | Small Business Service | 271 | 349 |
| | UK Trade International | 81 | 44 |
| | European Commission (Structural Funds) | 276 | 227 |
| | European Investment Bank | - ⁹ | 19 |
| | Total | 3926 | 1940 |
| | Expenditure on direct small business support funded by central government and Regional Development Agencies using CCR approach (excludes Learning and Skills Council spend). | 2,614 | 2,514 |
| Tax Incentives ¹⁰ | Corporation Tax (20% Rate) | 2300 | NA |
| | Corporation Tax (Zero Rate) | 350 | NA |
| | SME R&D tax credit | 260 | NA |
| | Enterprise Investment Scheme | 180 | NA |
| | Venture Capital Trusts | 15 | NA |
| | EMI | 60 | NA |
| | VAT small traders | 450 | NA |
| | Total expenditure on SME focused tax reliefs | 3615 | 2590 |
| | Combined Business Support Services and Tax Incentives Expenditure (Preferred Figure) including regional spend | 7,901¹¹ | 5,104¹² |
| CAP | Common Agricultural Policy production subsidies | 2,398 | 2,823 |
| | Total including CAP production subsidies | 10,299 | 7,927 |

Source: PACEC, All Departments and HMT Tax Team

³ NA: Not available⁴ Figures are mainly for 2002/03⁵ Includes some organisations with different legal statuses, such as charities, which do not always charge for services and can receive ongoing support which may cover running costs.⁶ Does not include all skills programmes which benefit SMEs⁷ The Cross Cutting Review figure for 2001/02 includes DTI agencies such as ACAS within the DTI total.⁸ Includes budgets for vocational qualifications⁹ Part of European Commission budget above¹⁰ Excludes tax relief schemes not specifically aimed at SMEs.¹¹ Includes £360m for RDAs/Local Authorities¹² Includes £574m for the RDAs/Local Authorities

X8 Recommendations on further data gathering

- X8.1 In terms of collecting similar information in the future the SBS, and central government departments, (assuming sufficient commitment and resources) need to consider the following key components. First, to establish a high level Steering Group to scope aims, agree methods and ensure participation and responsiveness sufficiently in advance to enable Departments set in place in procedures to enable them to provide the required information. Like this study a regional dimension should be a key element. Second, to confirm the contacts in each organisation with responsibility for participation. Third, to review the core and non-core information required, assess whether it can be obtained, and whether it should become a requirement for departments to provide it. Fourth, to develop the method of information transfer (e.g. proforma, or questionnaires) and a system for minimising non-response. Fifth, to establish a database and system for verification, checking, estimation and analysis. At an early stage a review should be carried out with non-respondents especially in central government to determine the full reasons behind non-responses.
- X8.2 Whilst this study provides useful data on the budgets to be spent on services for SMEs and number of services funded, further work is required to understand the relative cost-effectiveness of different kinds of support.

1 Introduction and Aims

1.1 Overview

- 1.1.1 In January 2004 the Small Business Service (SBS) appointed PACEC to carry out research to map the main government services for small and medium enterprises (SMEs) in England. The project builds on work of the Cross Cutting Review (CCR) of Services for Small Businesses¹³ published in 2002. The Review was carried out by a government inter-departmental working group, which assessed the range of services for SMEs and in particular the funding by departments. The review's remit was to :
- a Examine the effectiveness and coherence of government services for small business, and
 - b Assess how these might be improved
- 1.1.2 The main findings and conclusions from the Cross Cutting Review were that excluding tax measures and the Community Agriculture Policy (CAP) payments the Government spends roughly £2.5 billion a year on a wide range of services for small firms. Approximately a third of this is spent on services which can be used by all SMEs and a third funds specific business support schemes for particular types of firms (for example, support for start-ups, growth firms or rural enterprises). The central government expenditure is approximately £2.0 billion per annum when the expenditure of Regional Development Agencies (RDAs) and Local Authorities is excluded from the total
- 1.1.3 The Review defines government services for small business very widely. They include advice on tax and regulation, employment, occupational health, safety and trading standards, as well as indirect support, for example through workforce development, and direct support through grants and subsidies and specific schemes.
- 1.1.4 The CCR recognised that it was difficult to estimate exactly what was being spent. The issue was complicated because some expenditure is incurred in pursuit of department's general objectives. Also at a regional and local level, there are different sources of finance for business support, different bodies carrying out different activities for different reasons and no mechanisms for judging value as a whole. The Review recommended, amongst other measures, that expenditure and services information on services should be collected and analysed in more detail by the Small Business Service (SBS) and HM Treasury and that the information collected by the RDAs on the demand for and supply of business services should be brought together by SBS. The information would enable better informed decisions on future spending on, for example, the balance between universal and specifically targeted services.

¹³ Cross Cutting Review of Government Services for Small Businesses, 2001

1.2 The Purpose of the Mapping Project

1.2.1 This mapping study is designed to update the figures in the CCR on the budget for SME support and the number of services provided. It attempts to identify with more clarity and in greater detail what the government spends on services for small firms. It was conceived in two main parts, these being:

- 1 Top down national information on the budgets in 2003/04 of the main central government departments which fund business support services for SMEs.
- 2 Bottom up regional information on the budgets in 2003/04 of regional and local organisations which fund business support services for SMEs.

1.2.2 The SBS also commissioned qualitative research to assess the experiences of a sample of firms who had used SME services. This was carried out by BRMB through case studies of sixteen small firms¹⁴.

1.2.3 The purpose of the project is to help SBS and the government departments develop more joined-up, effective and efficient services, provide further understanding of the mechanics of funding and delivery, the rationales for services, areas of overlap in delivery and funding, and where design and delivery could be improved. Hence the project will provide policy insights for SBS and other government departments, taking forward the initial work, which formed part of the CCR.

1.3 The Focus of the Project

1.3.1 The mapping was to include only the main government services that have a potential impact on small businesses across a range of business activities. For the purposes of this study they were defined as:

- Advice and support through Government funded organisations whether they are Business Link branded or not;
- The interface with agencies and businesses (such as ACAS, HSE, Inland Revenue, Customs and Excise, DfES, Job Centre Plus,) including advisory services provided;
- The interface with Government at the local level (which includes Unitary Authorities, Boroughs and County Councils), regional level (RDAs and Government Offices), and at the national level (through government departments) including advisory and training services.

1.3.2 It was recognised at the outset that a broad definition of a service for SMEs was required to accommodate the variations used by different departments.

1.3.3 The specific aims of the project in the brief were:

- 1 **To provide an indication of the amounts of public money being spent on services for SMEs within England.** The mapping will include, for example, the main Central Government Departments, regional agencies, non-departmental public bodies such as Learning and Skills Councils, and local government. The aims will be achieved by:

¹⁴ BRMB Qualitative Research on Firms, available on www.sbs.gov.uk.

- a Building on the work undertaken on central government budgets for the CCR of Government Services for Small Business;
- b Developing a list of services and providers against which spend can be mapped;
- c Working with SBS to design a process and techniques for collecting information through central government departments involving interviews and liaison with departments. This included the production of tailored proformas for the collection of data from each department;
- d Collating information at the regional level
 - Providing detailed mapping of regional organisations that primarily fund others to deliver services and the more local organisations that primarily deliver services within three diverse case study regions: the East of England, the West Midlands and the North East.
 - Providing headline mapping only in the other six regions through the main organisations that fund services.

The main funding organisations in the regions are, for example, RDAs, Government Offices, BLOs and LSCs, while others focus on delivery such as Local Authorities, Enterprise Agencies and Chambers. The BLOs vary in terms of delivery. Some deliver a small number of services. Others have moved towards funding other agencies and brokerage rather than direct delivery themselves.

- 2 **To provide information, where it is available, on the outputs** and areas of coherence and duplication. Outputs relate broadly to the profile of services, targeting and take-up if possible.

1.4 The Structure of the Report

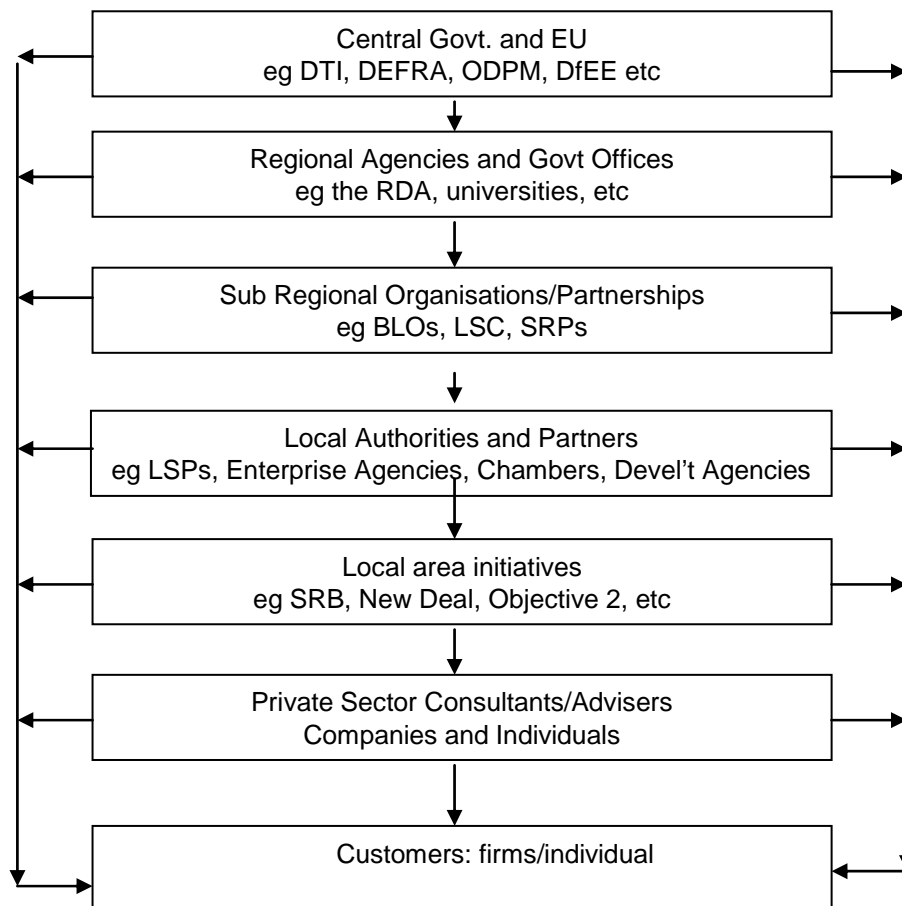
- 1.4.1 Within this context the report sets out the results of the mapping exercise. Following this introduction the report is structured in the following way. Chapter 2 describes the methodology used. Chapter 3 outlines the budgets of the main Central Government Departments. Chapter 4 sets out the budgets for SMEs at the regional level. Chapter 5 sets out the business support services at the regional level. The final chapter summarises the results and conclusions and suggests how financial data and information can be collected in the future.

2 The Approach and Methodology

2.1 The Initial Scoping Stage

- 2.1.1 As described in the introduction above the project covered the main central government departments, regional funders and delivery organisations in the case study regions and funders in non-case study regions. At the outset, a number of meetings were held with the steering group to scope the project and research programme. These covered insights into the Cross Cutting Review, previous research and reports including a pilot project carried out by PACEC for ONE NE¹⁵, and the development of an organisational framework illustrating the flow of funds for support services.
- 2.1.2 The organisational framework and the generic flow of funds for services is shown in Figure 2.1. It includes central government departments, the regional, local authority and local area initiatives (often parts of local authority areas or neighbourhoods) and subcontractors in the private sector. The latter are especially important in terms of the delivery of services. They have become increasingly part of the Business Link brokerage model arising from the reorganisation of Business Links in 2001. Funding reaches customers through the provision of free or partly subsidised services where firms may make a financial contribution.

¹⁵ ONE NorthEast. Audit of Business Support Agencies. 2002

Figure 2.1 Organisational Framework. The Flow of Funds for Services

- 2.1.3 Some central government departments deliver services directly to customers. A significant proportion of the funds also move down the hierarchy and in doing so they pass through an increasing number of agencies (which can number approximately 100-200 in each region) and often come together within individual services at the point of delivery. The range of subcontractors and training providers numbering 100-150 or more in each region with some operating nationally.
- 2.1.4 Appendix B illustrates the flow of funds for a generic Business Link Service, and the composition of funding for generic business services.
- 2.1.5 At the scoping meetings it was also recognised that it would be difficult to map outturn expenditure as it takes time for this to be tracked and agreed. Hence it was agreed to focus on budgets as an alternative to expenditure.

2.2 The Research Methodology

- 2.2.1 A generic approach was developed for the research with the central government departments and the regional and local organisations. There were core components

of the research with customisation to reflect the types of organisations involved. The main components of this are outlined below.

- a **Steering Group Meetings.** They covered the identification of organisations, contacts, and the design, and piloting of the survey research proformas (see below). There was ongoing liaison with the Steering Group to identify contacts and encourage responses from organisations/departments surveyed.
- b **A desk study.** This covered the results of previous research and analysis of databases and data provided by organisations. Some mapping exercises were underway locally and regionally which influenced the design of the project. Other publications were used such as the PESA¹⁶
- c **Interviews with Departments and Key Organisations.** The aims here were to scope services, arrive at a workable definitions of services in terms of the main service and potential components. For example, a general business development or start up service may include business planning, marketing and access to finance. The meetings were also used to identify contacts, check the availability of information and pilot the survey approach and proformas.
- d **Survey Research.** This consisted of the following main tasks:
 - **Establishing contacts.** Ongoing research to establish the contacts responsible for services, their delivery, scope and funding. This frequently involved a chain of delegation arising from the initial contacts. In the case study regions details of external sub-contractors used to deliver services were required for the survey.
 - **The survey proformas.** At the core of the project were two relatively short proformas for contacts to complete. The first covered each organisation, its total budget for services for SMEs and breakdown (eg inter-agency financial transfers/receipts, running costs and delivery), and programmes funded. The second dealt with the type of services delivered by the organisation, targeting, geographical coverage, planning, budgets and sources of funding and, take up of the service.

Respondents were encouraged to use business and delivery plans and to make estimates where appropriate to improve their response.
 - **Email of proformas and follow up.** The survey was administered by email, internet and website access with the contacts established and staff with delegated responsibilities. There was extensive follow-up and prompting together with interviews conducted by telephone to secure initial information and improve responses.
 - There was also a series of meetings with central government departments, RDAs, and Government Office staff to guide them on how to complete the proformas.
 - **The Database and Validation.** The responses formed a database which was systematically checked and verified especially for the financial information. The information obtained was validated by checking the returns and follow up with respondents. A desk study was also carried out of delivery plans etc where appropriate.

2.2.2 Appendix A shows the outline of the survey proformas used.

¹⁶ Public Expenditure Statistical Analysis. HMT. 2003/04

2.3 The Response

2.3.1 The main central government departments and agencies that provided information were as follows:-

- Arbitration and Conciliation Advisory Service (ACAS)
- Department for Culture, Media and Sport (DCMS)
- Department for Education and Skills (DfES)
- Department for the Environment, Food and Rural Affairs (DEFRA)
- Department for Work and Pensions (DWP)
- Department of Trade and Industry (DTI)
- HM Customs & Excise (HMCE)
- Inland Revenue (IR)
- Job Centre Plus (JC+)
- Learning and Skills Council Nationally (LSC Nat)
- Office of Science and Technology (OST)
- Office of the Deputy Prime Minister (ODPM)
- Small Business Service (SBS)
- The Home Office (HO)
- UK Trade and Investment (UKTI)

2.3.2 In total there were fifteen responses from central government covering those that participated in the Cross Cutting Review.

2.3.3 The response rates to the survey in the case study regions are shown below in Table 2.1. For the regional organisations that primarily fund services, the response rate is almost complete. Overall the response rates for the local organisations that primarily deliver services are slightly lower, but usually represent half or up to three quarters. This is to be expected given that the majority of these are small organisations with fewer resources. In total, for all areas, just over five hundred organisations were contacted with a response rate of approximately two-thirds and there was information on over twelve hundred individual services, which were characterised by the components within them.

Table 2.1 Response Rates by Type of Organisation Approached in Case Study Regions (%)

| | Case Study Regions | | |
|---|--------------------|---------------|------------|
| | East England | West Midlands | North East |
| Primarily Funding Organisations | | | |
| RDAs | 100 | 100 | 100 |
| Business Links | 100 | 100 | 100 |
| Government Offices | 100 | 100 | 100 |
| LSCs | 83 | 83 | 50 |
| Primarily Deliver Services | | | |
| Local Authorities | 57 | 81 | 82 |
| Local Strategic Partnerships | 67 | 83 | 100 |
| NDC Partnership and other Regeneration Partnerships | 50 | 60 | 75 |
| HE University /FE Colleges | 50 | 25 | 55 |
| Innovation Centre/Science Park | 54 | 39 | 80 |
| Enterprise Agency/Development Company | 50 | 22 | 80 |
| Chambers | 100 | 100 | 100 |
| Others | 58 | 37 | 56 |
| <i>Total</i> | <i>59</i> | <i>54</i> | <i>72</i> |

Source: PACEC

2.3.4 In the non-case study regions there were responses from all organisations. These were organisations that primarily fund others to deliver services ie RDAs, Business Links, as in Table 2.1.

2.3.5 Including central government, the case study and non case study regions, there were responses from almost five hundred organisations with information on almost twelve hundred services defined by their main purpose (for example, marketing or business planning).

2.4 Qualifications and Limitations

2.4.1 The responses varied depending on the type of information sought about the organisations and their services. Most organisations qualified by information provided in some way. For example, some the SMEs include those with different legal statuses, such as charities and / or social enterprises, and vary their employment. The response rates describing organisations' services and total budgets were relatively high but lower on other financial information, including budgets for specific services, especially the breakdown of budgets for overheads and marketing etc and the amount of funds from different sources. The responses to the two proformas was as follows:

- a **Organisation Proforma.** There was almost complete information on total budgets, receipts and delivery methods but very low responses on the breakdown of budgets for running costs/overheads and marketing costs.

For central government departments, the breakdown of budgets by region was available for approximately one third. There was a very low response on budgets/services related to PSA targets.

- b **Services Proforma.** There were high response rates covering the type of services delivered, targeting, geographical coverage and planning. Information on total service budgets was obtained for some fifty percent of services including the funding sources used. Responses were lower on the take-up of services and the amount of funding received from other organisations.

2.4.2 Most organisations returned proformas while a minority made separate written replies. Some organisations provided supporting information on funds such as overall budgets and business and delivery plans. A minority of organisations estimated or rounded their returns on budgets and take-up. This was especially the case for budgets for individual services and the sources of funding.

2.4.3 The response rate was built up by regular email and telephone contact with organisations following up the initial contacts and staff given delegated responsibility to complete proformas. This was an ongoing and systematised process. Gaps in returned proformas were filled especially to obtain total budgets, through liaison and accessing information in reports provided by respondents. Some estimates were made, in a small minority of cases, where, for example, total budgets needed to be derived from budgets for individual services. In the case study regions grossing up for total funding was required to cover some of the smaller, more local, organisations, where there was a lower response rate. This was carried out using the sample based budgets in returned proformas matched to non-responding organisations.

2.4.4 As a result of low response it has proved difficult to report on the breakdown of budgets for overheads and marketing and their relationship activities to PSA targets for central government.

2.4.5 The issues raised by the transfer of funding between agencies and partners means that there is some uncertainty related to total spending on services shown in the conclusions with an estimated variation of plus or minus 5 percent.

3 Central Government Departments

3.1 Overview

3.1.1 This section outlines the aims of government departments when providing services to SMEs, the budgets for the main central government departments in 2003/04 and comparisons with the Cross Cutting Review together with the services provided by the departments. For analysis purposes we have treated European funding as part of central government expenditure.

3.2 The Aims of Central Government

3.2.1 Not all departments or agencies have explicit aims when providing support services to SMEs. Approximately half of the departments approached had specific aims. These were primarily concerned with improving business success and growth, increasing productivity, and strengthening the capabilities and skills of firms. Table 3.1 shows the objectives of the key central government departments in providing services for small business.

Table 3.1 Stated Aims of Central Government Department and Agencies providing Services to Small Business

| Government Department | Aims of Providing Services to SMEs |
|---|---|
| Department of Trade & Industry | The DTI drives the government ambition of 'prosperity for all' by working to create the best environment for business success in the UK. It seeks to help people and companies become more productive by promoting enterprise, innovation and creativity. |
| Small Business Service | To champion a culture that prizes and fosters enterprise, and helps businesses start and develop as their capabilities grow. To make sure that government support services are accessible, relevant and of high quality. To make special efforts to release the enterprise of ethnic minority groups, women entrepreneurs and others who have potential to contribute to UK business. |
| UK Trade International | To help companies achieve overseas business success. |
| HM Customs and Excise | To improve the accuracy of tax declarations, and the levels of return and payment compliance, in line with the departmental VAT compliance strategy. To reduce compliance costs to small businesses. |
| Department of Environment, Rural Affairs and Food | To support the regeneration of rural communities; To support agriculture and food industry regeneration and development; To promote sustainable land management practices. |
| Inland Revenue | To ensure that small firms understand and receive what they are entitled to and that they understand what they pay and what they owe, so that they contribute to the UK's needs, |
| Department for Education and Skills | To raise the quality of management and leadership in small firms; and substantially improve the quality and scope of business support services, linking skills and productivity particularly for SMEs |
| Learning and Skills Council | To enable firms to train and upskill their people. This will support added value per employee or the productivity of employees |

Source: PACEC

3.3 The Central Government Budgets

3.3.1 Table 3.2 shows the total central government and departmental budgets in 2003/04 identified in the mapping exercise and in 2001/02 as set out in the CCR. The mapping exercise has identified a budget for programmes of £3,926m for 2003/04. The main budgets are with DTI (£425m), DCMS (£336m), DWP/Job Centre Plus (£331m), DEFRA (£297m) and SBS (£271m). There are much smaller budgets with HM Customs and Excise and the Home Office. The estimates include some organisations with different statuses, for example some charities and / or social enterprises. Some of those assisted may receive ongoing support (for example via continuing use of programmes such as training), which can cover some running costs.

- 3.3.2 The comparable budget for programmes in the CCR for 2001/02 was £1,940m, with the main departments being SBS (£349m), DCMS (£332m), DEFRA (£297m) and DTI (£275m). The DEFRA budget in the CCR includes Common Agricultural Policy (CAP) grants/subsidies for agricultural production which have been shown separately in Table 3.2.
- 3.3.3 The total budget for services for SMEs was £10,299m in 2003/04 and £7,927m in 2001/02 (ie the CCR). This includes budgets for programmes, tax incentives and the Common Agricultural Policy. Excluding the CAP funds the figures were £7,901m in 2003/04 and £5,104m in 2001/02. See Table 3.2.

Table 3.2 Central Government Budgets 2003/04 and 2001/02, £ms

| | Department | 2003/04 | 2001/02 |
|---|--|----------------------------|---------------------------|
| Programme Budgets | Arbitration and Conciliation Advisory Service | 46 | NA ¹⁷ |
| | Department of Environment, Food and Rural Affairs (excluding CAP) | 297 ¹⁸ | 297 |
| | Department for Culture, Media and Sport | 336 ¹⁹ | 332 ¹⁹ |
| | Department for Education and Skills | 126 ²⁰ | 138 |
| | Department of Trade & Industry | 425 | 275 ²¹ |
| | Department of Work & Pensions / Job Centre Plus | 331 | 71 |
| | HM Customs and Excise | NA | 31 |
| | Home Office | 6 | NA |
| | Inland Revenue | NA | 50 |
| | Learning and Skills Council (National) | 1672 ²² | NA |
| | Office of Science and Technology | 49 | NA |
| | Office of the Deputy Prime Minister | 10 | 107 |
| | Small Business Service | 271 | 349 |
| | UK Trade International | 81 | 44 |
| | European Commission (Structural Funds) | 276 | 227 |
| | European Investment Bank | - ²³ | 19 |
| | Total | 3926 | 1940 |
| | Tax Incentives ²⁴ | Corporation Tax (20% Rate) | 2300 |
| Corporation Tax (Zero Rate) | | 350 | NA |
| SME R&D tax credit | | 260 | NA |
| Enterprise Investment Scheme | | 180 | NA |
| Venture Capital Trusts | | 15 | NA |
| EMI | | 60 | NA |
| VAT small traders | | 450 | NA |
| Total expenditure on SME focused tax reliefs | | 3615 | 2590 |
| | Combined Business Support Services and Tax Incentives Expenditure (Preferred Figure) including regional spend | 7,901²⁵ | 5,104²⁶ |
| CAP | Common Agricultural Policy production subsidies | 2,398 | 2,823 |
| | Total including CAP production subsidies | 10,299 | 7,927 |

Source: PACEC, All Departments and HMT Tax Team

¹⁷ NA: Not available

¹⁸ Figures are mainly for 2002/03

¹⁹ Includes some organisations with different legal statuses, such as charities, who do not always charge for services and can receive ongoing support which may cover running costs.

²⁰ Does not include all skills programmes which benefit SMEs

²¹ The Cross Cutting Review figure for 2001/02 includes DTI agencies such as ACAS within the DTI total.

²² Includes budgets for vocational qualifications

²³ Part of European Commission budget above

²⁴ Excludes tax relief schemes not specifically aimed at SMEs.

²⁵ Includes £360m for RDAs/Local Authorities

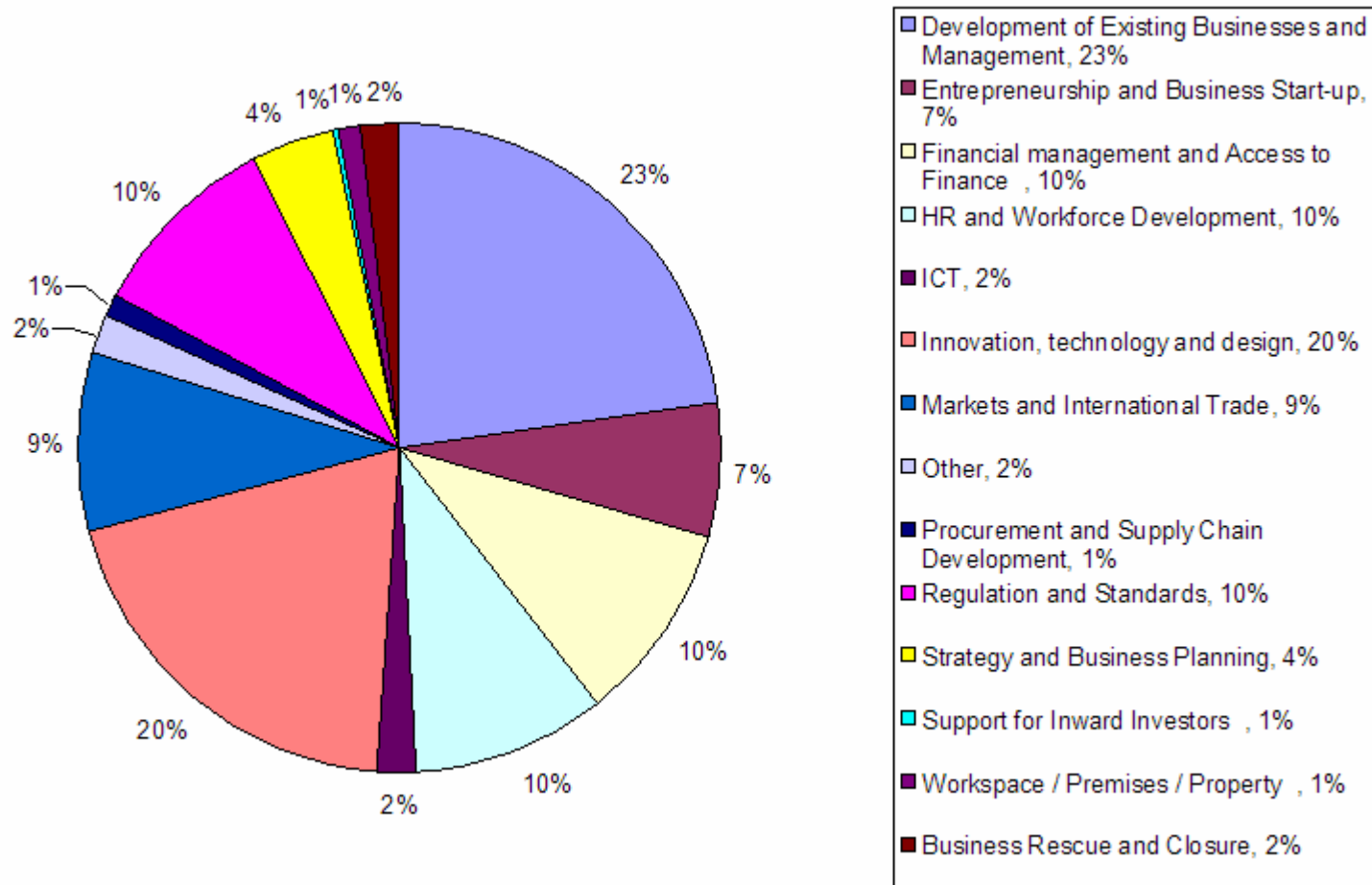
²⁶ Includes £574 m for the RDAs/Local Authorities

- 3.3.4 The difference in departmental totals between the two years reflects the transfer of roles and functions between them between the years 2001/02 to 2003/04 and the devolvement of funding and responsibilities to the RDAs and the inclusion of LSC funds for vocational qualifications in 2003/04. Some of the departmental budgets are not included in the CCR column in the table (Home Office, ACAS, and HMCE).
- 3.3.5 The central government budgets for the mapping exercise shown in Table 3.2 include some £70m of transfers between the departments in 2003/04. Hence the programme budget amounts to £3,856m. The equivalent figure for the CCR in 2001/02 is not available.

3.4 Central Government Business Support Services

- 3.4.1 The research with central government departments identify some two hundred and sixty seven services including the different components, or services, available to firms (and within them there can be a range of different projects, for example within Objective 2 or New Deal programmes and projects). The profile is shown in Figure 3.1. The main ones were generic services to develop existing businesses (23 percent), innovation, technology and design (20 percent, mainly the responsibility of DTI and SBS), financial management and access to finance (10 percent), regulations and standards (10 percent), and HR and workforce development (10 percent).

Figure 3.1 Breakdown of Central Government Departments Services to Small Businesses 2003/04 by Type of Support



Source: PACEC
(Numbers are rounded)

Table 3.3 The Profile of services offered by Central Government Departments, percentage and number of all services

| | % of services | Number of services |
|---|----------------------|---------------------------|
| Development of Existing Businesses and Management | 23 | 61 |
| Entrepreneurship and Business Start-up | 7 | 19 |
| Financial management and Access to Finance | 10 | 26 |
| HR and Workforce Development | 10 | 26 |
| ICT | 2 | 5 |
| Innovation, technology and design | 20 | 52 |
| Markets and International Trade | 9 | 24 |
| Other | 2 | 5 |
| Procurement and Supply Chain Development | 1 | 2 |
| Regulation and Standards | 10 | 26 |
| Strategy and Business Planning | 4 | 11 |
| Support for Inward Investors | <1 | 2 |
| Workspace / Premises / Property | 1 | 3 |
| Business Rescue and Closure | 2 | 5 |
| <i>Total</i> | <i>c 100</i> | <i>267</i> |

Source: PACEC

4 Budgets to Support Small Businesses at Regional Level

4.1 Introduction

4.1.1 This chapter covers budgets to support small businesses at the regional level. The budgets of Central Government, regional agencies and local agencies are included. In the case study regions budget data was collected from, and is presented for, the main funding agencies for business support (ie RDAs, BLOs, Government Office European Units, and LSCs) and local organisations that primarily deliver services. In the non-case study regions budget data was collected and is presented for the main funding agencies for business support.

4.1.2 To a greater or lesser extent in each region, the RDA, GO and LSCs, contract with or fund BLOs to broker, procure, manage, or deliver business support services. The information on budgets shows the budgets for each type of organisation (including transfers between organisations), and subsequently, the total net budgets having excluding transfers between organisations.

4.1.3 This chapter looks firstly at the regional allocation of the Central Government budgets for business support. It goes on to set out the regional agencies budgets in the case study regions and the contributions of the different agencies in each region. In the case study regions the total, maximum, minimum and average budgets of different types of agency are set out. The analysis is then repeated for the non case study regions. The final section looks at all nine regions in total.

4.2 Overview

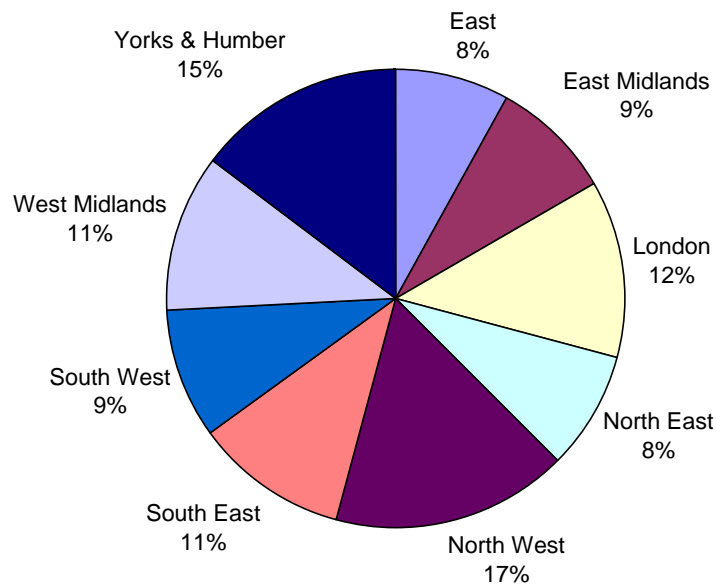
4.2.1 The direction of central government policy and expenditure for small business support is towards the northern regions. The North West and Yorkshire and Humber regions receive the greatest proportions of the Central Government budgets (including European Structural Funds). The total regional agency budgets identified in the nine regions, after de-duplicating for transfers between the main agencies, is £844 m. After de duplicating, London, the North West and West Midlands have the largest regional budgets for business support, closely followed by the North East and Yorkshire and Humberside.

4.2.2 BLOs are the largest funders overall and in most regions, followed by RDAs. LSCs are more significant funders in regions such as the South East and East with lower Structural and Regional Development Funding. Of the local and delivery organisations, enterprise agencies have the largest budgets.

4.3 The Regional Distribution of Central Government Budgets

4.3.1 Central Government budgets on small business support are being directed to the northern, less economically successful, regions. The North West and Yorkshire and Humber regions receive the greatest proportions of the Central Government budgets, 17 percent and 15 percent respectively, although they are not the largest regions in terms of the resident or business population (see Figure 4.1).

Figure 4.1 Central Government Departments. Budgets by Region 2003/04



Source: PACEC

4.3.2 The other regions received roughly between 8 percent and 12 percent each. (This allocation reflects but is not accounted for by the inclusion of European Structural Funds in the Central Government budget). The North East receives nine percent of the central government budget despite having only 3 percent of the business and 5 percent of the resident population. The south-east and London have relatively high shares of residents and businesses but low shares of the budget (see Table 4.1).

Table 4.1 Central Government regional budgets 2003-2004 and adults and businesses populations

| Region | Central Government Budgets | | Resident Adults | | SME Businesses | |
|----------------|----------------------------|------------|-------------------|------------|------------------|------------|
| | £m | % | | % | | % |
| East | 314.1 | 8 | 3,386,900 | 9 | 263,560 | 8 |
| East Midlands | 353.3 | 9 | 4,342,300 | 11 | 430,850 | 12 |
| London | 471.1 | 12 | 5,923,300 | 15 | 642,060 | 18 |
| North East | 353.3 | 8 | 2,045,400 | 5 | 98,960 | 3 |
| North West | 667.4 | 17 | 5,405,700 | 14 | 386,745 | 11 |
| South East | 392.6 | 11 | 6,455,300 | 16 | 682,380 | 20 |
| South West | 353.3 | 9 | 4,031,400 | 10 | 379,705 | 11 |
| West Midlands | 431.9 | 11 | 4,216,700 | 11 | 315,380 | 9 |
| Yorks & Humber | 588.9 | 15 | 3,986,700 | 10 | 278,400 | 8 |
| Total | 3926 | 100 | 39,793,600 | 100 | 3,478,035 | 100 |

Source: PACEC; SBS statistics team

4.4 Case Study Regions

4.4.1 There are some differences between the three case study regions in terms of the total budgets and those of the main regional funding agencies. The West Midlands has the largest budget of nearly £148m. The North East total is smaller at £125m, whilst the East of England has a substantially lower total budget of almost £60m.

Table 4.2 Estimated budgets of funding organisations 2003/4 (£000s)

| | East of England | West Midlands | North East |
|-----------------------------|-----------------|----------------|----------------|
| RDAs | 5,061 | 35,600 | 39,391 |
| BLOs | 36,135 | 57,539 | 28,824 |
| GOs (mainly European Units) | 3,963 | 42,470 | 50,494 |
| LSCs | 13,995 | 12,381 | 6,600 |
| Total | 59,154 | 147,990 | 125,309 |

Source: PACEC

4.4.2 To a greater or lesser extent in each region, the RDAs, GOs and LSCs contract with, or fund, BLOs to broker, procure, manage, or deliver business support services. Hence a significant proportion of funding is routed through BLOs by these regional agencies. The 'duplicated' income, which is transferred between regional agencies can be up to approximately 20 percent of the regional totals shown above. Table 4.3 shows the budgets for the main funding organisations with funds de-duplicated in terms of the transfers between the organisations. The de-duplicated totals are £49m for the East of England, £121m for the West Midlands, and £113m for the North East.

Table 4.3 Case study regions. Estimated budgets for primarily funding organisations for 2003/04 (£000s)

| Primarily Funding Organisations | Case Study Regions | | |
|---------------------------------|--------------------|----------------------|-------------------|
| | <i>East</i> | <i>West Midlands</i> | <i>North East</i> |
| RDAs | 5,061 | 35,600 | 39,391 |
| BLOs Total | 36,135 | 57,539 | 28,824 |
| GOs (mainly European Unit) | 3,963 | 42,470 | 50,494 |
| LSCs | 13,995 | 12,381 | 6,600 |
| Local Authorities | 3,220 | 5,278 | 10,642 |
| Total | 62,374 | 153,268 | 135,951 |
| Duplicate income | 13,602 | 32,206 | 23,444 |
| De Duplicated Total | 48,772 | 121,062 | 112,507 |

Source: PACEC

- 4.4.3 The composition of funding for business support from the main funding agencies is slightly different in the three regions. In the East and the West Midlands, the BLOs collectively have the largest budgets for business support. In the North East, the Government Office European Unit (through ERDF and ESF) has the largest budget, followed by the RDA. The LSCs have the lowest budget of the main agencies in the West Midlands and North East, but the second largest budget in the East of England where RDA and Government Office European Unit funding is limited.
- 4.4.4 Amongst the delivery organisations, the Local Authorities, Enterprise Agencies/Development Companies and Chambers of Commerce usually have the largest budgets. Table 4.4 to Table 4.6 show the total budgets for each case study region and the budgets for each type of organisation.

East of England

- a **The Primarily Funding Organisations.** Business Links collectively are the largest funders at £36m, with the largest budget being £12m and the smallest £3.16m. The collective LSC funding in this region is above that for the RDA and Government Office.
- b **Delivery Organisations.** The enterprise agencies have the largest budgets, £5.8m, followed by Local Authorities with £3.2m.

Table 4.4 East of England. Estimated budgets of funding and delivery organisations for 2003/04 (£000s)

| Primarily Funding Organisations | Total | Min | Max | Average |
|---|--------|-------|--------|------------------|
| RDA | 5,061 | n/a | n/a | n/a ² |
| BLOs | 36,135 | 3,161 | 12,000 | 6,023 |
| GO (mainly European Unit) | 3,963 | n/a | n/a | n/a |
| LSCs | 13,995 | 297 | 8,278 | 2,333 |
| Total ¹ | 59,154 | - | - | - |
| Delivery Organisations | | | | |
| Enterprise Agency/Development Companies | 5,825 | 45 | 2,000 | 388 |
| Chambers of Commerce | 2,500 | 1,200 | 1,300 | 1,250 |
| Local Authorities | 3,220 | 5 | 500 | 91 |
| LSPs | 75 | 75 | 75 | 75 |
| NDC Partnership and other Regeneration Partnerships | 337 | 25 | 89 | 56 |
| HE / FE Colleges | 3,145 | 20 | 2,500 | 393 |
| Other | 4,198 | 10 | 341 | 86 |
| East Total ¹ | 78,454 | - | - | - |

Source: PACEC

¹ Not de duplicated

² Not applicable as only one organisation per region

West Midlands

- a **The Primarily Funding Organisations.** The RDA is the largest single funding organisation at approximately £35.6m. Collectively the BLOs are the largest funders at £57.5m, with the largest BL budget being £17m and the smallest £4.8m.
- b **Delivery Organisations.** The enterprise agencies have the largest budget ie £8.7m followed by the HE and FE colleges at £7.9m.

Table 4.5 West Midlands. Estimated budgets of funding and delivery organisations for 2003/04, (£000)

| Primarily Funding Organisations | Total | Min | Max | Average |
|---|--------------|------------|------------|------------------|
| RDA | 35,600 | n/a | n/a | n/a ² |
| BLOs | 57,539 | 4,800 | 17,000 | 11,508 |
| GO (mainly European Unit) | 42,470 | n/a | n/a | n/a |
| LSCs | 12,381 | 440 | 4,792 | 2,064 |
| Total ¹ | 147,990 | - | - | - |
| Delivery Organisations | | | | |
| Enterprise Agency/Development Companies | 8,745 | 15 | 8,000 | 1,458 |
| Chambers of Commerce | 750 | 250 | 500 | 375 |
| Local Authorities | 5,278 | 1 | 1,000 | 123 |
| LSPs | 450 | 100 | 150 | 113 |
| NDC Partnership and other Regeneration Partnerships | 305 | 50 | 155 | 76 |
| HE / FE Colleges | 7,939 | 50 | 7,339 | 1,985 |
| Innovation Centre/Science Parks | 3,915 | 15 | 1,700 | 301 |
| Other | 3,595 | 5 | 900 | 144 |
| WM Total ¹ | 178,967 | | | |

Source: PACEC

¹ Not de duplicated

² Not applicable as only one organisation per region

The North East

- a **The Primarily Funding Organisations.** The Government Office in the North East is the largest funder at £50m followed by the RDA at £39m. The BLOs have a collective budget of £28m, with a maximum of £13m and a minimum of £4.7m.
- b **Delivery Organisations.** The enterprise agencies have the largest budget £18.2m followed by the Local Authorities £10.6m.

Table 4.6 North East. Estimated budgets of funding and delivery organisations for 2003/04, £000

| Primarily Funding Organisations | Total | Min | Max | Average |
|---|--------------|------------|------------|------------------|
| RDA | 39,391 | n/a | n/a | n/a ² |
| BLOs | 28,824 | 4,728 | 13,032 | 7,206 |
| GO (mainly European Unit) | 50,494 | | | |
| LSCs | 6,600 | 2,872 | 3,727 | 3,300 |
| Total ¹ | 125,309 | - | - | - |
| Delivery Organisations | | | | |
| EA / DCs ³ | 18,167 | 8 | 6,900 | 908 |
| Local Authorities | 10,642 | 15 | 1,900 | 591 |
| NDC Partnership and other Regeneration Partnerships | 4,080 | 44 | 3,150 | 510 |
| HE / FE Colleges | 8,416 | 100 | 4,724 | 1,403 |
| Other | 13,122 | 5 | 6,000 | 1,458 |
| NE Total ¹ | 179,736 | | | |

Source: PACEC

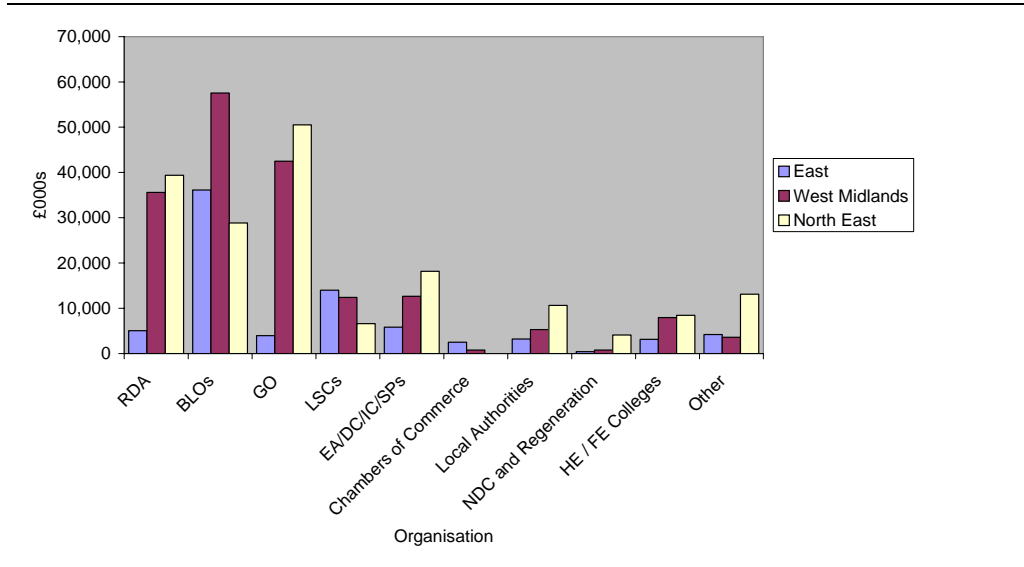
¹ Not de duplicated

² Not applicable as only one organisation per region

³ Includes innovation centres/science parks

4.4.5 Figure 4.2 brings together the estimated budgets for all organisations in the case study regions. The budgets reflect the totals in the tables above.

Figure 4.2 Estimated budgets of organisations providing or funding business support in case study regions.



Source: PACEC

4.5 Non Case Study Regions

4.5.1 There is a dichotomy among the non case study regions in terms of the total budgets of the main funding agencies. The North West, Yorkshire and Humberside, and London all have total budgets in excess of £140m. In comparison the other three regions have budgets of between £77m and £88m.

4.5.2 Table 4.7 shows the budgets for businesses support services of the RDA and Government Office and the aggregate budgets of the BLOs and LSCs in the non-case study regions.

Table 4.7 Estimated budgets of funding organisations for 2003/04 in non case study regions (£000s)

| | East Midlands | London | North West | South East | South West | Yorks & Humberside |
|--|---------------|----------------|----------------|---------------------|---------------|--------------------|
| Primarily Funding Organisations | | | | | | |
| RDA's | 30,722 | 69,700 | 43,000 | 23,700 ¹ | 15,678 | 46,800 |
| BLOs Total | 23,811 | 39,000 | 59,101 | 41,930 | 33,005 | 61,863 |
| GOs (mainly European Unit) | 12,319 | 21,000 | 30,000 | 1,000 | 22,854 | 23,660 |
| LSCs | 10,440 | 13,700 | 16,040 | 20,920 | 11,960 | 11,960 |
| Total | 77,292 | 143,400 | 148,141 | 87,550 | 83,497 | 144,283 |
| Duplicate income | 6,522 | 11,896 | 29,817 | 10,928 | 11,757 | 39,123 |
| De Duplicated Total | 70,770 | 131,504 | 118,324 | 76,622 | 71,740 | 105,160 |

Source: PACEC

4.5.3 When the total budgets are de-duplicated for transfers between the RDA, GO and LSCs and BLOs in the region, London is shown to have the largest net budget for business support, of almost £132m (and also the lowest proportion of transfers between agencies). The North West, £118m, and Yorkshire and Humberside, £105m, have the next largest overall de-duplicated budgets for business support services.

4.5.4 In most regions the BLOs are the largest funders of services, followed by the RDA. The exceptions are London and the East Midlands, where the RDAs claimed a relatively larger budget. The Government Offices are the third largest funder, contributing around 20% of the total budget in all regions apart from the South East, where eligible locations for assistance are relatively small. In the South East the LSCs were the third largest funder.

4.6 Regional budgets for all regions

4.6.1 Total budgets of the main funding organisations in all nine regions are just over £1,000m. Excluding transfers between the main agencies the de-duplicated budget for all regions is £844m.

4.6.2 See Table 4.8 below which also shows the total budgets of the main funders in all regions.

4.6.3 Overall, BLOs are the largest funders of business support services with a collective budget of £381m, followed by the RDAs with a collective budget of £310m. Business Link operators in particular have income streams from several sources in addition to their core funding from SBS (or the RDA in pilot management regions). The main other sources for Business Link operators are European and Regeneration Funds, RDA funding, contracts with the LSC to deliver workforce development, and customer fee income.

4.6.4 Total regional budgets, excluding transfers, for business support range from a total of £46.9m in the smallest region (the East) to £117-131m in the largest regions (London, the North West, and West Midlands) (see Table 4.8)

Table 4.8 Estimated budgets of primarily funding organisations for all regions and de duplicated total budgets, 2003/04, £000s

| | Total Regional Budgets | RDAs | BLOs Total | GOs (mainly European Unit) | LSCs | Duplicated income | De duplicated regional total |
|----------------------------|------------------------|----------------|----------------|----------------------------|----------------|-------------------|------------------------------|
| East ¹ | 59,154 | 5,061 | 36,135 | 3,963 | 13,995 | 12,242 | 46,913 |
| West Midlands ¹ | 147,990 | 35,600 | 57,539 | 42,470 | 12,381 | 30,869 | 117,121 |
| North East ¹ | 125,309 | 39,391 | 28,824 | 50,494 | 6,600 | 19,800 | 105,509 |
| East Midlands | 77,292 | 30,722 | 23,811 | 12,319 | 10,440 | 6,522 | 70,770 |
| London | 143,400 | 69,700 | 39,000 | 21,000 | 13,700 | 11,896 | 131,504 |
| North West | 148,141 | 43,000 | 59,101 | 30,000 | 16,040 | 29,817 | 118,324 |
| South East | 87,550 | 23,700 | 41,930 | 1,000 | 20,920 | 10,928 | 76,622 |
| South West | 83,497 | 15,678 | 33,005 | 22,854 | 11,960 | 11,757 | 71,740 |
| Yorkshire & Humber | 144,283 | 46,800 | 61,863 | 23,660 | 11,960 | 39,123 | 105,160 |
| Total | 1,016,617 | 309,652 | 381,207 | 207,760 | 117,997 | 172,953 | 843,664 |

¹Includes adjustment for local agencies in case study regions

Source: PACEC

4.6.5 The Local Authorities are the other main funders of business services in addition to the organisations shown in Table 4.8. The estimate of additional Local Authority funding is approximately £50m. This is grossed up based on the figures shown in Table 4.3 for the case study regions.

5 Business Support Services at Regional Level

- 5.1.1 This chapter sets out the characteristics of the services at a regional level. It examines the specific business services, for example, development of existing businesses, strategy and business planning, or marketing; the targeting of services towards particular types of business; the geographical coverage; the sources of funding for individual services in 2003/04; and the service budgets.
- 5.1.2 The first section examines the case study regions. The research in these three regions covers the full range of funding and delivery agencies. In the non case study regions the research covers the primary funders, ie the RDAs, BLOs, GOs and LSCs.

5.2 Overview

- 5.2.1 Some eight hundred services were identified in the three case study regions taking the components in each. Enterprise Agencies/Development Companies and Local Authorities deliver the greatest number of services. Most types of delivery organisation offer generalist services, such as the development of existing businesses and management or support to start a business. There are some exceptions to this, depending on the type of organisation.
- 5.2.2 Although BLOs and RDAs have the largest budgets for business support Local Authority funding is the most frequently used source of funding for individual services in the case study regions. The budgets for individual business support services vary significantly, from a minimum budget of just £1,000 to a maximum of £8.5m. General development of existing businesses and management services have the greatest total budgets. HR and workforce development and ICT have the largest average budgets.

5.3 Case Study Regions. Business Support Services

- 5.3.1 The research in case study regions included the Government Offices, RDAs, BLOs, LSCs and the range of local delivery organisations. There were some eight hundred services in the three case study regions. Enterprise Agencies/Development Companies and Local Authorities deliver the greatest number of services. These local agencies each deliver one fifth of services. BLOs offer the next greatest number of services with around 14 percent of services. Table 5.1 shows the percentage of services being delivered by the different organisations.

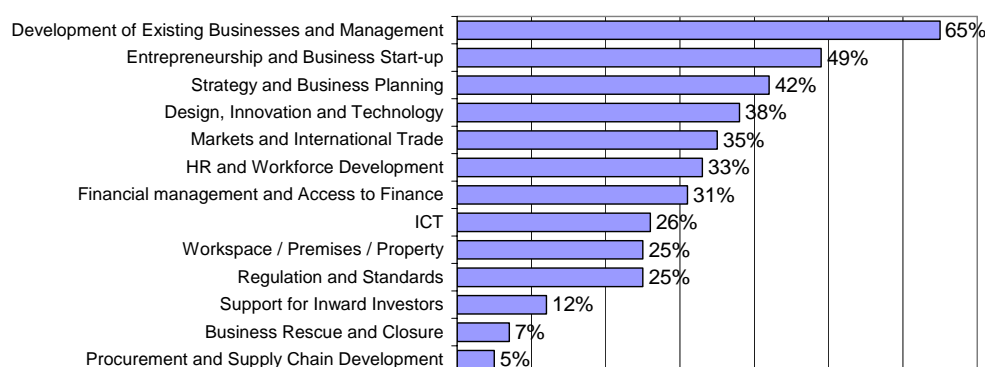
Table 5.1 The share of services delivered by different types of organisations (%)

| | % |
|--|-----|
| GOs and RDAs | 1 |
| LSCs | 2 |
| BLOs | 14 |
| Local Authorities | 20 |
| HE/ FE College | 12 |
| Enterprise Agencies / Development Companies and Chambers | 21 |
| Innovation Centres etc | 3 |
| Regeneration Partnerships | 5 |
| Other | 22 |
| | 100 |

Source: PACEC

5.3.2 Support to small businesses can be delivered in a variety of ways. The most frequently used methods are information / signposting, and advice, which are included in two thirds of services. Other methods of support are consultancy, 51 percent of services, and training, 35 percent. Financial support is offered in 25 percent of services, usually through a grant.

5.3.3 Each business support service may offer support in several aspects of business, for example, business planning and marketing and have different components, which can be used indirectly by firms. Figure 5.1 includes all the components of support, which is available within services.

Figure 5.1 Profile of services provided in case study regions by type of support provided (all components)

Source: PACEC

5.3.4 The majority of services are for general business development and management (65 percent), followed by promoting entrepreneurship and start-up services (49 percent) and strategy development/business planning (42 percent). The main individual and more specific services are for innovation, HR and workforce development, and

marketing. This is generally the case across all case study regions as shown in Table 5.2.

Table 5.2 Comparison of services provided in case study regions by type of service (percentage of all services)

| | <i>Percentage of all services (by region)¹</i> | | | |
|---|---|-------------|-------------|-----------|
| | <i>Total</i> | <i>East</i> | <i>WMid</i> | <i>NE</i> |
| Development of Existing Businesses and Management | 65 | 81 | 56 | 61 |
| Entrepreneurship and Business Start-up | 49 | 66 | 59 | 40 |
| Strategy and Business Planning | 42 | 49 | 30 | 43 |
| Design, Innovation and Technology | 38 | 35 | 37 | 39 |
| Markets and International Trade | 35 | 31 | 33 | 36 |
| HR and Workforce Development | 33 | 34 | 17 | 37 |
| Financial management and Access to Finance | 31 | 32 | 22 | 33 |
| ICT | 26 | 24 | 18 | 29 |
| Regulation and Standards | 25 | 44 | 24 | 19 |
| Workspace / Premises / Property | 25 | 25 | 21 | 26 |
| Support for Inward Investors | 12 | 15 | 10 | 11 |
| Business Rescue and Closure | 7 | 27 | 10 | 0 |
| Procurement and Supply Chain Development | 5 | 17 | 12 | 0 |
| Other | 13 | 14 | 14 | 12 |

¹ Percentages in this table sum to more than 100 as respondents were able to choose multiple answers. A number is shown in bold where, taking into account the margin of error due to sampling, we are 95% certain that it is different from the number in the left hand total column (using a Chi-Squared statistical test). Source: PACEC Survey

5.3.5 The service portfolio of most types of delivery organisations reflects the general pattern of services (see Table 5.3). For each type of organisation it shows the percentage of services, which offer support for a particular activity. There are some variations to the general pattern. More Government Office and RDA services support design, innovation, and technology, and HR and workforce development. The LSCs focus on HR and workforce development and the general development of existing businesses. Business Link services provide more strategy and business planning services. Innovation Centres / Science Parks (ICs/SPs) offer mostly specific services for starting up a business (96 percent of services). The HE / FE Colleges (ie education in Table 5.3 below) offer mainly innovation and technology services and support with developing new products (62 percent of services).

Table 5.3 The profile of services offered in the case study regions by organisation (percentage of all services)

| | <i>Percentage of all services (by organisation)¹</i> | | | | | | | | | |
|---|---|----------------------------|-----------|-----------|-----------|-----------|------------|------------|-------------------------------------|--|
| | Total | GOs ² , RDAs | LSCs | BLOs | LAs | HE / FE | EAs DCs | ICs SPs | Regene ration Partner ship | |
| Development of Existing Businesses and Management | 65 | 33 | 79 | 76 | 60 | 45 | 75 | 87 | 51 | |
| Entrepreneurship and Business Start-up | 49 | 33 | 7 | 45 | 53 | 34 | 59 | 96 | 44 | |
| Strategy and Business Planning | 42 | 33 | 14 | 63 | 29 | 35 | 57 | 35 | 28 | |
| Design, Innovation and Technology | 38 | 67 | 7 | 41 | 19 | 62 | 38 | 48 | 13 | |
| Markets and International Trade | 35 | 17 | 7 | 48 | 25 | 26 | 39 | 22 | 28 | |
| HR and Workforce Development | 33 | 50 | 93 | 43 | 28 | 31 | 32 | 22 | 18 | |
| Financial management and Access to Finance | 31 | 17 | 7 | 42 | 27 | 23 | 48 | 22 | 13 | |
| ICT | 26 | 17 | 0 | 35 | 20 | 26 | 32 | 26 | 15 | |
| Regulation and Standards | 25 | 33 | 14 | 35 | 25 | 19 | 25 | 17 | 15 | |
| Workspace / Premises / Property | 25 | 0 | 0 | 17 | 41 | 10 | 29 | 57 | 26 | |
| Support for Inward Investors | 12 | 17 | 7 | 8 | 20 | 2 | 17 | 13 | 10 | |
| Business Rescue and Closure | 7 | 0 | 0 | 13 | 7 | 0 | 10 | 26 | 5 | |
| Procurement and supply Chain Development | 5 | 17 | 0 | 12 | 5 | 2 | 4 | 17 | 3 | |
| Other | 13 | 17 | 0 | 8 | 14 | 9 | 13 | 17 | 13 | |

¹ Percentages in this table sum to more than 100 as respondents were able to choose multiple answers. A number is shown in bold where, taking into account the margin of error due to sampling, we are 95% certain that it is different from the number in the left hand total column (using a Chi-Squared statistical test).

²GOs / RDAs (Government offices and RDAs), LSCs (Learning and Skills Councils), BLOs (Business Links), LAs (Local Authorities), HE / FE (Higher and Further Education), EAs/ DCs (Enterprise Agencies, Development Companies and Chapters), ICs / SPs (Innovation Centres and Science Parks), Regeneration Partnership.

Source: PACEC Survey

5.3.6 Service budgets may give a more accurate indication of the scale of the services available than a simple count of services, however it is necessary to allocate the service budgets according to one main element of the service rather than the components. The general development of existing businesses and management services and start-up services has the highest budget. HR and workforce development and ICT have a greater percentage of the total service budget than they represent as a percentage of all services. Table 5.4 shows the profile of services with the percentage of the total service budgets in the first column. For comparison the second column in the table shows the equivalent percentage of all services (where the main element defines the service).

Table 5.4 The profile of budgets in the case study region by type of service (percentage of total service budgets allocated to each main service)

| | % of total service budgets | % of all services |
|---|----------------------------|-------------------|
| Development of Existing Businesses and Management | 30 | 33 |
| Entrepreneurship and Business Start-up | 22 | 28 |
| HR and Workforce Development | 17 | 6 |
| ICT | 12 | 2 |
| Design, Innovation and Technology | 5 | 7 |
| Strategy and Business Planning | 3 | 4 |
| Markets and International Trade | 3 | 5 |
| Workspace / Premises / Property | 2 | 3 |
| Support for Inward Investors | 2 | 1 |
| Financial management and Access to Finance | 1 | 1 |
| Regulation and Standards | 1 | 3 |
| Other | 4 | 7 |

Due to low responses in the main service areas of business rescue and closure and procurement budget figures have been excluded.

Source: PACEC Survey

- 5.3.7 Around a 40 percent of services are for all firms while 60 percent are targeted on specific types of firms, accounting for 68 percent of service budgets. BLOs and local authorities undertake the least targeting of services with around fifty percent of their services targeted at specific businesses.
- 5.3.8 Services are targeted mostly at micro businesses and small firms. In terms of the sectors targeted (accounting for 22 percent of services), manufacturing, recreation and leisure, communications and construction, and business services (especially ICT and creative industries) are the main sectors. With regard to social groups, young people, women and BME owner/managers feature more strongly. Table 5.5 shows the percentage of the services targeted at particular types of businesses or business owner as a percentage of all the services, which are targeted. 60% of all services identified were targeted.

Table 5.5 Breakdown of targeted services by particular types of businesses or social groups (%)

| | <i>Percentage of targeted services¹</i> |
|--|--|
| | Total |
| Size | |
| Micro-businesses (Up to 10 employees) | 60 |
| Small businesses (11 to 50 employees) | 54 |
| Medium businesses (51 – 250 employees) | 43 |
| Stage | |
| Pre-start and start-ups | 42 |
| Firm with growth potential | 37 |
| Owners | |
| Firms owned by young people | 33 |
| Women business owner | 31 |
| Black & minority ethnic businesses | 30 |
| Owners with a disability | 26 |
| Older owners | 25 |
| Family businesses | |
| Area | |
| Businesses in deprived areas | 27 |
| Rural businesses | 9 |
| Urban businesses | 26 |
| Sector | |
| 'Green' businesses | 24 |
| Social / community enterprises | 21 |
| Sectors | 22 |
| Other | 8 |

¹Percentages in this table sum to more than 100 as respondents were able to choose multiple answers
Source: PACEC Survey

- 5.3.9 See Appendix C for further details of targeting by social group and sector. An estimate of the take-up and cost per business assisted in the regional case studies is also shown in this appendix.
- 5.3.10 Of the delivery organisations the education sector (ie HE / FE Colleges) targets its services more than the others with 80 percent of services being targeted at small and micro businesses and those with growth potential. Enterprise agencies are more likely than other delivery organisations to target particular social groups such as women.
- 5.3.11 One third of services are delivered for firms at a sub-regional or county level. This probably shows the influence of Business Links. Almost a third of services are delivered at a local authority district level such as those delivered by Enterprise Agencies and Local Authorities. Equally these are delivered at a regional level such as those delivered by HE/FE colleges. Neighbourhood delivery is used for a very

small minority of services. Table 5.6 shows the percentage of services which are delivered at different spatial levels and the breakdown for the case study regions.

Table 5.6 Geographical area for the delivery of services identified in case study regions (percentage of all services identified)

| | <i>Percentage of all services (by region)</i> | | | |
|--------------------------|---|-----------|---------------|------------|
| | Total | East | West Midlands | North East |
| Sub-regional / County | 33 | 48 | 25 | 30 |
| Local Authority District | 31 | 27 | 43 | 30 |
| Regional | 30 | 19 | 16 | 37 |
| National | 2 | 2 | 9 | 0 |
| Local / Neighbourhood | 2 | 5 | 6 | 0 |
| Areas outside the region | 2 | 0 | 0 | 4 |

A number is shown in bold where, taking into account the margin of error due to sampling, we are 95% certain that it is different from the number in the left hand total column (using a Chi-Squared statistical test)
Source: PACEC Survey

5.3.12 The previous chapter showed which agencies provide the most funding for business services. This section looks at which agencies provide funding to the greatest number of services, ie respondents were asked for the sources of funding for each service. This shows that the agencies funding the greatest number of services are not those with the largest budgets, ie BLOs, and RDAs. Local Authority funding is the most frequently used source of funding for individual services (33 percent) followed by European funds (ERDF and ESF) which are transferred primarily via the Government Offices, (17 percent and 18 percent). The primary reason for this is that there are many small delivery organisations bidding for funding from these sources. Table 5.7 shows for each of the funding sources the percentage of services which receive funds.

Table 5.7 Sources of funding for services identified in case study regions (percentage of all services receiving some funding from each source)

| | <i>Percentage of all services (by region)¹</i> | | | |
|-------------------------|---|-----------|---------------|------------|
| | Total | East | West Midlands | North East |
| Local Authority | 33 | 37 | 12 | 41 |
| ESF | 18 | 22 | 16 | 11 |
| ERDF | 17 | 12 | 21 | 21 |
| Business Link | 17 | 21 | 19 | 7 |
| Own Funds / Core Funds | 17 | 13 | 1 | 34 |
| Fees/Charges to Users | 15 | 14 | 14 | 15 |
| SBS | 11 | 14 | 15 | 3 |
| SRB | 11 | 2 | 8 | 26 |
| RDA Single Programme | 7 | 4 | 7 | 11 |
| RDA Other | 7 | 6 | 11 | 7 |
| Government Office | 6 | 6 | 11 | 1 |
| LSC | 4 | 6 | 3 | 2 |
| DEFRA | 3 | 2 | 7 | 3 |
| DTI | 2 | 3 | 3 | 1 |
| UK Trade and Investment | 2 | 2 | 1 | 1 |
| NDC | 2 | 0 | 5 | 1 |
| English Partnerships | 1 | 1 | 0 | 1 |
| ODPM | 1 | 0 | 4 | 1 |
| UK Online | 1 | 1 | 0 | 1 |
| UK Online for Business | 1 | 0 | 1 | 1 |
| NRF | 1 | 0 | 1 | 2 |
| Other Regeneration | 1 | 0 | 3 | 2 |

¹ Percentages in this table sum to more than 100 as respondents were able to choose multiple answers. A number is shown in bold where, taking into account the margin of error due to sampling, we are 95% certain that it is different from the number in the left hand total column (using a Chi-Squared statistical test). Source: PACEC Survey

- 5.3.13 The budgets for individual business support services vary significantly, from a minimum budget of just £1000 to a maximum of £8.5m. This reflects differences in the size, remit and geographical coverage of delivery organisations and the services. For example a large Business Link in an urban area may have a much larger budget for business start up support compared to a small, local regeneration organisation with a project to support new business start-ups, BMEs or young people.
- 5.3.14 As was suggested by Table 5.8, the largest median budgets are for workforce development and HR (£500k pa) and for ICT support services (£323k pa). The smallest median budgets are for design, innovation and technology (c £50.5k pa), and entrepreneurship and business start-up (£75k pa). The largest individual service budgets identified were for developing existing businesses (£8.5m), and business entrepreneurs/start-ups (£8m). The smallest individual service identified budgets

were also for business start-ups (£1,000) and the development of existing business (£1,500). These were being delivered by some of the small local agencies. The table shows the allocation of budgets where services are defined by the main element. For each main type of service the table shows the range of services budgets, the minimum and maximum budget, and the median. The services cover the ones delivered by the main funders and the other delivery organisations.

Table 5.8 The average and range of service budgets for different types of services per annum (2003/04)

| <i>Service¹</i> | <i>Min</i> | <i>Max</i> | <i>Median</i> |
|---|------------|------------|----------------------|
| HR and Workforce Development | £25,000 | £5,674,000 | £500,000 |
| ICT | £40,000 | £7,000,000 | £323,000 |
| Development of Existing Businesses and Management | £1,500 | £8,500,000 | £99,500 |
| Regulation and Standards | £2,575 | £2,500,000 | £211,000 |
| Design, Innovation and Technology | £16,000 | £1,000,000 | £50,500 ² |
| Entrepreneurship and Business Start-up | £1,000 | £8,000,000 | £75,000 |
| Workspace / Premises / Property | £3,000 | £1,000,000 | £245,000 |
| Financial management and Access to Finance | £30,000 | £500,000 | £120,000 |
| Markets and International Trade | £5,000 | £1,000,000 | £166,000 |
| Strategy and Business Planning | £3,000 | £626,000 | £123,000 |

¹Due to low responses in the main service areas of support to inward investors, business rescue and closure and procurement budget figures have been excluded.

²Based on a relatively low response rate.

Source: PACEC

5.4 Non Case Study Regions. Business Support Services

5.4.1 The business support services in the non-case study regions covered some two hundred funded and delivered by the Government Offices, RDAs, BLOs, and LSCs. Relatively small local organisations were not included in this part of the research. Most services in non case study regions are delivered by means of advice (80 percent) and information / signposting (57 percent). Fewer services involve more intensive consultancy, training, or finance. This is the case across all the non case study regions.

5.4.2 Over two thirds of services are for the general business development. Strategy development and business planning, and the promotion of enterprise and business start up are available within just over 50 percent of the services. Of the more specific services the most frequent are marketing and international trade, and innovation, technology and design. Table 5.9 shows the percentage of services in the non case study regions. Each service may offer support in more than one aspect of business (eg general business start up and business planning) hence the table reflects all the support which is available to firms. 70 per cent are for the development of existing businesses and 57 percent for strategy and business planning.

Table 5.9 Comparison of services offered in the non case study regions by type of service (%)

| | Percentage of all services (by region) ¹ | | | | | | |
|---|---|-----------|-----------|-----------|-----------|----|------------|
| | Total | NW | YH | EM | SE | SW | London |
| Development of Existing Businesses and Management | 70 | 62 | 57 | 81 | 89 | 82 | 100 |
| Strategy and Business Planning | 57 | 31 | 62 | 52 | 79 | 67 | 100 |
| Entrepreneurship and Business Start-up | 54 | 50 | 38 | 76 | 63 | 67 | 50 |
| Markets and International Trade | 42 | 26 | 36 | 33 | 74 | 45 | 60 |
| Design, Innovation and Technology | 42 | 31 | 26 | 52 | 63 | 45 | 70 |
| Regulation and Standards | 39 | 24 | 17 | 57 | 47 | 45 | 70 |
| HR and Workforce Development | 35 | 33 | 21 | 33 | 53 | 39 | 60 |
| ICT | 30 | 17 | 23 | 52 | 47 | 36 | 50 |
| Financial management and Access to Finance | 28 | 21 | 19 | 29 | 53 | 27 | 40 |
| Procurement and Supply Chain Development | 22 | 17 | 15 | 24 | 37 | 27 | 30 |
| Business Rescue and Closure | 19 | 10 | 23 | 29 | 32 | 12 | 10 |
| Workspace / Premises / Property | 15 | 7 | 4 | 43 | 47 | 6 | 10 |
| Support for Inward Investors | 7 | 0 | 2 | 24 | 16 | 3 | 10 |
| Other | 7 | 0 | 4 | 14 | 0 | 0 | 0 |

¹ Percentages in this table sum to more than 100 as respondents were able to choose multiple answers. A number is shown in bold where, taking into account the margin of error due to sampling, we are 95% certain that it is different from the number in the left hand total column (using a Chi-Squared statistical test). Source: PACEC Survey

5.4.3 The services offered in the non case study regions by the organisations are less likely to be targeted at specific types of firms compared to the services in the case study regions, though this may be a reflection of local delivery organisations not included in the survey. However just over half of all services are targeted at specific types of firm. These are shown in Table 5.10 which shows the percentage of all targeted services with 50% of all identified services being targeted. Targeting is mainly on the basis of size, ie small, micro sized, and medium sized businesses; and on pre start and start-up businesses. Spatially businesses are targeted in rural areas and deprived locations. Amongst particular social groups, BME and women business owners are targeted most. Around a third of services target specific sectors, ie mainly tourism, leisure and heritage, and manufacturing.

Table 5.10 Breakdown of targeting of services at particular types of businesses or business owners in non case study regions (%)

| | Percentage of all services (by region) | | | | | | |
|--|--|----------|-----------|-----------|-----------|-----------|-----------|
| | Total | NW | YH | EM | SE | SW | London |
| Size | | | | | | | |
| Micro-businesses (Up to 10 employees) | 36 | 45 | 6 | 90 | 67 | 16 | 56 |
| Small businesses (11 to 50 employees) | 37 | 50 | 10 | 60 | 17 | 24 | 89 |
| Medium businesses (51 - 250 employees) | 36 | 45 | 10 | 60 | 33 | 24 | 67 |
| Stage | | | | | | | |
| Pre-start and start-ups | 32 | 32 | 23 | 40 | 83 | 24 | 33 |
| Firm with growth potential | 23 | 18 | 16 | 20 | 17 | 12 | 44 |
| Owner | | | | | | | |
| Firms owned by young people | 16 | 5 | 13 | 40 | 17 | 0 | 11 |
| Women Business owner | 25 | 5 | 10 | 40 | 17 | 8 | 78 |
| Black & minority ethnic businesses | 26 | 9 | 6 | 40 | 17 | 12 | 78 |
| Owners with a disability | 17 | 5 | 6 | 30 | 17 | 0 | 56 |
| Older owners | 13 | 5 | 6 | 30 | 17 | 0 | 11 |
| Family businesses | 18 | 5 | 13 | 30 | 0 | 12 | 11 |
| Area | | | | | | | |
| Businesses in deprived areas | 27 | 18 | 6 | 50 | 17 | 12 | 56 |
| Rural businesses | 28 | 9 | 52 | 30 | 0 | 20 | 0 |
| Urban businesses | 19 | 5 | 13 | 30 | 0 | 8 | 33 |
| Sector | | | | | | | |
| 'Green' businesses | 14 | 5 | 3 | 30 | 0 | 0 | 44 |
| Social / community enterprises | 23 | 5 | 13 | 40 | 33 | 16 | 44 |
| Sectors | 35 | 9 | 26 | 45 | 33 | 59 | 0 |
| Other | 8 | 5 | 10 | 20 | 17 | 0 | 0 |

[†] Percentages in this table sum to more than 100 as respondents were able to choose multiple answers. A number is shown in bold where, taking into account the margin of error due to sampling, we are 95% certain that it is different from the number in the left hand total column (using a Chi-Squared statistical test). Source: PACEC Survey

5.4.4 Most of the services (71 percent) are available to firms on a sub regional or county basis, reflecting the fact that organisations in the research in non case study regions have regional or county remits. The exception to this is London where Business Link for London covers the whole region. Table 5.11 shows the percentage of services which are delivered at the different spatial areas. Some 16 percent of services are offered at the regional level, especially those in London, with around five percent at smaller, local levels.

Table 5.11 Geographical area for the delivery of identified services in non case study regions (%)

| | Percentage of all services (by region) | | | | | | |
|---------------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|
| | Total | NW | YH | EM | SE | SW | London |
| Sub-regional / County | 71 | 75 | 93 | 10 | 84 | 97 | 0 |
| Regional | 16 | 8 | 0 | 35 | 11 | 3 | 80 |
| Local / Neighbourhood | 6 | 8 | 4 | 40 | 0 | 0 | 0 |
| Local Authority District | 5 | 8 | 2 | 15 | 5 | 0 | 10 |
| National | 1 | 0 | 0 | 0 | 0 | 0 | 10 |
| <i>Number of services</i> | <i>202</i> | <i>36</i> | <i>46</i> | <i>20</i> | <i>19</i> | <i>34</i> | <i>10</i> |

A number is shown in bold where, taking into account the margin of error due to sampling, we are 95% certain that it is different from the number in the left hand total column (using a Chi-Squared statistical test)
Source: PACEC Survey

5.4.5 The previous chapter showed which agencies provide the most funding for business services. This section looks at which agencies provide funding to the greatest number of services. Overall, the Small Business Service funded the greatest number of services in the non case study regions, particularly in the south east and south west. Other significant funders are ERDF (particularly in the northern regions where there is more EU funding) and the RDAs. The difference between these regions and the case study regions may reflect both the organisations contacted and the relative economic circumstances in the regions. The percentage of services receiving some funding from each of the sources is shown in Table 5.12.

Table 5.12 Sources of funding for services identified in non case study regions (percentage of all services receiving some funding from each source)

| | Percentage of all services (by region) | | | | | | |
|-------------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|
| | Total | NW | YH | EM | SE | SW | London |
| SBS | 40 | 35 | 26 | 33 | 76 | 74 | 10 |
| ERDF | 25 | 55 | 21 | 52 | 0 | 0 | 20 |
| Fees/Charges to Users | 19 | 20 | 0 | 19 | 6 | 44 | 10 |
| RDA Single Programme | 15 | 15 | 15 | 52 | 12 | 6 | 10 |
| RDA Other | 15 | 8 | 36 | 0 | 6 | 0 | 20 |
| Business Link | 11 | 3 | 2 | 19 | 12 | 15 | 30 |
| LSC | 11 | 10 | 13 | 0 | 24 | 18 | 0 |
| SRB | 9 | 18 | 6 | 33 | 0 | 0 | 0 |
| Own Funds / Core Funds | 9 | 23 | 0 | 10 | 6 | 3 | 20 |
| UK Trade and Investment | 7 | 5 | 6 | 5 | 18 | 6 | 10 |
| ESF | 7 | 3 | 6 | 14 | 12 | 6 | 10 |
| Local Authority | 6 | 0 | 0 | 5 | 12 | 9 | 0 |
| DTI | 5 | 5 | 0 | 19 | 0 | 3 | 10 |
| DfES | 5 | 5 | 0 | 14 | 6 | 0 | 20 |
| DEFRA | 5 | 0 | 4 | 0 | 18 | 12 | 0 |
| Government Office | 3 | 0 | 0 | 19 | 6 | 0 | 0 |
| Other Regeneration | 2 | 0 | 2 | 0 | 0 | 0 | 0 |
| UK Online for Business | 1 | 0 | 0 | 5 | 0 | 0 | 0 |
| EQUAL | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| NDC | 1 | 3 | 0 | 5 | 0 | 0 | 0 |
| Other | 14 | 8 | 2 | 24 | 24 | 29 | 10 |

[†] Percentages in this table sum to more than 100 as respondents were able to choose multiple answers. A number is shown in bold where, taking into account the margin of error due to sampling, we are 95% certain that it is different from the number in the left hand total column (using a Chi-Squared statistical test). Source: PACEC Survey

5.4.6 There is less variation in the budgets of services identified in the non case study regions compared to the case study regions, ranging from a minimum of £3000 to a maximum of £6.2m per annum. The largest median budgets were for workforce development/training (£745k), financial packages/access to finance (£302k) and the development of existing businesses (£265k). The largest individual budgets identified were for promoting enterprise (£6.2m), the development of existing businesses (£5.5m), and workforce development/training (£4.5m). The smallest budgets identified were for promoting enterprise and business start-up (£3,000), and ICT (£8,000). Table 5.13 shows the allocation of service budgets according to the main element of the service. For each of the main type of service it shows the minimum, maximum and median average budgets. The services cover those delivered by the main funders.

Table 5.13 The average and range of service budgets for different services identified in non case study regions

| Service | Min | Max | Median |
|---|----------|------------|----------|
| HR and Workforce Development | £333,000 | £4,500,000 | £745,500 |
| Development of Existing Businesses and Management | £10,000 | £5,500,000 | £265,500 |
| Financial management and Access to Finance | £59,000 | £2,534,750 | £302,220 |
| Entrepreneurship and Business Start-up | £3,000 | £6,229,413 | £163,000 |
| Markets and International Trade | £60,000 | £2,755,320 | £248,625 |
| ICT | £8,000 | £2,400,000 | £160,241 |
| Design, Innovation and Technology | £10,000 | £1,044,000 | £171,000 |
| Regulation and Standards | £3,000 | £331,723 | £160,000 |
| Strategy and Business Planning | £66,000 | £339,000 | £104,440 |
| Other | £110,000 | £5,927,000 | £273,136 |

Source: PACEC

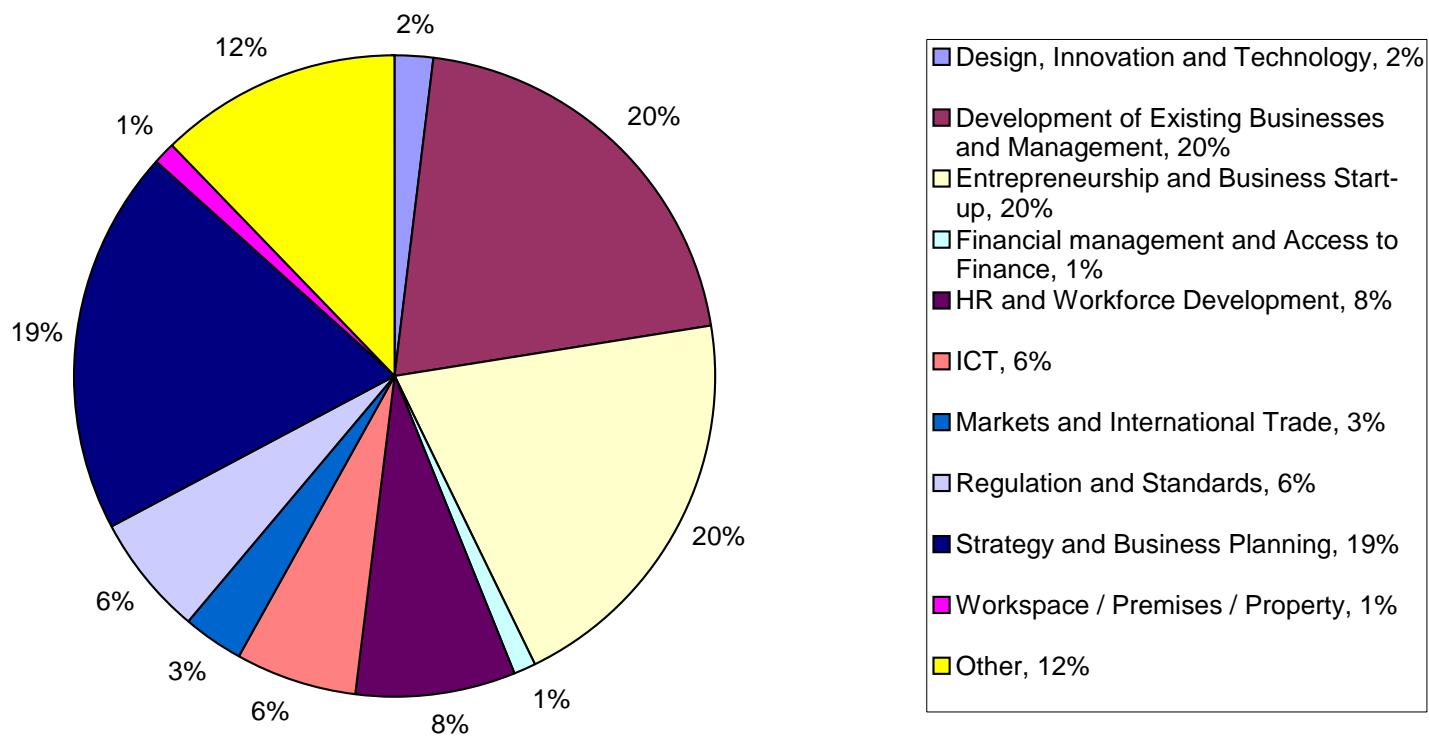
5.5 The Take-Up of Services

5.5.1 The estimated number of firms that used the services delivered by regional and local agencies in the case study and non case study regions was 700-750,000 (in 2003/04). Based on the detailed figures in the case study regions take up was highest for:

- Development of existing businesses and management (20 percent of firms)
- Entrepreneurship and business start-up (20 percent)
- Strategy and business planning (19 percent)
- HR and workforce development (8 percent)
- ICT and advice on regulations and standards (6 percent each)

All the other services were used by less than 6 percent of firms (see Figure 5.2). See Appendix C for further details of the take-up of services by firms.

Figure 5.2 Estimated take-up for different services, percent of businesses in case study regions



Total estimated take-up in the case study regions is 190,000 businesses in 2003/04. Nationally 700-750,000.
 Source: PACEC (Numbers are rounded)

6 Conclusions and Further Data Gathering

6.1 Overview

6.1.1 This chapter sets out the main findings against the study aims. To recap the aims of the study were:

- To provide an indication of the amounts of public money being spent on services to SMEs within England.
- To provide information, where available, on outputs i.e. services, targeting and take-up;

Public Money for Business Support Services

6.1.2 The analysis resulted in a number of different estimates of budgets for business support in 2003/04. The figures presented here represent a snapshot in time. The exact nature of funding for publicly supported business support services varies from year to year, as does the composition of services.

6.1.3 The estimate of the budget for business support is just over £10.3 billion in 2003/04 or £7.9 billion excluding CAP production subsidies. This figure includes grants, soft loans, information, advice and technical assistance, and tax incentives aimed specifically at SMEs and the estimated share of the 'FE vocational budget' which benefit SMEs. It does not include all tax incentives aimed at SMEs, as it was not possible to produce a reliable estimate of the SME share of the budgets for these incentives. The comparable figures in the Cross-cutting Review were approximately £7.9 billion and £5.1 billion. By applying the GDP deflator it is possible to adjust the CCR figure to 2003/04 figures which results in revised estimates of £8.4 and £5.4 billion respectively. Since the Cross Cutting Review and the mapping study employed different methodologies it is not possible to calculate the net change in expenditure accurately. There are significant differences including how transfers of funds and functions between departments and agencies were treated, the addition of an estimate for the vocational skills training budget (in 2003/04) and the inclusion of a bottom up approach (regional case studies) in this study. Therefore, simply deducting the CCR figure from the mapping study estimate would be misleading.

6.1.4 The study also produced estimates of central government support for small business programmes (excluding tax incentives and CAP). The Cross-cutting Review shows a figure of £1,940m. The estimate for 2003/04 was £3,926m. Again, for the reasons given above, these are not directly comparable with the CCR figures. The inclusion of the estimated small business share of the LSC budget for vocational skills training accounts for most of the increase. The most frequently quoted figure for the CCR was £2.5 billions is spent on support to small business. This figure included central government spend and that of the Regional Development Agencies. The equivalent figure for the period of this study was £2.6 billions.

6.1.5 The analysis identified the North West, Yorkshire and Humber, London and West Midlands as having the largest central government funding allocations. The figures being 17 percent, 15 percent, 12 percent and 11 percent respectively.

6.1.6 Expenditure on business support appears to be focused on meeting government objectives to reduce regional disparities in enterprise activity and productivity rather than a function of business stock or population. This was expected given the nature of formulae used to allocate funding (which takes socio-economic factors into account) and targeting of specific areas (for example European Regional Development Funding). For example (Table 4.1), the North East receives 8 percent of funding when it only accounts of 5 percent of resident adults and 3 percent of business stock in England. The region with the smallest allocation was Eastern Region but there was a close match in percentage terms between central government allocation, business stock and resident adults. The South East and London had allocations lower than would be predicted from business stock and population size. This is not surprising given the focus on regeneration and increasing enterprise levels in the North East and the linking of funding to objectives relating to closing regional disparities as set out PSA target 7:

“Make sustainable improvements in the economic performance of all English regions by 2008 and over the long term closing the persistent gap in growth rates between the regions demonstrating progress by 2006 (Joint target between DTI, ODPM and HMT)”

The Outputs of Budgets

6.1.7 This study is restricted to outputs as it was not possible to obtain consistent data on outcomes. This was partly a function of how funding for business support is structured. Also, the lack of common performance framework across government for business support made it difficult to collect data in a consistent manner.

6.1.8 The outputs arising from services identified were defined as the profile of services, targeting and take up reported by the organisations providing those services. The profile indicated the nature of support provided and respondents in the mapping exercise were able to distinguish between the main aspect (primary activity, main focus) of the service, or services they provided and other aspects (the components of services). Targeting was defined by whether the service was aimed at particular size, sector or type of business (for example, family business, rural business, social enterprise predominately BME or women owned).

6.1.9 The analysis showed that the main types of assistance were:

- General business and management development
- Supporting innovation, technology, and design,
- Access to markets and international trade,

- Financial management and access to finance,
- Regulation and standards and HR and workforce development.

These services were generally available nationally with some variation by location and type of firm.

6.1.10 At the regional level, the profile of services, as identified in the case study regions, largely reflected the profile of central government services, but there were some significant differences. At the regional level, support for entrepreneurship and business start-ups is a more common stated activity of identified services. This may be a reflection of the fact start-up support has tended to be locally designed services drawing on multiple funding sources. Similarly strategy and business planning has tended to be a local service offer, whereas support relating to regulations and standards can be more easily provided at a national level and therefore, figures less in local and regional service offers. The main services identified in terms of frequency at the regional level were:

- Development of existing businesses and management
- Entrepreneurship and business start-up
- Strategy and business planning
- Design, innovation and technology
- Markets and international trade
- HR and workforce development
- Financial management and access to finance

6.1.11 In terms of the targeting, in the case study regions, the priorities, by type of firm were micro businesses and small firms, followed by medium sized firms and pre-start ups, and businesses with growth potential. Manufacturing, recreation and leisure, communications and construction along with ICT and creative industries were the main broad sectors targets. The main social groups targeted for business start-ups and the development of their businesses were young people, women, and black and minority ethnic led businesses.

6.1.12 In the case study regions, approximately a third of all services were available to all firms in the region, a third at county level and a third at local authority district level. Only a small proportion of services identified were only available at a local neighbourhood level.

6.1.13 The estimated take up by firms for services delivered by regional and local agencies in the case study and non case study regions was approximately 700-750,000 per annum (2003/04). However, individual firms can use more than one service per annum. Take up was highest for general business development and management services start up support, and assistance for strategy and business planning.

6.2 Recommendations on further data gathering

6.2.1 This section focuses on some suggestions that the Small Business Service, Central Government Departments, and other agencies could consider in the future to update the information contained in this report. The results above show the method used for this report worked reasonably well and could be repeated and built on, subject to sufficient commitment and resources. Some of the key components of any future similar research should be:

- a A high level Steering Group, including all the departments and national agencies and representing the RDAs and Government Offices. This group would determine the aims, scope, contacts and timing of further work.
- b Confirmation of the contact in each organisation who would take direct responsibility for providing the information.
- c A review of the information required, and definitions, noting the non response issues in chapter two of this report. In particular, what is core and non core information. The latter may be sought as follow up research
- d An assessment of whether the information required can be obtained. Some information is readily obtainable; other information exists but is more difficult to access, while other information may have to be estimated in some way.

This assessment can be made in discussions with the proposed steering group in outline and each department's contact in detail, through a checklist or preferably a proforma, or questionnaire, or as part of return a budgeting / expenditure exercise.

The assessment should examine the form of transfer of information i.e. proformas, questionnaire or as part of an ongoing annual return, and method (for example, by email). At this stage consideration should be given as to whether it becomes a requirement for agencies to make an annual return (e.g. for government departments and regional agencies).

- e The development of tools to transfer information i.e. proforma, questionnaire, or return and method, for example, internet/email.
- f The establishment of a system or process for securing replies and minimising non-response.
- g The establishment of a database and system for verification, checking, analysis, estimating for non-response, and reporting outputs.

This research has found that financial information that breaks down total budgets is more difficult to obtain. For example, information on overheads, running costs, and marketing could not be provided for a variety of reasons, including the difficulty of disaggregating budgets and definitions.

Appendix A Information and Data Collected

A1.1 The information and data collected with the proformas, in summary, was as follows:

Proforma 1. The organisation and programmes/services.

- Name of organisation, region, and type (eg Central Government, RDA, Government Office, Business Link Organisation, Local Authority, SRB Partnership, Chamber etc)
- Aims of the organisation in providing services for SMEs.
- Total budget for services (2003/04): Receipts from other organisations, budgets for direct delivery of services, to fund or contract with others, for running costs/overheads, and marketing.
- The relationship with Public Service Agreement (PSA) aims and targets (for central government only)
- Budgets by programme/services
- Organisations that delivered the programme/services, competitive allocation/matched funding
- The regional distribution of budgets by programme/service and use of formulas (for central government only)
- How services were planned and delivered eg with advisers, following business surveys, marketing research, and/or in partnership with other organisations.

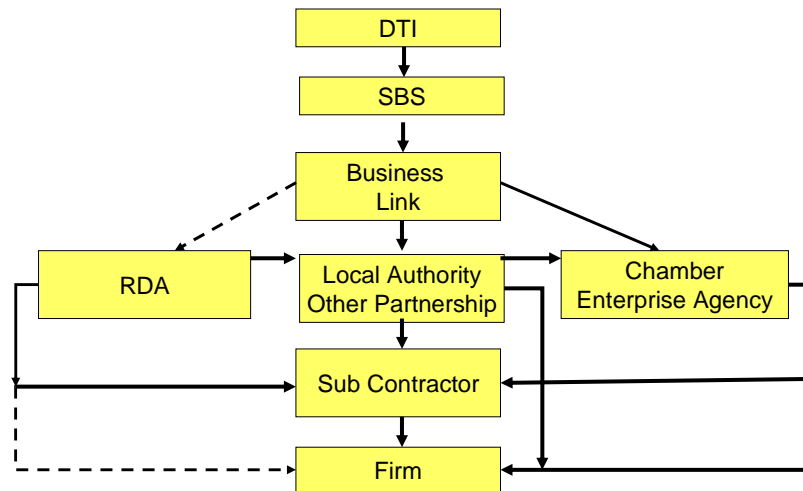
Proforma 2. Services for Firms (for each service)

- Name and aims of the service
- Nature of the service eg information, advice, consultancy, training, and grants / loans etc.
- Components of the service eg business start-up, development of existing businesses, business planning, marketing, sales, exporting, financial management, quality standards, product development, innovation, management development.
- Targeting of services by start-ups, size of firms, growth firms, sectors, social groups, rural or urban businesses
- Geographical coverage: national, regional, sub-regional/county, local authority district (and named districts), local/neighbourhood areas
- Total service budget 2003/04). Budgets for running costs/overheads, and marketing
- Sources of funding and the amount of funding (actual or estimated) eg government departments, RDAs, Business Link Organisations, LSCs, European funds, and fees from customers
- Duration of services (fixed period/ongoing)
- The delivery of services (organisations own staff/subcontractors)
- Take up of services. Number of users/firms
- Whether the service was meeting its aims.

Appendix B Example of Funding Streams

B1.1 The figure below shows the flow of funds for a generic Business Link Service. The example is qualitative showing the direction of funds via Business Link to potential delivery organisations. These are primarily the combination of local authorities, other partnerships, Chambers, enterprise agencies and sub contractors often in the private sector. Depending on the role of the Business Link they will also fund a firm directly and act as a broker for services.

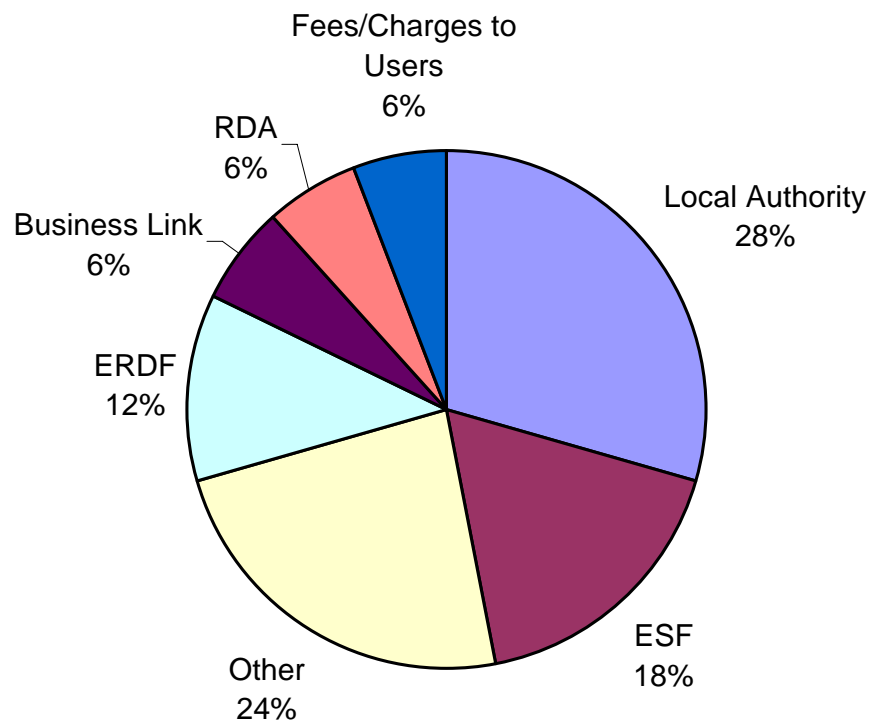
Figure B1.1 Business Link Funding Stream



Source PACEC
 Solid line indicates stronger flows
 Dotted line indicates weaker flows

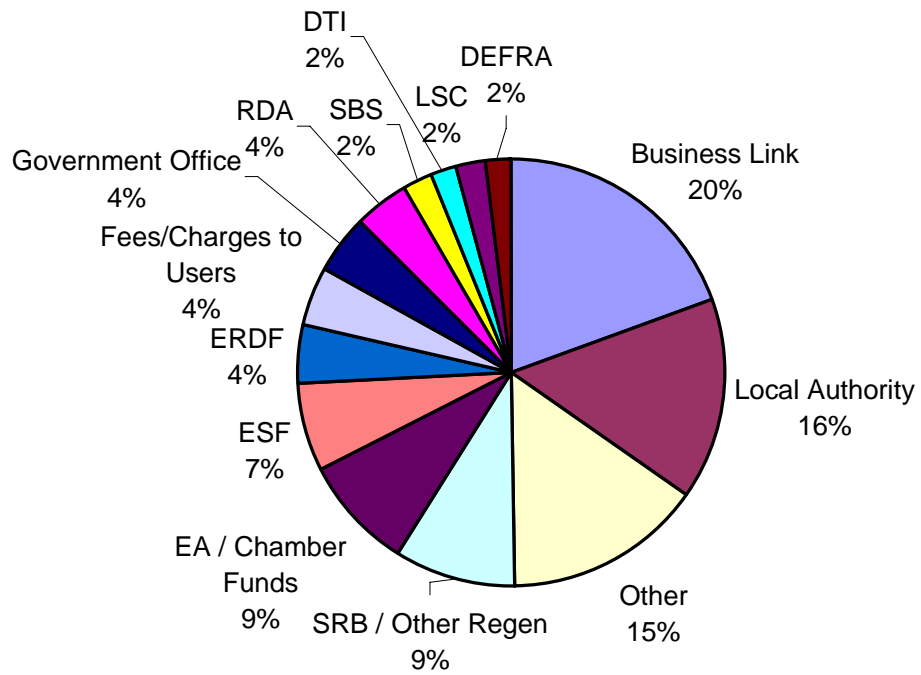
B1.2 Figure B1.2 and Figure B1.3 below show the profile of funders for two generic business services: firstly, the typical funding pattern for business development services run by local authorities; secondly, the typical funding pattern for business start-up assistance run by enterprise agencies and Chambers. It shows the main funders who directly to fund the service, but not the flows between funders. Funds are used in combination with fees/charges to users and the core funds of delivery organisations.

Figure B1.2 Business development services provided by local authorities: composition of funders



Note: Figures from case study regions which include EU Assisted Areas
 Source: PACEC Survey

Figure B1.3 Business start-up assistance provided by Enterprise Agencies and Chambers: composition of funders



Note: Figures from case study regions include EU Assisted Areas
 Source: PACEC Survey

Appendix C Case Study Regions

This appendix provides further details of targeting by social group and sector in the case study regions and the take-up of services by firms.

C1 Targeting of Services

C1.1 Services that are specifically targeted at business owners with particular social characteristics may aim to offer a comprehensive package of support to their client groups rather than a specific service. These services are more likely to offer support in almost all aspects of business. Table C1.1 shows the profile of the services which are targeted at particular social groups and a comparison with all services. For example it shows that 80 percent of the services targeted on women business owners offer support in development of existing businesses compared to an average of 65 percent of all services. Compared with all services, services targeted at rural businesses and family businesses are more likely to offer support with business planning and promoting entrepreneurship. Notably, services targeted at particular groups are more likely to offer support for the development of existing businesses and management skills. At least 78 percent of the services targeted at social groups (rising to 100 percent in the case of services targeted at family businesses) offer support with general business development, compared with 65 percent of all services.

Table C1.1 The profile of services targeted at particular business owners and comparison with all services (percentage of all services)

| | Percentage of all services (by social ownership group) ¹ | | | | | | | |
|---|---|----------------------|-----------------------------|----------------------|--------------|--------------------------|------------------|-------------------|
| | Total of all services | Women Business owner | Firms owned by young people | BME owned businesses | Older owners | Owners with a disability | Rural businesses | Family businesses |
| Development of Existing Businesses and Management | 65 | 80 | 78 | 81 | 86 | 83 | 86 | 100 |
| Entrepreneurship and Business Start-up | 49 | 56 | 57 | 55 | 47 | 48 | 67 | 81 |
| Strategy and Business Planning | 42 | 64 | 61 | 65 | 62 | 62 | 67 | 81 |
| Design, Innovation and Technology | 38 | 44 | 40 | 45 | 45 | 45 | 42 | 50 |
| Markets and International Trade | 35 | 53 | 47 | 54 | 49 | 49 | 64 | 69 |
| HR and Workforce Development | 33 | 43 | 40 | 44 | 41 | 43 | 39 | 63 |
| Financial management and Access to Finance | 31 | 50 | 47 | 50 | 49 | 49 | 39 | 50 |
| ICT | 26 | 48 | 42 | 46 | 47 | 44 | 39 | 56 |
| Regulation and Standards | 25 | 31 | 31 | 32 | 33 | 30 | 58 | 75 |
| Workspace / Premises / Property | 25 | 41 | 38 | 41 | 41 | 42 | 33 | 44 |
| Support for Inward Investors | 12 | 12 | 11 | 13 | 14 | 14 | 3 | 13 |
| Business Rescue and Closure | 7 | 5 | 5 | 6 | 3 | 3 | 28 | 44 |
| Procurement and supply Chain Development | 5 | 7 | 7 | 9 | 5 | 4 | 36 | 56 |
| Other | 13 | 10 | 10 | 9 | 9 | 10 | 14 | 6 |

¹ Percentages in this table sum to more than 100 as respondents were able to choose multiple answers. A number is shown in bold where, taking into account the margin of error due to sampling, we are 95% certain that it is different from the number in the left hand total column (using a Chi-Squared statistical test). Source: PACEC Survey (srv4d)

C1.2 Women, young people and BME business owners are the most targeted social groups. Services which target these social groups each represent 12 percent of the total budget for services. Table C1.2 shows the percentage of the total service budget which is targeted at particular business owners. It is worth noting that services may and do target more than one social group and there is overlap in these percentages.

Table C1.2 Funding for services targeted at particular business owners, percentage of total service budgets (%)

| | Percentage of service budget (by social ownership group) | | | | | | | |
|--------------|--|----------------------|-----------------------------|----------------------|--------------|--------------------------|------------------|-------------------|
| | Total service budget | Women Business owner | Firms owned by young people | BME owned businesses | Older owners | Owners with a disability | Rural businesses | Family businesses |
| All services | 100 | 12 | 12 | 12 | 9 | 9 | 7 | 5 |

Source: PACEC Survey

C1.3 26 percent of services (weighted by budget) target a particular sector. Table C1.3 shows the percentage of the services which are targeted at businesses in the six main sectors. It can be seen that the manufacturing sector and recreation and leisure sector, (including tourism) and business services (including ICT and the creative industries), have slightly more targeted services than the other sectors.

Table C1.3 Funding for services targeted at main sectors, percentage of all services (%)

| | Percentage of all services (by sector target) | | | | | | |
|--------------|---|----------------------------|---------------|--|------------------------|--------------------------------|--|
| | Total | Agriculture and Extraction | Manufacturing | Utilities, Construction and Communications | Recreation and Leisure | Property, Finance and Business | Education, Health, Public Administration |
| All services | 100 | 4 | 7 | 6 | 7 | 6 | 4 |

Source: PACEC Survey

C2 Outputs of Services

C2.1 In total, respondents in the three case study regions estimated that services would be used by approximately 190,000 businesses in 2003/04. Allowing for an element of non response this would suggest business services may be used by around 700-750,000 businesses per year across all regions. Some firms use more than one service per annum.

C2.2 Services with high estimated take up are development of existing businesses and management, entrepreneurship and business start up, and strategy and business planning, each estimated to have approximately 20 percent of the business take-up. Design, Innovation and Technology (2 percent of businesses), and Marketing and International Sales (3 percent of businesses) both have relatively low estimated take-up. Table C2.1 shows the estimated take-up of each type of service as a percentage of the total take up by businesses and the average cost per business supported for different services.

C2.3 Design, Innovation and Technology, and ICT are the most expensive services to deliver with a unit cost per business of over £2000.

Table C2.1 Estimated take-up for different services in the case study regions, 2003/04

| Service | Percentage of estimated take up by businesses % | Cost per business £ |
|---|--|----------------------------|
| Design, Innovation and Technology | 2 | 2188 |
| Development of Existing Businesses and Management | 20 | 1301 |
| Entrepreneurship and Business Start-up | 20 | 882 |
| Financial management and Access to Finance | 2 | 881 |
| HR and Workforce Development | 8 | 1970 |
| ICT | 6 | 2041 |
| Markets and International Trade | 3 | 827 |
| Regulation and Standards | 6 | 1156 |
| Strategy and Business Planning | 19 | 328 |
| Workspace / Premises / Property | 2 | 1428 |
| Other | 12 | 269 |
| Total | 100 | 476 |

Due to low responses in the main service areas of support to inward investors, business rescue and closure and procurement budget figures have been excluded.

Source: PACEC