



THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS  
IN ENGLAND AND WALES

6 September 2007

Our ref: ICAEW Rep 75/07

Your ref:

Barrie Stevenson/ Khalid Khan  
Business Support Simplification Team  
Department For Business Enterprise & Regulatory Reform  
Bay 194  
1 Victoria Street  
London SW1H 0ET

By email to [SimplifyingBusinessSupport@dti.gov.uk](mailto:SimplifyingBusinessSupport@dti.gov.uk)

Dear Sirs

**Simplifying Business Support: A Consultation**

The Institute of Chartered Accountants in England and Wales ('the ICAEW') is pleased to respond to your request for comments on *Simplifying Business Support: A Consultation*.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours faithfully

Clive Lewis  
Head SME Issues,  
Technical Strategy  
T +44 (0)20 7920 8667  
E [clive.lewis@icaew.com](mailto:clive.lewis@icaew.com)



**THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS**  
IN ENGLAND AND WALES

## **ICAEW Representation**

### **ICAEW REP 75/07**

#### **Simplifying Business Support: A Consultation**

**Memorandum of comment submitted in September 2007 by The Institute of Chartered Accountants in England and Wales, in response to The Department for Business, Enterprise & Regulatory Reform consultation paper Simplifying Business Support: A Consultation published in June 2007**

<b>Contents</b>	<b>Paragraph</b>
Introduction	1
Who we are	2
Major Points	3
Detailed Response	4

## **INTRODUCTION**

1. The Institute of Chartered Accountants in England and Wales (the 'ICAEW') welcomes the opportunity to comment on the consultation paper *Simplifying Business Support: A Consultation* published by The Department For Business Enterprise & Regulatory Reform (DBERR).

## **2. WHO WE ARE**

The ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 128,000 members in more than 140 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The ICAEW is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. The ICAEW ensures these skills are constantly developed, recognised and valued.

## **3. MAJOR POINTS**

### **Support for the initiative**

The ICAEW welcomes the government's objective to simplify and improve its publicly funded business support offering through the Business Support Simplification Programme (BSSP). The Chancellor announced in the 2006 Budget that government would reduce the number of schemes from around 3,000 now, to no more than 100 by 2010. Government has accepted that "the proliferation of business support schemes has created a complex picture making it difficult and time consuming for businesses to access relevant support"<sup>1</sup>.

To make this happen, vital policy decisions must be made that impact across all tiers of government including RDAs and local authorities. The ICAEW believes this is a rare opportunity for government to radically improve the focus, quality and delivery of all its support for business.

The forthcoming Comprehensive Spending Review (CSR) will also impact significantly on how government supports business and promotes economic development. The CSR will seek to ensure future spending on support is appropriately targeted and results in sustained improvements in economic development and the UK's competitive standing. The ICAEW believes that the CSR should also consider how government works with existing support for business in the marketplace. Key to ensuring value will be government considering how it can make best use of private sector providers such as chartered accountants and existing business networks such as Chambers of Commerce, thereby not replicating existing structures and provision.

The ICAEW believes a voucher scheme would allow radical simplification of support for advice and markedly increase the value to UK enterprise. It would provide a nationally

---

<sup>1</sup> 2006 Budget Report, Section Three: 'Meeting the Productivity Challenge', pg 16

simple but locally empowering way to deal with current and future challenges. A voucher scheme would also be robust in the face of changing funding, priorities and structures of Government.

#### **4. Detailed Response**

##### **RESPONSES TO SPECIFIC QUESTIONS/POINTS**

**On the business support government should be funding:**

**Q1 Do you think the business support outlined in Figure 2 and at Annex A adequately covers the key needs of business and helps achieve public policy aims outlined in this document?**

**Q2 Where do you see duplication in publicly-funded business support?**

**Q3 Where do you feel support is adequately provided by the private sector, thereby reducing the need for public sector support?**

**Q4 What publicly-funded business support do you regard as being of the highest priority?**

**Q5 Do the business support themes make it easier for you to know what publicly-funded support is available to meet the needs of your business? Are they the right themes?**

Before answering these questions we think it important that publicly funded business support is put in context of the availability of advisory services from the private sector in general and the accountancy profession in particular. The Federation of Small Business Biennial Membership Survey 2006 reported on the usage and satisfaction rating of a variety of private sector and publicly funded business support. The following table is an extract from that report:

Source of Advice	% of businesses using	Rank	% Satisfaction Rating	Satisfaction Rank
Accountant	53.7	1	57	1
Solicitor	28.4	2	23	3
Your family	16.9	4	17	7=
Other business owners	17.3	3	24	2
Your customers	15.4	5	21	4
Bank	8.7	6	20	5
Your suppliers	8.0	7	17	7=
Trade Association	6.3	8	18	6
Gov funded business support	4.4	9=	9	9
Enterprise Agency/Trust	4.4	9=	3	10

Note: The % satisfaction rating is obtained by adding those who responded as being either Very or Fairly Satisfied

Many of the above sources of advice are pertinent to particular business needs. For example banks would be consulted on raising finance and other finance related issues. However the ICAEW believes the above table fully demonstrates the role played by accountants as the primary source of business advice. It is therefore vital that publicly

funded advisers work with accountants to ensure that the full range of advice is available to businesses.

In response to the specific points:

- Publicly funded business support should be limited to providing help to business that the private sector does not already provide – tackling the economic definition of market failure. HM Treasury should make this condition clear in the forthcoming Comprehensive Spending Review.

Government investment should act strategically to encourage market-led solutions to issues wherever this is possible. This helps ensure support results in sustained solutions and allows government investment to move on once the issue has been addressed.

- The proposed themes will make it easier for businesses to access support because they broadly reflect the way a typical business would be organised. However, we would like the full list of themes to be as follows:

1. Start-up & Business Transfer (including basic business skills)
2. Skills, Leadership and Management
3. Marketing, Sales and Developing Markets
4. Innovation and Product and process development
5. Property issues
6. Employers issues including Human Resources Management
7. Operational issues (including Health & Safety, Environment, Energy Efficiency)
8. Access to Finance
9. Financial Control including Information and Communication Technology & E commerce

- Recently, many publicly funded support schemes have been focussed on encouraging start-up businesses. We believe that this is important but that helping existing businesses to survive and grow is also vital. The above structure seeks to re-dress the balance.

- There are several business support priorities. Firstly, it is very important to ensure that people starting a business for the first time understand the challenges they face and have taken steps to prepare for them. Secondly, helping businesses to exploit their growth potential by effective marketing and selling. The third priority is helping businesses to develop a professional management team.

- We also feel that greater emphasis should be placed on Financial Control and Information technology and Ecommerce. There is much private sector assistance in this area from professional accountants. But the [businesslink.gov](http://businesslink.gov) website offers excellent advice on this topic, particularly to start -up and early stage businesses that may not have had the benefit of professional accountants' advice, although ultimately businesses benefit from having a long term relationship with a trusted adviser, a role fulfilled by many professional accountants.

**Q6 To what extent will reducing the amount of branded business support make it easier to know what is available to meet the needs of your business?**

**Q7 How can the delivery of business support be better arranged to minimise customer confusion and achieve economies of scale?**

- Business Links are the logical choice as the Government gateway to publicly funded business support. Where government chooses to provide services directly to business, it should be done through a single gateway in order to ensure maximum take-up and efficiency. The decision to channel government information and advice to business through a limited number of channels including businesslink .gov website is an undoubted example of moving to avoid confusion and achieving economies of scale.
- DBERR and the Enterprise Directorate should develop a simple framework of the type of business support services Government is willing to provide, limited to a maximum 100 categories in order to meet the Chancellor's target. All approved services need to be deliverable, simple and address an identified market failure
- All government departments and agencies, national, regional and local should develop their programmes within this framework but have the freedom to innovate and prioritise on the basis of local need
- Business support needs to have a national framework so that any business knows that it can access the same basic level of support across the country. Business Link's role should be to provide the Information, Diagnostic and Brokerage (IDB) model. Where support beyond the IDB model is provided it should be primarily through private sector providers
- The ICAEW favours business support vouchers to allow businesses to access their own preferred suppliers once a need has been diagnosed and it is thought appropriate that support for that business should come from the public purse (full proposal attached)
- DBERR could ensure that businesses eligible for support receive a voucher towards the cost of services through the current simplification programme. The entrepreneur would be totally free to make their own choice of provider and left to decide if they want to top-up the voucher. They will use their own discretion to maximise value for money
- Under the voucher scheme, eligibility could match local priorities such as location of business, strategically important industries or potential for growth

We are aware that it is proposed to utilise "Skills Brokers" who will provide a free and impartial service, available to all employers, ranging from providing information and advice to diagnosing the business and skills needs of the whole company. They will also source the most appropriate skills solution at any level whether publicly funded or otherwise. We believe that it is critical that Skills Brokers and Business Link advisers co-ordinate their activities so that a business is not inundated with well meaning but possibly unwelcome offers of support. Businesses should only have to be subject to one diagnostic so it would be preferable if Skills Brokers and Business Link Advisers agreed a standard assessment. The public sector should present one face to businesses.

**On the route for business to reach publicly-funded support:**

**Q8 How can Business Link be further developed to meet business and government needs consistent with this policy?**

**Q9 How can business support services make best use of Business Link as the primary access channel for business?**

- The Enterprise Directorate should continue to provide the Business Link website and other information services, seamlessly linking regional or local information. This keeps access to information simple, enables effective marketing and reduces duplication
- Local authorities and cities should channel support and funding through their RDA - Business Links. This enables rather than undermines effective local action and future devolution as it avoids major set-up and marketing costs or replicating lines of communication with business
- Once the themes have been decided there needs to be consistent labelling across the support network. So, for example, the businesslink.gov website needs to be organised with the same themes.

**On the way to keep business support simple in future:**

**Q10 Do you agree with the proposed strategic oversight of business support?**

**Q11 Is there another option that you think we should consider and how would you justify it?**

- We agree with the proposed strategic oversight from a single, cross-government oversight of business support by a partnership with representation from all key stakeholders. The partnership should set the priorities for publicly funded business support. It should manage the creation of new forms of business support where there is compelling market failure.
- The Enterprise Directorate should provide central policy expertise to RDAs, local government and other Departments to encourage best practice sharing and continual improvement in quality and delivery. It is essential there is a central 'policy and implementation memory' on effective business support.
- Evaluation and review should be integral to all business support no matter who funds them or undertakes provision. Successful schemes should be replicated; poor schemes should be improved or removed.
- There needs to be a system of regular feedback to the oversight partnership. The feedback should include regular analysis of expenditure as well as achievement against targets. It has been unacceptable that government ministers have not had access on a regular basis to information on government expenditure on businesses support. We believe there needs to be an integrated national system which provides the oversight partnership, government ministers and the business community with an analysis of how much money has been spent; the themes and the specific support schemes by regions or sub-regions.

**On the costs and benefits of simplifying business support:**

**Q12 If you have experience of using publicly-funded business support, what were the costs to you of finding out what was available to meet your needs?**

**Q13 How much do you think our proposals could reduce your costs in looking for and understanding publicly-funded business support?**

**Q14 How far do you agree with our initial estimates of the benefits and costs of simplifying publicly-funded business support?**

**Q15 Are there other benefits or costs to the proposals? For example, what other costs and benefits are there for the private sector, the third sector and for public, private and third sector providers of business support?**

**On the proposals as a whole:**

**Q16 How far will our proposals make it simpler for business to know what publicly-funded business support is available and how to access it?**

**General**

There is very little mention of the interface with private sector business support. Research suggests that the Business Link brand is not “widely recognised by small businesses” nor does it have high customer satisfaction rating as claimed in the report (see the earlier reference to the FSB Biennial Membership Survey 2006). In our and other research, accountants are the first port of call for broad business advice. The changes to Business Link since April 2006 may have set in motion improvements but the Business Link brand has a poor reputation amongst many SMEs and that will take time to eradicate.

It is therefore vital that Business Link works closely with private sector intermediaries to ensure the full range of appropriate services are available to businesses (see Appendix 1). When a business receives support from the public sector it should understand that the taxpayer is funding that support. If it is offered a subsidized service the business should be aware of the level of subsidy it has received. That is why the ICAEW supports business support vouchers with the value clearly identified on the face of the voucher.

The ICAEW also believes that businesses receiving public support must be prepared to provide information which can be used to help evaluate the success of the business support. As mentioned earlier there needs to be greater visibility of the cost of public support for small business and greater clarity as to its purpose and more consideration as to whether the money spent represents good value. The evaluation process is required to help decision takers decide whether a particular scheme is meeting its objectives.

Email: [clive.lewis@icaew.com](mailto:clive.lewis@icaew.com)

© Institute of Chartered Accountants in England and Wales 2007

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:



- it is reproduced accurately and not used in a misleading context;
- the source of the extract or document, and the copyright of the Institute of Chartered Accountants in England and Wales, is acknowledged; and
- the title of the document and the reference number (ICAEWRep/75/07) are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

[www.icaew.com](http://www.icaew.com)

## Appendix 1 Services available from Chartered Accountants

The ICAEW believes it is critical that providers of business support have a comprehensive understanding of the role of the other parties involved in advising businesses to better ensure that businesses receive appropriate advice for the relevant needs.

We therefore outline below those services provided by many chartered accountancy practices:

### **Start-up businesses**

- Business format
- Registration with HMRC
- Accounting records appropriate for the business
- Information Technology and Software
- Assessing potential tax liabilities
- Start-up finance
- Payroll & Employment Law
- Basic financial management

### **Growth Businesses**

- Changing business format & shareholder issues
- Growth finance
- Audit & Assurance
- Tax compliance
- Tax Planning
- Company law
- Operating overseas
- Overseas markets
- Budgetary control & forecasting
- Ecommerce

### **Other Services**

- Corporate finance & flotation on public markets**
- Shareholder issues**
- Mergers & Acquisition**
- Joint Ventures**
- Competition issues**
- Business recovery & insolvency**
- Investment business**
- Risk Management**
- Forensic accounting**

No practice will provide all these services but it is important for start-up business to identify the services they may require and seek out advisers providing the relevant services. The ICAEW Directory of Firms is a good starting point. This can be found at [www.icaew.com/firms](http://www.icaew.com/firms)