
Step 2: Grow Business and Innovation

1. What we want to achieve

Core Cities have large business bases and are unique places where entrepreneurs, people, ideas and institutions come together and innovation thrives. Core Cities want to help local businesses to grow, innovate and provide more jobs. We want to see more entrepreneurs supported financially, more new businesses succeeding and existing businesses growing bigger. This will help drive national economic growth.

Core Cities already do a lot to support businesses both directly (e.g. through business support, skills and infrastructure) and indirectly (e.g. through creating an environment that is safe and attractive) but there are some things that we want to do but cannot, because of constraints set by central Government.

In addition, we believe that public procurement has the potential to support additional training and employment opportunities which will benefit business growth by increasing skills-supply within the local labour market (see Step 1).

2. Why change is needed

Business needs better and clearer support to start and grow

The evidence suggests that the current market for business support is not working well. Whilst there are many initiatives to support businesses both at a local and national level (at least 400 in England), these are not very well coordinated. National business support programmes can often operate in a blanket way, which does not necessarily match the specific needs of local businesses within a functioning economic geography and distinct local labour market. This means there is sometimes duplication, and businesses find it too complicated to navigate through the different options available. As a result, fewer than 50% of businesses use support, but the evidence shows that the companies which seek it are nearly twice as likely to grow as those that do not¹.

Core Cities want to find a way of ensuring that high standards are met everywhere, but that the particular arrangements and programmes that are put in place have a complete fit with local business need, working with their LEPs, local business leaders and other agencies to achieve this.

Business support is largely reactive, waiting for businesses to approach it before assistance is provided. Beyond targeted initiatives there is little coordinated effort to seek out and encourage businesses with growth potential to achieve it.

¹ BIS Small Business Survey 2010

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Any improved business support arrangements should make things easy for businesses with growth ambition, providing a 'single front door' to services.

Businesses require increased access to finance

Entrepreneurs often struggle to access finance to establish new innovative businesses and stimulate growth. Similarly, established Small and Medium Sized Enterprises (SMEs) also find it hard to access finance to stimulate growth, even though these are the most likely section of local business to drive innovation and growth.

The Core Cities' universities provide a very high quality research base which is largely under exploited by SMEs. The challenge is to turn this new ideas and Intellectual Property into stronger business performance, productivity and innovation. The Witty Review² of Universities and Growth recommends changes to the way universities are funded for research, to provide a stronger incentive to Universities to engage with innovative and potentially innovative SMEs with growth potential who could benefit from support with technology, expertise, talent and know-how.

Innovation is an important driver of growth. For example, research by NESTA found that "a small number of high growth businesses hold the key to job creation and prosperity".³ They found that between 2002 and 2006, 50% of new private sector jobs were created by just 6% of high growth firms. The characteristic these firms had in common was that they were more likely to be innovative compared to other businesses, which need to be engaged to adopt new ways of working.

Innovation stemming from a closer relationship between cities, universities and business is critical to future growth.

The OECD found that innovation performance in the UK is 'below average' outside the South East, so Core Cities could make a big difference if they could foster more innovation and companies outside the South East could achieve their growth potential.

3. Core Cities Offer and Proposals

Core Cities have developed a series of proposals that will help grow businesses and support innovation through better support for local business.

1. **A single 'Business Growth Hub' in each Core City area** but coordinated between all Core Cities, to provide:
 - a. Single point of expert contact for the advice which businesses need
 - b. Signposting to funding
 - c. Support in accessing foreign markets

² Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and Growth (October 2013)

³ NESTA (2009) – The Vital 6 per cent

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- d. A critical link between national programmes, policies and funds and businesses in the local economy
 2. **Locally sensitive trade support packages from UK Trade & Investment (UKTI)** to help businesses in our cities move into exports or to access new export markets.
 3. **Local venture capital funds** administered by local finance institutions e.g. Business Banks, alongside mentoring and ‘Angel investor’ funding.
 4. **Closer joint-working with the Department for Business, Innovation and Skills (BIS)** and the Technology Strategy Board (TSB) to ensure that their funding and programmes are more tailored to the needs of Core Cities and their LEPs. We also want the funding framework for innovation to have an increased focus on local businesses with growth potential. This is consistent with Witty Review recommendations and the proposed criteria for the 2014-2020 European Structural and Investment Funds.
 5. **A new approach to procurement.** Core Cities and Government to explore aligning public procurement to maximise training and employment dividends, e.g. apprenticeships.
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