

<b>Committee</b>	<b>Date</b>	<b>Classification</b>	<b>Report No.</b>	<b>Agenda Item No.</b>
<b>Overview and Scrutiny Committee</b>	7 <sup>th</sup> June 2011	<b>Unrestricted</b>		<b>10.2</b>
<b>Report of:</b> Service Head, One Tower Hamlets		<b>Title:</b> Report of the Scrutiny Working Group – Empowering Small and Medium-sized Enterprises		
<b>Originating Officer(s):</b> Keiko Okawa Scrutiny Policy Officer		<b>Ward(s) affected:</b> All		

## 1. Summary

- 1.1 This report submits the report and recommendations of the Empowering Small and Medium-sized Enterprises Working Group for consideration by the Overview and Scrutiny Committee.

## 2. Recommendations

It is recommended that Overview and Scrutiny Committee:

- 2.1 Agree the draft report and the recommendations contained in it.
- 2.2 Authorise the Service Head for One Tower Hamlets to amend the draft report before submission to Cabinet, after consultation with the Scrutiny Lead for Prosperous Community.

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### LOCAL GOVERNMENT ACT, 1972 (AS AMENDED) SECTION 100D

#### ***LIST OF “BACKGROUND PAPERS” USED IN THE PREPARATION OF THIS REPORT***

Background paper	Name and telephone number of and address where open to inspection
None	N/A

### **3. Background**

- 3.1 Small and Medium-sized Enterprises (SMEs, businesses with 0 to 249 employees) are vital to the economy, in particular, for jobs and economic growth. A dynamic and growing SME sector is likely to contribute significantly to future growth and productivity. In Tower Hamlets, 99% of businesses are SMEs and at least 32% of the workforce works for SMEs.
- 3.2 However, due to the recent Comprehensive Spending Review, the environment for SMEs is set to become tougher. It is expected that many local government services and facilities to help small businesses and the self-employed will no longer exist or significantly decrease. The challenge the Council faces is to continue to help create jobs in the borough and to maintain a vibrant economy.
- 3.3 This scrutiny review aimed to examine what support local SMEs receive and make recommendations to help them flourish further in the borough. The objectives included:
- Consider the barriers to SMEs flourishing in the borough and to find solutions;
  - Examine the role of the Council and its partners in supporting SMEs;
  - Consider how empowering SMEs can help deliver One Tower Hamlets.
- 3.4 The working group collected evidence and stakeholders' views on the Council and its partners' support to SMEs and their needs and barriers through a series of meetings, including a public meeting.
- 3.5 Twelve recommendations were made covering the following four areas: Understanding SMEs; Link between large enterprises and SMEs; engaging businesses, and; role of the Council. A recommendation was to strengthen the link between large enterprises and SMEs in the areas of supply chain, professional advice and lending, because the group believed that the borough's unique business environment – very large international enterprises and SMEs were located side-by-side – needed to be maximised for SMEs to flourish further. The group also found that businesses were often missed out from consultation and engagement and the Council and partners needed to be more aware of business needs and the impact on their policies and programmes. The group made a recommendation that the Council facilitate setting up a business forum in Tower Hamlets.
- 3.6 This scrutiny review was developed in parallel with the development of the Borough's Enterprise Strategy. The Enterprise Strategy will be aligned with the recommendations.
- 3.7 The report with recommendations is attached at Appendix A.
- 3.8 Once agreed, this working group report will be submitted to Cabinet for a response to the recommendations.

#### **4. Concurrent Report of the Assistant Chief Executive (Legal)**

- 4.1 The Council is required by section 21 of the Local Government Act 2000 to have an Overview and Scrutiny Committee and to have executive arrangements that ensure the committee has specified powers. Consistent with this obligation, Article 6 of the Council's Constitution provides that the Overview and Scrutiny Committee may consider any matter affecting the area or its inhabitants and may make reports and recommendations to the Full Council or the Executive in connection with the discharge of any functions. It is consistent with the Constitution and the statutory framework for the Executive to provide a response.
- 4.2 The report recommends action by the Council to empower small and medium-sized enterprises. Some of the proposed action may fall within the Council's planning functions.
- 4.3 Fostering enterprise so as to achieve a prosperous community in Tower Hamlets is one of the key objectives expressed in the Community Plan. Action taken to achieve this objective may be underpinned by the Council's well-being power, set out in section 2 of the Local Government Act 2000. The Council is empowered under that section to do anything which it considers likely to promote the social, economic or environmental well being of Tower Hamlets, provided the action is not otherwise prohibited by statute. The power may be exercised in relation to, or for the benefit of: (a) the whole or any part of Tower Hamlets; or (b) all or any persons resident in Tower Hamlets. In exercising the power, regard must be had to the Community Plan. The Council should be satisfied in each case that there is appropriate evidence that any proposed action will relevantly promote well-being.
- 4.4 In respect of recommendation 12 in the report, care will need to be taken that the Council complies with the data protection principles under the Data Protection Act 1998.

#### **5. Comments of the Chief Financial Officer**

- 5.1 This report describes outcome of the report and recommendations of the Empowering Small and Medium Sized Enterprises (SME) Working Group.
- 5.2 There are no specific financial implications emanating from this report, however recommendation 6 in the report proposes the establishment of business advice sections at all IDEA Stores and any additional costs of this proposal would have to be contained within existing directorate revenue budgets. Also, future action should be agreed in conjunction with Development & Renewal Directorate and Procurement as the lead partners in the Council for supporting SMEs.
- 5.3 If the Council agrees further action in response to this report's recommendations then officers will be obliged to seek the appropriate financial approval before further financial commitments are made.

#### **6. One Tower Hamlets consideration**

- 6.1 The aspiration of One Tower Hamlets is to reduce poverty and inequality, bring communities closer together and provide strong leadership by involving people and giving them the tools to support and improve their lives. SMEs, which occupies 99.9% of the total number of enterprises in the UK, provides residents with opportunities for jobs and gaining skills. The development of SMEs will help address worklessness and contribute to economic development through the expansion of employment and turnover, which will help reduce poverty and inequality.
- 6.2 The recommendations of this scrutiny review took account of One Tower Hamlets. For example, the working group supported the procurement policy's consideration to equalities and recommended to fully implement the objective in the corporate procurement strategy through developing our understanding of SMEs. The recommendation to link large enterprises with SMEs will enhance cohesion of the borough.

## **7. Risk Management**

- 7.1 There are no direct risk management implications arising from the working group report or the recommendations.