Based on findings from the UKBB and UKBAB Q3 surveys July 2010.

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Coalition's first 100 days in office: the business verdict

Small- and medium-sized businesses have given their verdict on the first 100 days of the coalition government in an online survey run by The University of Nottingham Institute for Enterprise and Innovation (UNIEI).

The UK Business Barometer aims to provide a snapshot of how smaller businesses are coping with the current state of the economy and the July round of the quarterly survey was the first to garner opinion since the creation of the new Con-Lib alliance following May's General Election.

And the latest survey found that, despite the Emergency Budget in June which Chancellor George Osborne said would "support a strong enterprise-led recovery", many of the measures aimed at supporting small and new businesses would fail to live up to their promise, with many businesses claiming they would have little or no impact on their economic fortunes.

With business confidence linked to the perception of the health of the economy — and against a mixed backdrop of a higher than expected GDP (+1.1 per cent for the second quarter), public sector cuts and redundancies and the increase in VAT in the New Year — businesses were asked for their outlook.

The results were fairly evenly split across the board, with 34 per cent of respondents reporting an increase in their business confidence following the election, and 30 per cent saying that it had decreased.

The sister survey, the UK Business Advisers Barometer (UKBAB) showed a similar trend, with 37 per cent reporting an increase in confidence and 30 per cent a decrease.

When asked directly what impact the Emergency Budget measures would have in supporting an enterprise-led recovery less than one-fifth (18 per cent) of both businesses and advisers thought they would have the intended effect to a high or reasonably high extent, while almost half (49 per cent) of UKBB and UKBAB respondents did not think the measures will provide this support at all, or at most only to a limited extent.

With the increase in VAT due to come into effect on January 4 next year, both businesses and advisers were quizzed on the impact it is likely to have on their trade. Almost two-thirds of respondents believed it would have no effect on their business — perhaps unsurprising when 65 per cent of businesses admitted they will pass on VAT increases in their entirety to their customers.

Businesses and advisers were also asked for their reaction to the news of the creation of a new Regional Growth Fund, which will be administered by Central Government and will partly take the place of the nine English regional development agencies which are being replaced by local enterprise partnerships.

More follows…

While 19 per cent of UKBB respondents were enthusiastic about the prospect that the new Fund would help to improve the balance in job creation between the south-east and the rest of the country, 55 per cent think this is unlikely to happen. The advisers were slightly more positive — nearly one-third (32 per cent) thought it highly or fairly likely that the Fund and other start-up support measures would lead to better regional balance while 42 per cent did not think it would help at all or were very doubtful.

The issue sparked largely negative comments from both groups, with concerns raised including a potential lack of business support when the RDAs are disbanded, a scepticism over the value-for-money and cost-effectiveness offered by the current RDAs and the danger that whatever replaces them will be run by the same people, in a different name and at vast cost.

One person said: "In our view, scrapping the RDAs will have a significant negative impact on our business, making it harder to gain business support…I don't think the Government has any clear policy on business support. Rather than announcing scrapping organisations there should first have been serious thought about how to replace them." Another went even further: "I am always highly cynical of any changes brought in by any new Government — money is spend on re-naming departments (emda to RDA?) to perform an almost identical job to the previous Government's department, just so that the new Government can say, 'Look at us, aren't we clever! We made it different.'"

With the prospect of the Autumn Spending Review on the horizon, which will set out the final targets for significant reductions in public spending, businesses and advisers were also quizzed about its potential impact on economic growth.

Only 7 per cent of UKBB respondents felt that the cuts would be beneficial to their businesses' growth, while 57 per cent anticipate a reduction in growth prospects — 18 per cent to a significant extent. Among UKBAB respondents a resounding 80 per cent fear that growth will be adversely affected, 24 per cent significantly so, while only 16 per cent can see any benefit from it.

Individual feedback reflected a feeling of uncertainty among business people and advisers alike ahead of the Autumn Spending Review.

One business person said: "The economy is still in a state of flux and as a result of the election and emergency budget not all of the plans and their effects are known and/or clearly understood. This state of uncertainty is reflected throughout business as an unwillingness to spend; until clear and complete messages covering all sectors have been issued and absorbed, we are unlikely to see a positive shift."

A business adviser echoed: "It is summer and the reality of the cuts is yet to manifest itself. Run this survey next April and you may get a more realistic view e.g the proposed VAT increase in January may lead to a bumper retail Christmas but after that the real picture may start to emerge."

The UKBB and UKBAB online surveys pose a number of topical questions in a bid to uncover the key issues affecting the small business market and how it is coping with the current state of the economy. Operating over the web means that results can be rapidly generated and the surveys have unique software that enables results to be processed and posted on their respective websites immediately they arrive.

More information, including results and analyses, can be found on the web at www.ukbb.ac and www.ukbab.ac. Businesses and advisers wishing to contribute as panellists on the project should visit the appropriate Business Barometer website to register.

— Ends —

Notes to editors: The University of Nottingham is ranked in the UK's Top 10 and the World's Top 100 universities by the Shanghai Jiao Tong (SJTU) and the *Times Higher Education*-QS World University Rankings.

More than 90 per cent of research at The University of Nottingham is of international quality, according to RAE 2008, with almost 60 per cent of all research defined as ‘world-leading’ or ‘internationally excellent’. *Research Fortnight* analysis of RAE 2008 ranks the University 7th in the UK by research power. In 27 subject areas, the University features in the UK Top Ten, with 14 of those in the Top Five.

The University provides innovative and top quality teaching, undertakes world-changing research, and attracts talented staff and students from 150 nations. Described by *The Times* as Britain's “only truly global university”, it has invested continuously in award-winning campuses in the United Kingdom, China and Malaysia. Twice since 2003 its research and teaching academics have won Nobel Prizes. The University has won the Queen's Award for Enterprise in both 2006 (International Trade) and 2007 (Innovation — School of Pharmacy), and was named ‘Entrepreneurial University of the Year’ at the *Times Higher Education* Awards 2008.

Nottingham was designated as a Science City in 2005 in recognition of its rich scientific heritage, industrial base and role as a leading research centre. Nottingham has since embarked on a wide range of business, property, knowledge transfer and educational initiatives (**www.science-city.co.uk**) in order to build on its growing reputation as an international centre of scientific excellence. The University of Nottingham is a partner in *Nottingham: the Science City*.

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