

AN ENTREPRENEURIAL NORTH:

HELPING SMALL BUSINESS AND ENTREPRENEURSHIP TO THRIVE IN THE NORTH OF ENGLAND

A RESEARCH PAPER PRODUCED BY FSB IN THE NORTH:
BRINGING THE VIEWS OF BUSINESS OWNERS FROM ALL
OVER THE NORTH TOGETHER

November 2017



FOREWORD

Businesses across the north of England already play a major role in creating jobs and generating economic growth, and by doing so they are helping to rebalance the UK economy. To achieve the ambitious aims set out by Government in its Northern Powerhouse (NPH) initiative and the emerging Industrial Strategy, northern entrepreneurs will be key to success. For the first time, this report brings together proposals from FSB's members right across the north to form a clear and cohesive policy approach. Our ambition is simple. Within a decade, we want to make the north of England the best place in Europe to start-up, run, grow and scale-up a small business.

We want people across the UK, Europe and, indeed, the world to recognise the north as a powerhouse for small business enterprise and growth. Indeed, it is only by nurturing and encouraging entrepreneurship (and investment) that we believe that the Government will be successful in increasing the growth rate of this economy.

Our success will depend on commitment and a set of targeted policy actions. But their impact, and the communities we involve, must include all those across the north: from the Humber to the Solway Firth, from Northumberland to Merseyside. The focus must be on small businesses at each stage of their growth journey, including the self-employed, starts-ups, businesses with moderate growth ambitions and scale-ups.

This report sets out the policy goals to bring our vision to life. Over the last year we have held policy roundtables across the north of England, and surveyed our members across the north, creating a robust evidence base for our recommendations.

This is not just about funding, although investment in digital and transport infrastructure – especially local roads – will be essential. This is about making better use of existing business support organisations such as Growth Hubs and the 11 Local Enterprise Partnerships (LEPs) in the area, based on new research and proposals to improve their approach to small business support. Business owners report the importance of increasing the skills base and talent pool available to them, and so we believe that existing bodies such as Transport for the North should be joined by a skills body, that we suggest is called People for the North.

In 2016, FSB members across our area voted in large numbers to both remain in, and to leave the EU. This report is not the moment to reignite that debate, and we see both opportunities and risks for our local areas. But the nearer that Brexit approaches, the argument for interventions for the north of England intensifies. The Industrial Strategy sets out the UK Government's plan to address serious long-term economic challenges, and so improve living standards, growth and productivity. Structural economic challenges in the north must be tackled, and this report tells the Government how to do it.

European Structural and Investment Funds have underpinned business support and access to finance to businesses across the north. It is vital that support remains, but as that funding is reviewed by the Government for the future we see an opportunity to simplify and improve those schemes in our area.

Ultimately, we represent businesses in every corner of the north of England. We know their entrepreneurial spirit, and without barriers put in their way they will generate the jobs, growth and productivity we need to further rebalance the economy. We hope that this report lights the way for policymakers of all parties, in local and national Government, telling them how to produce an Industrial Strategy for the north. It is only by helping small businesses to achieve their ambitions that we will see a genuine Northern Powerhouse.

Joe Saxton,

Northern Powerhouse Chair, FSB.

INTRODUCTION

Small businesses are at the heart of the northern economy, and are found in every village and town in the region. Politicians of all parties have spoken about the need to improve the performance of the north's economy, more action needs to be taken to include small businesses in the north into the process of identifying how best to achieve this.

While discussions around the Northern Powerhouse continue, and as the Government continues to develop the Industrial Strategy, small businesses in the north have come together to identify what would most effectively enhance their ability to achieve their own growth ambitions.

Members from across FSB's northern regions have led this work, and this report sets out in more detail how the Government could best leverage the ingenuity of northern business owners to make both the Industrial Strategy and the Northern Powerhouse a success.

A key question which stakeholders at all levels of Government need to address is where small businesses and start-ups in the north of England fit into the Industrial Strategy. Broadly speaking, we believe that there are three ways that the northern economy can grow:

- through inward private sector investment from other parts of the country or globe;
- through central or local government investment; and
- through business growth.

There has been a lot of focus on the first two elements: How can we get foreign investors and sovereign wealth funds to invest in the north? How can we persuade the Government to invest more in the region? Will there be a devolution deal for Yorkshire? What difference will the recently elected metro mayors make in Tees Valley, Manchester and Merseyside?

These two approaches are only useful if they create the economic preconditions which help existing businesses to grow, or for more businesses to be created (or indeed to stop businesses shrinking or taking their business elsewhere).

One of the key ways in which the Government can help businesses is to invest in the basic infrastructure businesses need. This can include providing effective transport and digital infrastructure, a responsive skills base, and the business support network to help businesses overcome challenges which could otherwise hinder business growth.

Growing businesses generate more income and profit, hire more staff and, in turn, create an ecosystem of suppliers and clients. Unlike inward investment and government support, economic growth through business growth is organic, sustainable, more resilient, and can provide long-term growth and increases in productivity in the region.

FSB's belief is that all three strands are critical. Inward and public investment is needed to improve poor quality infrastructure and create the pre-conditions for further growth. But ultimately, organic business growth is also necessary for the north of England to truly flourish, and so small businesses and the development of an entrepreneurial culture are absolutely vital parts of that economic mix.

Previous support for northern growth

There is a long history of successive Governments seeking to rebalance the economy through helping less economically developed regions to grow. One of the most recent interventions came in 2014 when the Chancellor declared that 'we need a Northern Powerhouse' to balance the dominance of London.¹ This would harness the economic power of the north of England through transport improvements and backing for science, universities and creative clusters, alongside devolving powers to create powerful city governments comparable to those of other global cities.

¹ HM Treasury and Osborne 2014

This approach was informed by findings from the Commission on the Future of UK Cities², which looked at opportunities for geographical rebalancing. Transport connectivity was central to these plans, with the aim of replicating the swift and convenient transport available to Londoners.

The initiative of the Northern Powerhouse has been taken up by diverse organisations including businesses, sector bodies, think-tanks, universities, interest groups and others. There remains clear enthusiasm for the idea of economic development and rebalancing at a cross-northern level.

There also remain concerns that the Northern Powerhouse will not lead to enough action to support growth in the region. This is reflected in our research with the small business community.

Government focus has moved towards the development of a wider Industrial Strategy. A clear goal for the Industrial Strategy is to rebalance the economy and secure regional economic growth. Progress has continued to be made across some of the themes which the Northern Powerhouse initiative identified. We want to continue to prioritise regional growth.

Key developments for the Northern Powerhouse (NPH)

Since 2014, numerous initiatives to support the development of a Northern Powerhouse have been established. These include commitments by central Government to investment and changes in governance. But perhaps, more importantly, they also indicate a desire among political and business leaders within the north to take ownership of the idea. Some of the major developments are:

- Central government actions: Appointment of a minister responsible for the Northern Powerhouse; creation of a pan-northern statutory transport body (Transport for the North); investment in transport and infrastructure; co-ordinated support for initiatives to attract business investment;
- Devolution to Combined Authorities in northern cities and sub-regions: The latest phase represented by the 2015 and 2016 'devolution deals' and the establishment of elected mayoralities in northern regions; the first mayors were elected in 2017;
- Co-ordinated actions by northern cities: Including the 2016 'NPH Phase 2' declaration committing the north's Core Cities (Manchester, Leeds, Sheffield, Liverpool and Newcastle) to working together across the north to address economic challenges, including skills, business growth, international trade and social issues such as housing; and
- Ownership of the 'NPH' by businesses and other actors across the north: Leading to the businesses working together in new ways – FSB's northern regions, the CBI-backed 'Business North' and 'UK NPH' and with organisations such as IPPR North.

The upcoming Industrial Strategy will include a focus on regional strengths, and can be seen as following principles which have evolved within discussions of the Northern Powerhouse. Improving regional economic growth is a core feature of both the Northern Powerhouse and the Industrial Strategy.

Two important aspects of the development of the Northern Powerhouse as a concrete set of policies and improvements for the north have been the Government's investment in transport and the recent increase in Foreign Direct Investment in the northern regions:

- The Northern Transport Strategy³ highlights that the Government 'has committed £13bn to transport in the north over this Parliament' (when anticipated to last between 2015 – 2020) along with a £1.2bn investment in the north's two new rail franchises over the next five to ten years.⁴

² RSA, Unleashing Metro Growth, October 2014. Available at www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/city-growth-commission.

³ HMG, Northern Transport Strategy, March 2016. Available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/505705/northern-transport-strategy-spring-2016.pdf

⁴ Bradley-Depani et al (2016) note that it is 'difficult to nail down... the detail of this headline figure'.

- Transport for the North has also published its initial position statement on its upcoming Strategic Transport Plan.⁵ This document sets out Strategic Development Corridors which will form the basis for creating a business case for future transport investment across the north.
- The number of Foreign Direct Investment (FDI) projects in the north increased by 127 per cent in the two years since the NPH was first 'named' in the Chancellor's 2014 speech.⁶ The north west of England has outperformed every other region in the UK in attracting FDI, which recorded both the highest number of projects (98 and strongest growth at 118%). The north east of England saw the second biggest increase between 2014 and 2015 (83.3%) and the third biggest was in Yorkshire and the Humber (at 66%). This compares to London's 6.6 per cent. No other English region saw an increase of over 50 per cent.

At the beginning of 2017, two additional key initiatives were launched, aimed at making the concept of the Northern Powerhouse a reality:

- The NPH Partnership (NPP) is a business-led partnership with a board made up of representatives from key companies and prominent city leaders from across the north of England. The aim of the partnership is to increase the impact and contribution of the NPH by bringing individual cities and counties closer together. It aims to do so by developing a consensus among business and civic leaders and other stakeholders about which issues are most pressing and most likely to drive transformational change in the north, and by building an evidence base through research that supports a new set of priorities that can be actioned. Crucially, its role will be to continue to actively promote the north to central government and foreign investors and promote policy ideas. It will also track the delivery of NPH commitments made to date. The NPP released its first report⁷ in January 2017 outlining an initial set of recommendations around education, infrastructure and international competitiveness.
- The NPH Investment Fund (NPIF) is a £400m fund jointly owned by the UK Government, the European Regional Development Fund, British Business Bank and European Investment Bank launched in February 2017. Its aim is to provide more flexible and commercially focused finance to start-ups and growing SMEs in 11 LEPs in the North West, Yorkshire & the Humber and Tees Valley. The fact that allocations across different bodies are brought together into a larger fund means it can support growing businesses over a wider area with potential for economies of scale.⁸

A new approach to help small businesses and entrepreneurship thrive

The report is divided into three sections:

Section 1 reports the result of a survey of our members and what initiatives they believe would make a difference to their business prospects and analyses the themes that came out of a number of roundtables held with our members across the north;

Section 2 examines the approach of local LEPs to small businesses, and reveals the varying levels of support provided by LEPs to small and micro-businesses through Growth Hubs, as well as through LEP strategy overall; and

Section 3 sets out in detail our policy goals and our approach to creating the entrepreneurial culture that the north needs to meet its economic potential.

Key recommendations:

Strengthen Northern Powerhouse small business support and offer pan-regional and local services: We need to improve start-up and survival rates for small businesses in the north – one of the major purposes of LEP small business

⁵ Transport for the North, Strategic Transport Plan. Available at www.transportforthenorth.com/strategic-transport-plan

⁶ EY, UK Attractiveness Survey, May 2016. Available at www.ey.com/uk/en/newsroom/news-releases/16-05-24---regional-powerhouses-drive-record-breaking-levels-of-uk-foreign-direct-investment

⁷ Northern Powerhouse Partnership, First Report, January 2017. Available at www.n8research.org.uk/media/NPP-First-Report.pdf

⁸ Northern Powerhouse Investment Fund. Available at www.npif.co.uk

support. Our own survey data also shows that LEPs and Growth Hubs are way down the list of sources of support that northern small businesses turn to. Indeed many are not even aware of their existence. So we need a far better system of support that is highly visible and easily accessible. We also need to avoid all 11 LEPs replicating services based on geography. There are some specialist support services that would be better delivered on a regional basis across the north.

Double funding of enhanced Northern Powerhouse small business support to £300 million a year: Once reforms are made to the delivery of business support in the north, funding should double for these important programmes. The introduction of a UK Shared Prosperity Fund offers an opportunity for LEPs to work together to improve the delivery of business support, and bid for substantially more funding. The Government must set out how this Fund will work, and how innovative successful LEPs working together can be rewarded for their creativity and partnerships. The Industrial Strategy also offers an opportunity for LEPs across the north to define the policy interventions necessary to deliver regional economic growth, which must take the needs of small businesses into account.

Create a Council of the North: We believe there is a case for a single body to knit together activities, strategic developments, and to advise, guide and warn agencies, local authorities, LEPs and metro mayors about their performance. A Council of the North could bring together all stakeholders to identify areas to progress, and to share best practice, especially in areas like business support.

Make Transport for the North a statutory body: The Government should move forward with its plans to make Transport for the North a statutory body. Beyond this, focussing investment on smaller scale projects would deliver real benefits to transport connectivity on the local road and rail routes which small businesses depend on most. These investments could deliver real improvements in the short-term.

Create a People for the North: Building and retaining the skills base in the north is key to future business success. Built along the lines of Transport for the North, a new pan-northern skills agency could bring together all relevant stakeholders, including employer groups, universities and education, skills and apprenticeship providers to identify existing and future shortages and improve the skills and expertise of employers and employees – both current and future.

Increase investment in transport: Improving transport connectivity will be vital to deliver growth in the north. We have identified a number of schemes which could help deliver this growth. These projects can build on the initial work of Transport for the North in identifying schemes which will deliver economic growth – making the business case for the new investment in transport that we believe is needed, and then making sure it is delivered. Assessing interventions as a cohesive whole would help improve the business case for these investments.

Make world class digital connectivity a hallmark of the Northern Powerhouse: We think that the Northern Powerhouse should be known for the universal and consistent speed of its digital connectivity. The benefit of investing in broadband is that it benefits rural and urban areas, it benefits the highly mobile and those more static, and it puts all parts of the north on an equal footing. While we are aware that much investment in digital is done by private companies, the reality is that the benefits of world-class digital connectivity will bring benefits right across the economy of the north. So we believe that National Infrastructure Commission should investigate digital connectivity across the north and identify how best to improve the quality of digital connectivity. Politicians and those with influence should push as hard for improving broadband in the Northern Powerhouse as they do for HS2 or Northern Powerhouse Rail.

Multiple timescales, granular change and partnership are key to success: To achieve our vision we think there are three approaches that need to be adopted. The first is to work on change that delivers over the short-, medium- and long-term. 15 years to wait for big infrastructure projects is too long for the change that the north needs. The second is to look for granular change, in other words not one or two big silver bullet solutions, but many different infrastructure, educational and business support ideas. Our last approach is to work in partnership. We don't believe that success will be achieved by any one body on its own, but through multiple parties working together.

Small businesses have different needs from medium sized enterprises: FSB members were clear in our research that their needs as small businesses were different from those of businesses with 200 employees. Yet both are covered within the definition of small businesses. We want agencies to be much clearer about the services they provide for different types of business, and never to forget that 97 per cent of businesses in the north are small.

SECTION 1: SMALL BUSINESS PERSPECTIVES ON THE NPH

Small businesses will be at the heart of a successful Northern Powerhouse and Industrial Strategy. As key drivers of economic growth in all communities of the UK, interventions which help businesses to succeed will be needed to achieve Government ambitions.

The key questions which need to be addressed are: what interventions do small businesses identify as being most important to them? What do they think of the concept of the NPH? Is it something they value and identify with? What are the key initiatives that they think would make the most difference to the north? What do they think of the current business support landscape? Are LEPs and Growth Hubs known and providing useful services? Do they make a difference to small businesses in the north when it comes to business support?

FSB has carried out research to address some of these questions, conducting a survey of northern businesses, and holding a series of roundtables (supported by IPPR North) in Huddersfield, Merseyside, Newcastle, Leeds and Lancaster. The findings from this research are summarised below.

Perceptions of the Northern Powerhouse

Overall, there seems to be an underlying sense amongst respondents that, in principle, the interventions associated with the Northern Powerhouse and Industrial Strategy initiatives will be useful to businesses in the north. In a survey on devolution carried out by FSB last summer, 53 per cent of small businesses in the north of England believed that devolution would have a net positive impact on their local area.⁹

Many, however, are concerned that much has been said about it, but little has been done so far.

"I fully support the initiative, see and hear lots of ideas, but see little result or action."

"The NPH is essential for the development of the north of England. However, we require action and less talk."

Many are concerned that there will not be enough concrete action that delivers tangible benefits for small businesses.

"I'm unclear at this stage if this will deliver real benefits to local businesses resulting in better connectivity, both digitally and with improved transport infrastructure."

"The NPH has always been vague, appears to be running out of steam and has always struggled to articulate exactly what it means; so it tends to default to transport and maybe a vague notion of addressing "skills shortages". It's clearly city centric, which begs the question – what about non city areas? [...] It's also big company (and big player) centric, so SMEs have been far less engaged and the general public (who are the most important element of the whole process) have been almost totally ignored."

Finally, there is some frustration with regards to the NPH not being geared enough towards small businesses, despite their importance in the northern economic landscape.

"The NPH needs to focus as much on small businesses as large corporates."

"Most of the drivers for the NPH were based on the opinions and status of large enterprises. Small businesses are an afterthought, carry little weight, and yet are the potential future businesses that drive regional development."

Similarly, there are also concerns that the NPH would not benefit the largest cities in the north and more rural areas in equal measure.

"The NPH is a slogan and does not exist in reality. It is also focussed largely on cities such as Leeds and Manchester, there is no interest in those of us outside these areas."

"I have concerns that only Manchester, Liverpool, Sheffield etc. will benefit, rather than Lancashire."

⁹ Based on results from an FSB survey on devolution carried out in June 2016. Survey included responses from 1801 small businesses across England.

A theme which emerged from roundtables was the **lack of understanding of small business** which sometimes appears to inform policy. Participants saw small business as part of an economic 'ecosystem' which operates locally and nationally. To keep going this needs a diverse group of businesses of different sizes, functions, sectors and – crucially – ambitions for growth: 'they are all cogs in a big machine, and you need all the cogs', said one participant. Yet there was a sense that this diversity is often ignored, or that only certain types of small business are prioritised despite the fact that they all contribute.

Representation of the 'small business voice' needs to reflect this diversity. The experience of a manufacturing firm with 60 employees may be very different from that of a digital start-up with three, or a hospitality business that employs ten. And the 'mix' of small businesses in an area will reflect its industries and communities. What works for one area may not work for another; with good representation, small businesses could thrive under devolution. This lack of representation and diversity was also reinforced in FSB's devolution survey. It found that 70 per cent of northern small businesses in an area with a devolution deal, felt that they had not been consulted about the process of shaping devolution.

Opportunities for small scale growth in small businesses were felt to be especially under-utilised. It was pointed out that there are relatively few businesses in the UK which employ more than 1,000 people. However, in regions and cities with a high concentration of small businesses, support which helps 1,000 small businesses to grow by one or two jobs can have a major impact. It was suggested that helping small businesses to grow – by increasing staff numbers or moving into new premises – is regarded as potentially less of a priority for politicians than the 'glamour' of securing a single major investment from a multinational firm.

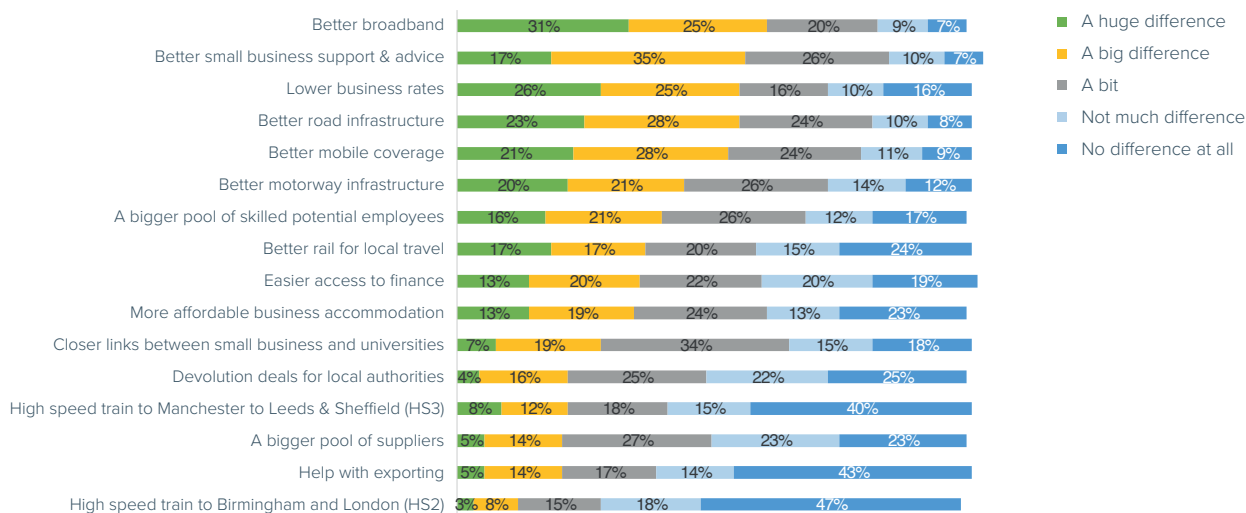
Perhaps the biggest misconception about small businesses is what one participant called 'the Bill Gates Syndrome'. This is the view that every small business is a big one which hasn't grown yet, and that growth ambitions are potentially 'unlimited'. FSB members stated this was evident in some policy for small business support, including the language and imagery of campaigns promoting services to small business. However, just as small businesses are diverse, so are the ambitions of their owners. These may take a business to a point where it has 20 or 30 employees but beyond that, growth could be undesirable for lifestyle or personal reasons. There may also be some processes or services which are best offered by small businesses in their area.

Participants noted that small businesses which stay small in terms of employee numbers still add value in numerous other ways: they offer stability in employment and supply chains, have a strong community impact and contribute to community building, and are often more agile, thus creating space for innovation and change. Larger businesses can also benefit from the presence of all of these, relying on small businesses which 'stay small'.

How to deliver growth in the North

The survey and roundtables which were carried out revealed a range of other issues which affected small businesses in the north. Many of these issues, such as a desire to improved digital and transport infrastructure and the skills base are likely common to businesses across the country.

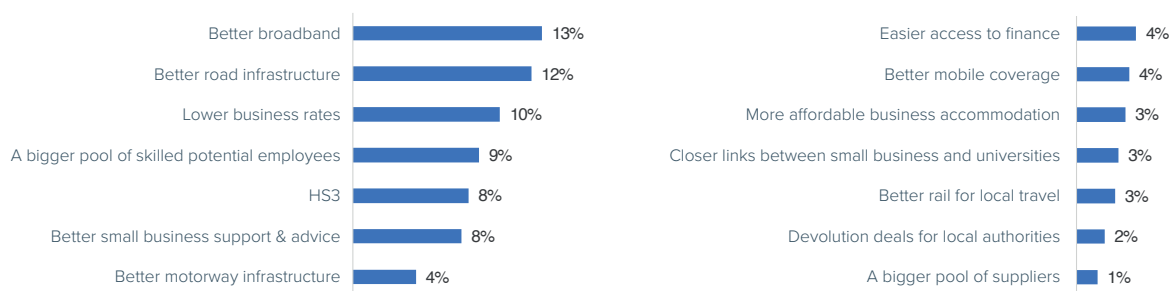
Chart 1: Which NPH initiatives are likely to make a difference



Source: FSB Members Survey

Question: There has been a lot of discussion about the Northern Powerhouse recently, and suggestions for a variety of initiatives that might make a difference to businesses. Which of the following do you think would make a difference to your business? Base: 409 Businesses (23 no answer)

Chart 2: NPH initiative that would make the biggest difference



Source: FSB Members Survey

Question: If you were to pick just one of these initiatives or changes, what would it be? And why? Base: 409 Businesses (83 no answer)

Other answers below 1%	Number of respondents
Public Transport	3
Travel Infrastructure	3
Airport Links	2

Digital Infrastructure

When asked the extent to which various initiatives would make a difference to them, improving the quality of digital infrastructure is key for many small businesses. Better broadband coverage scores the highest amongst respondents, with 31 per cent saying that it would make a huge difference to their businesses and 25 per cent saying that it would make a big difference. This is also the initiative that is most frequently identified by businesses as having the biggest impact out of all options prompted, with 13 per cent of businesses reporting this.

Similarly, improving mobile coverage is thought to make a huge difference by 21 per cent of businesses, and a big difference by 28 per cent.

Although this is likely influenced by the fact that many of the businesses which took part in the survey are based in rural areas (e.g. Cumbria and Lancashire), it highlights how something as important as broadband and mobile phone coverage falls significantly short of the needs of the northern economy. Again, this echoes some of the concerns which emerged in the IPPR North roundtables.

FSB recognises that significant progress has been made via commercial and state-funded investment in digital infrastructure in recent years. While this is welcome, Ofcom's own figures continue to show that small businesses

are disproportionately less likely to have access to superfast broadband compared to the residential market.¹⁰ These figures, last updated in December 2016, show that while 89 per cent of residential properties can access superfast broadband, only 80 per cent of small businesses can do the same. While some small businesses will access leased lines, these products will not be suitable or value for money for many small businesses.

Digital infrastructure and the skills to use it effectively are key issues. The consensus in roundtables was that connectivity is 'better than it was, but in need of improvement', especially in rural areas and smaller towns. 'If we're going to compete on the world stage we need world-class services', was the view expressed by one participant and similar positions were taken in all of the roundtables.

The lack of reliable Wi-Fi connectivity on trains was also a concern; its absence on the TransPennine route was cited as another example of the inferiority of east-west links, and represented a major problem for small businesses working across the north. Mobile coverage was generally good but where it is lacking – again, a particular issue for rural areas – it creates serious difficulties.

More positively, there were some good examples of digital enablement, collaboration and skill-building. For example, in the Tees Valley and the north east of England, roundtable participants had been involved in digital enablement activities supported by LEPs. These were felt to have been effective, and to provide a good model of how businesses can work together.

FSB has published several reports identifying some of the other issues which stop small businesses from fully participating in the digital economy.¹¹ Beyond poor quality infrastructure, a lack of digital skills stop many businesses from moving their business online. Many other businesses struggle to quantify the benefits of digitalising their business, meaning decisions are deferred and opportunities are missed. Fears around cyber security can also stop businesses from taking full advantage of the digital economy.

Transport

Better road and better motorway infrastructure also rate highly in terms of potential impact, with 51 per cent and 41 per cent of respondents believing they would make a huge or big difference respectively.

High-speed train links within the north (Northern Powerhouse Rail) and between the north and south (HS2) are seen as relatively less important compared to investments in road infrastructure. This likely reflects the relative value small businesses place on the road network compared to the rail network. This is particularly true for HS2, which some business owners saw as predominantly benefitting the south rather than the north.

Higher numbers of businesses reported that greater investment in local road infrastructure would be useful for their business compared to investments in the motorway network. Any road journey will start and end on the local roads network, and many businesses will not use the motorway network at all for most journeys.

FSB has been advocating for the development of a 'Major Road Network' which would see some funding reallocated towards economically important local roads. This would help improve the core roads within a region, and improve connectivity for many small businesses.

Poor transport connectivity was noted as an issue by participants in all the roundtables. A range of different issues, including poor east-west links, limited or unreliable rail services (including the lack of electrification on key lines), and poor quality road infrastructure in rural areas (which contrast with good motorways and major roads) were expressed.

Intercity connectivity has some particular issues for small business:

- Poor quality links between rail hubs and the wider regions they serve; and

¹⁰ Ofcom, Connected Nations, December 2016. Available at www.ofcom.org.uk/__data/assets/pdf_file/0035/95876/CN-Report-2016.pdf

¹¹ FSB, The Fourth Utility, July 2014. Available at www.fsb.org.uk/policy/assets/FSB-The-Fourth-Utility.pdf
FSB, September 2015. www.fsb.org.uk/policy/assets/fsb%20telecoms%20report%20-%20september%202015.pdf

- Transport infrastructure which does not match the scale and ambition of the industrial sites in a location, e.g. the Cumbrian ‘energy coast’, the ‘Middlesbrough coast’, and the Hull/Humber area. This was discussed in relation to the attractiveness of the north for international investors, and opportunities for supply chain development.

Transport *within* cities was discussed at the Merseyside roundtable. The lack of a fast and reliable transport system in the Liverpool City Region was seen as a barrier both to its attractiveness as a business location, and to connecting workers to jobs.

Transport *outside* major cities, by both road and rail, was a major concern: “transport links within cities and to outliers”, as one speaker put it. This was discussed at the Lancashire/Cumbria and Yorkshire roundtables, where routes into towns and cities were described as poor and detrimental to businesses needing reliable transport for their workers. This was a major issue for small business owners in the view of roundtable participants who felt that ‘getting to work locally was often difficult’ (see Raikes 2016 on the contribution of bus services to local economies).

FSB has also highlighted the importance of transport connectivity in rural areas, which must not be left behind due to an unfair urban focus.¹² This research demonstrated the challenges which poor transport connectivity pose to rural businesses, hindering their ability to attract customers and employees and increasing the costs of receiving goods and supplies.

There was some support expressed at the roundtables for the large-scale transport projects announced as part of the Northern Powerhouse as potentially improving overall economic conditions and creating a better climate for small business. However, some criticisms of HS2 focussed on a ‘London-centric’ emphasis on journey times between the north and London, when the north itself still lacks good internal transport links. It was also recognised that smaller-scale local projects could have a more immediate impact on the productivity of small firms across the north.

Skills and training

Difficulties in finding employees with the right skills and training were of considerable concern for roundtable participants. Concerns fell into four main categories:

Funding for small businesses to train staff: This is difficult to obtain and often does not match needs: The criteria associated with funding sometimes makes it difficult to match training to actual business needs, if funding for skills development is available at all. Apprenticeship funding was felt to be insufficient to meet the costs of employing apprentices, and there was scepticism about the potential impact of the Apprenticeship Levy. Where funding of any kind is provided for skills development and training, this should have an element of conditionality; the business should be able to demonstrate that it has provided training.

Obtaining skilled workers and good quality training: Like many stakeholders across the north, roundtable participants were aware that many small businesses struggle to obtain adequately skilled workers for the jobs available. This general problem is compounded for small businesses by the costs of recruitment and of seeking out the most suitable candidates. Technical and digital skills were areas of particular challenge, but problem-solving and ‘people’ skills were also mentioned as lacking among job applicants.

The quality of training available from private providers was a source of concern to some roundtable participants. Again, small businesses may find it particularly difficult to evaluate the training on offer in a relatively complex and crowded market, or to work out whether an applicant with a particular qualification has received a good quality grounding in the appropriate vocational skills. Planned improvements to technical education and to careers advice and guidance were welcomed. Some examples of effective partnership working with colleges and universities were cited, and the devolution of funding for adult skills was seen as an important opportunity.

Some small businesses may be unwilling to invest in skills and training: This was seen as a particular problem where there is a sense that skills should be provided for businesses rather than forming a part of longer term business strategy and investment.

¹² FSB, Going the Extra Mile, May 2016. www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-rural-transport.pdf?sfvrsn=0

Management skills are an important part of the ‘mix’: Weak management practices can hold back businesses which seek to grow, to build resilience in tough economic times, or to innovate and change more broadly. Barriers to improving skills in this area include both attitudes and poor awareness of the need for learning, and limited provision of training and development opportunities.

LEPs and Growth Hubs

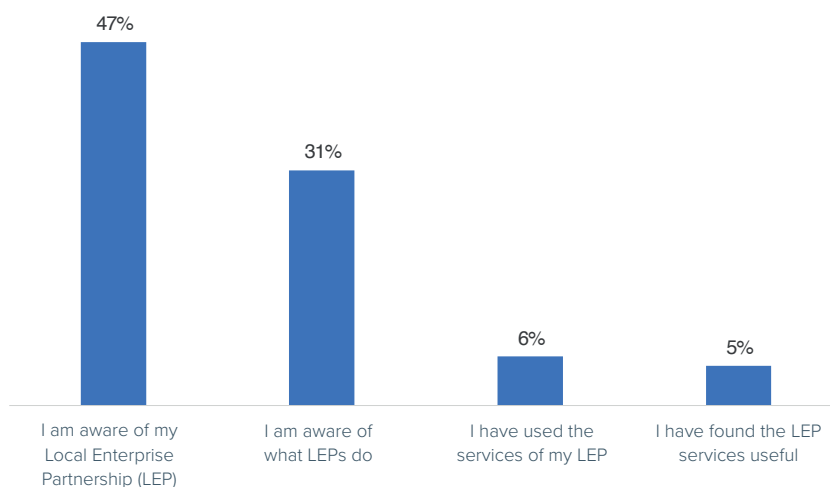
Between 2010 and 2015, the Coalition Government created 39 Local Economic Partnerships (LEPs) across England. Set up by the Department for Business, Innovation and Skills, on paper LEPs are meant to be voluntary partnerships between local businesses and their local authority, led by the business community itself.

LEPs replaced Regional Development Agencies (RDAs) in their role to more effectively determine and steer local economic priorities, local economic growth and job creation. Crucially, with the advent of the devolution agenda, LEPs are now also responsible for coordinating the business support offer at the local level through Growth Hubs, something which in the past was managed centrally through services such as Business Link. In this sense, LEPs should play a crucial role in supporting small businesses within the new landscape of devolution to English regions.

Our survey asked small businesses across the north the extent to which they were aware of LEPs, as well as the extent to which they used services provided by LEPs and Growth Hubs.

Half (47%) are aware of the existence of their local LEP and 31 per cent are aware of what they do. However, only a very small proportion of businesses (6%) report using services offered by their LEP.

Chart 3: Awareness of LEPs and uptake of their services

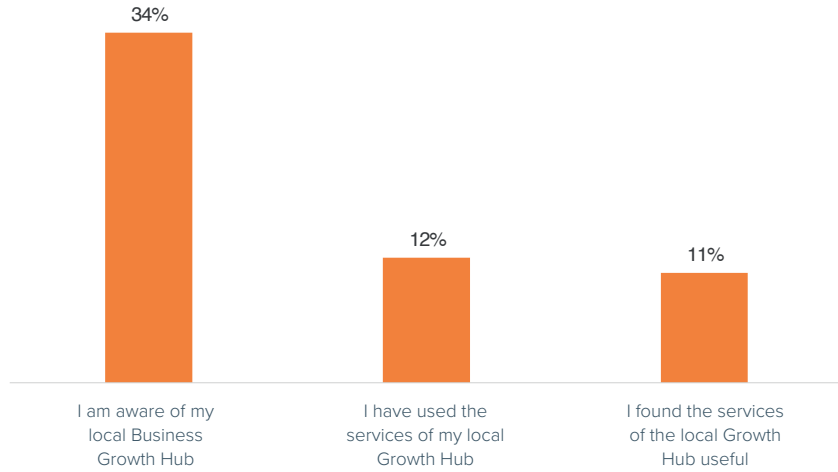


Source: FSB Members Survey

Question: We are interested in how well the Local Enterprise Partnership (LEP) and Business Growth Hub support services are understood and used by members and small businesses? Figures for "Yes" Base: 409 Businesses (9 no answer)

A smaller proportion of small firms are aware of Growth Hubs (34%), however a slightly larger proportion of businesses (12%) report using their services. This is expected, given that Growth Hubs fulfil the business support function of the LEP and are therefore more likely to engage potential users. However, these figures are clearly low, reflecting poor awareness of the services they offer. Although most of those who use Growth Hub services report finding them useful (11%), we believe much more work needs to be done to ensure that businesses are aware of, and take up, these services.

Chart 4: Awareness of Growth Hubs and uptake of their services



Source: FSB Members Survey

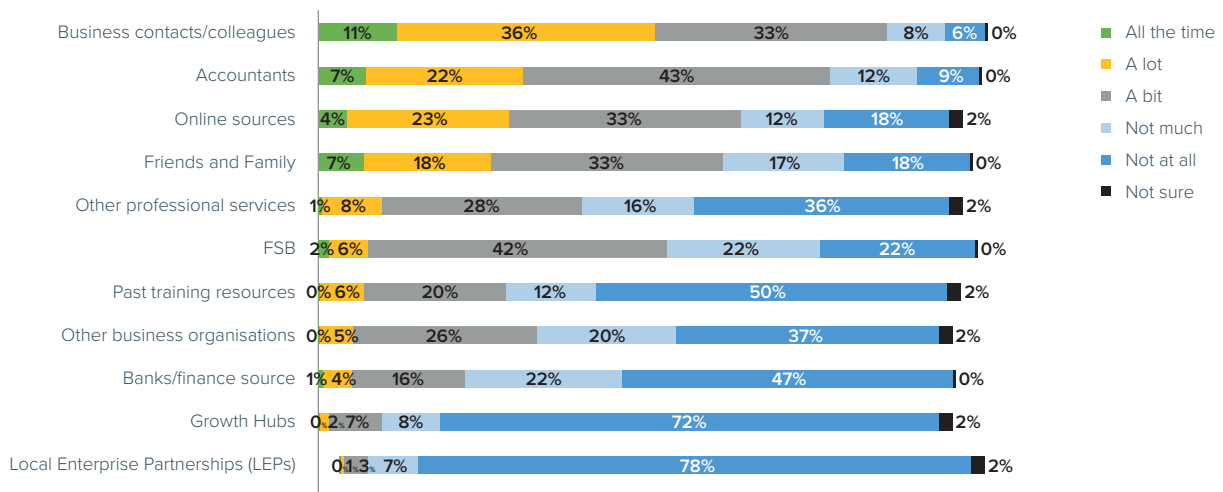
Question: We are interested in how well the Local Enterprise Partnership (LEP) and Business Growth Hub support services are understood and used by members and small businesses? Figures for "Yes" Base: 409 Businesses (9 no answer)

When asked who they would turn to for business support more generally, by far the most common answer was other business contacts or colleagues, with 47 per cent of small businesses reporting turning to them for help in the last few years. This highlights the importance of networks in growing a business and suggests schemes that involve a peer-to-peer support element are likely to be most effective. Many (25%) also talk to their friends and family, which again highlights the importance of informal support.

As well as turning to their own networks, small businesses talk to accountants (29% do so a lot or all of the time), perhaps as a result of being required to engage with them on a fairly regular basis by law.

These figures closely align with the evidence uncovered as part of FSB's research into small businesses views on the future of EU funding.¹³ It found that private sector sources of support advice such as accountants and solicitors play an important role in helping businesses. However, the research also finds that businesses seeking to grow are more likely to access public sector sources of business support such as LEPs and Growth Hubs, looking for concrete advice on how to achieve that growth, rather than simply seek legal or financial advice.

Chart 5: Who small businesses turn to for support and advice



Source: FSB Members Survey

Question: If you think back over the last few years of the running of your business who or what have you turned to when you needed support or advice?

Base: 409 Businesses (17 no answer)

¹³ FSB, Reformed Business Funding, May 2017. Available at www.fsb.org.uk/docs/default-source/fsb-org-uk/reformed-business-funding.pdf

Finally, a high proportion of small businesses (27%) turn to online sources for advice. Although sources are not specified, this suggests that many businesses are doing this independently and without any guidance. There is possibly some overlap here where online sources of advice are actually supported by LEPs or Growth Hubs, but where small business owners are not aware of this.

As already noted in previous data, the current role of Growth Hubs and LEPs as business support mechanisms is far from being prominent among the business community, with 72 per cent of small businesses saying that they haven't used Growth Hubs for advice and 78 per cent saying the same about LEPs. This, coupled with data on usage from Growth Hubs, suggests that there is vast scope for improvement in both awareness and use of Growth Hubs and their services. Our evidence does, however, show that these institutions do play an important role in helping businesses to grow, suggesting that it is important that they continue to receive funding and support in future – including after March 2018, when their current funding comes to an end.

Participants in the roundtables discussed their experience and use of business support services, along with their priorities for the future.

Some of the themes which emerged in the discussion in relation to this include:

The business support landscape is 'fragmented'. Small businesses need one-stop options designed with their specific needs (and diversity) in mind: Small businesses are offered support from diverse sources. This could potentially mean that it is able to meet diverse needs. However, in all of the roundtables, participants expressed frustration at the complex landscape of support available and how long it can take to seek out the most appropriate help. Often small business owners simply do not know who to call. It is notable that business owners expressed this, as Growth Hubs in theory provide a one-stop service. While it is positive that many business owners identify the services provided by Growth Hubs as being important, the fact that they do not realise there are organisations specifically tasked with providing this, demonstrates the general lack of awareness Growth Hubs still have.

Roundtable participants were clear that 'online only' support is not sufficient: Many businesses expressed their need for one-to-one advice, including analysis of their specific needs. While coaching and mentoring were considered to be fairly easily available, and valuable to those who use them, participants felt that they are not necessarily the most effective mechanism for business support in all cases. Firms at different stages of their growth journey will also need different forms of support, along with recognition that some firms will be targeting lower growth than others and may require different support as a result.

Accessing finance is challenging. Small businesses need clear guidance, criteria which reflect local economies, sectoral composition and business needs, and consistent eligibility across large economic geographies: Accessing finance is challenging for many small businesses. Many participants suggested that banks are often considered a poor option, and that small business owners would rather seek funding elsewhere if suitable alternatives existed.¹⁴ There was a perception among roundtable attendees that Government attempts to encourage banks to lend to small businesses had been somewhat unsuccessful.¹⁵

However, seeking funding beyond banks was also viewed as time-consuming and confusing. The number of different possible sources of finance meant it was difficult to identify potential solutions. Businesses can find it difficult to know which potential lender to approach, especially when making an application is itself time-consuming.

This process is complicated by:

- Detailed and diverse criteria which are not always fully clear when selecting a funder to approach. Preference is often given to sectors which match specific aims, and businesses which add value to a local economy may nevertheless be excluded. Some people felt that the sectoral definitions used could themselves be outdated or hard to understand;

¹⁴ Some participants noted that the 'financial literacy' of small business managers can also be poor, and that they may need good advice both on the best products for them and on the realities of business finance: 'it's difficult when they want consumer protections but also want to be treated as a business'.

¹⁵ This was the view of roundtable participants, and did not represent an exhaustive analysis of the impact of different schemes. For example Allinson, Robson and Stone (2013) evaluate the impact of the Enterprise Finance Grant, introduced in 2009, which is estimated to have brought a net benefit to the economy of around £1.1bn; this has been particularly effective for businesses which lack security to act as collateral. Beyond this, FSB's own quarterly research into the perceived availability and affordability of credit has shown a consistent improvement in recent years, albeit starting from a low base in 2008-2012.

- Funding which favours businesses of a certain size, usually above the ‘micro-business’ level – although it is at the ‘micro-business’ stage that many firms need support to grow;
- Funding tends to be allocated to larger and ‘high-growth’ businesses;
- There seems to be a particular problem in obtaining sums of around £20,000 – this funding ‘gap’ was identified in several regions; and
- Finance may be limited to particular activities. It was felt to be difficult to get funding for commercialisation or to build or extend premises. And although funding is often needed for new activities which include an element of uncertainty, funders were described as ‘risk averse’.

The most common issue, however, was the same as for wider aspects of business support: inconsistency across geographical areas, with duplication, gaps, and differences between areas which bear no apparent relationship to the ‘real economies’ of those areas. These were often associated with the different practices of local authorities. Small business owners communicate with one another – and with clients – across different administrative boundaries and were frustrated with the apparently arbitrary disparities between what is available in different areas.

An approach to small business financial support which treats the north as an integrated region offers the possibility of greater consistency and criteria that reflect ‘real’ economic geographies and relationships. The NPH Investment Fund (a £400 million fund established by agreement between the British Business Bank and LEPs in North West England, Yorkshire and the Humber and Tees Valley, to increase investment with an explicit focus on small businesses) was seen as having the potential to facilitate this, avoiding clashes and duplications. Its pan-northern remit also mitigates the danger that devolution could lead to further disparities.

Participants felt that an effective small business voice is important in planning for the NPH Investment Fund. A pan-northern fund could be combined with elements which use detailed local knowledge to address needs and opportunities relating to specific specialisms and sectoral strengths.

A final comment was that the lack of evaluation of funding initiatives, or at least the lack of publicity for evaluation outcomes, is a gap which should be addressed so that improvements can be made and the most effective approaches identified.

There is an additional risk to small business finance markets in the north following the decision to leave the EU. The European Investment Bank and European Investment Fund provide funding for a range of different initiatives which support small business finance markets.¹⁶ The Government is currently investigating options to replace some of the finance and functions currently provided by EU institutions. It is important that funding levels are maintained to reduce finance gaps for small businesses, especially in the north where EU efforts have largely focussed in recent years.

Small businesses need support to boost their involvement in exporting, and to get involved in value and supply chains as the NPH develops: Roundtable participants proposed a number of areas where small businesses could benefit from additional support.

Support for exporting was mentioned in every session. Many small businesses have the potential to export but lack the time or resources to become engaged in international activity. Previous FSB research has shown that, in addition to the 21 per cent of businesses which currently export, an additional 21 per cent of small businesses would consider exporting in future, with the right incentives and support.¹⁷

As businesses face increasing costs together with a weakening UK domestic economic outlook, it is now even more important that businesses with the potential to become exporters are given the right support to do so, as markets including the eurozone and the US continue to strengthen.¹⁸

¹⁶ FSB, Reformed Business Funding, May 2017. Available at www.fsb.org.uk/docs/default-source/fsb-org-uk/reformed-business-funding.pdf

¹⁷ FSB, Destination Export, July 2016. Available at [/www.fsb.org.uk/docs/default-source/Publications/reports/fsb-destination-export-report-2016.pdf?sfvrsn=0](http://www.fsb.org.uk/docs/default-source/Publications/reports/fsb-destination-export-report-2016.pdf?sfvrsn=0)

¹⁸ FSB, Keep Trade Easy, March 2017. Available at www.fsb.org.uk/docs/default-source/fsb-org-uk/keep-trade-easy_-_what-small-firms-want-from-brex-21-march-2017.pdf?sfvrsn=0

Some roundtable participants had experience of tailored initiatives to increase small business export activity, but felt that this is an area where the UK could learn from other countries and take a more innovative approach. Short-term opportunities to work with an external 'export manager', grouping together with other small business to exploit opportunities for exporting and raising international profiles, and opportunities for international travel are all of value, but relatively difficult to achieve within some current structures.

Support to get involved in supply chains, especially those associated with exporting, would also be of great value to small businesses. Devolution of business growth support offers more opportunities for active engagement in this area. LEPs and Growth Hubs could also play an important role in helping small businesses understand the opportunities associated with exports, and can help bust some of the myths which may deter others from considering this move.

SECTION 2: THE STATE OF LEP AND GROWTH HUB BUSINESS SUPPORT SERVICES IN THE NORTHERN POWERHOUSE

The Northern Powerhouse area includes 11 LEPs.¹⁹ The 2014 Strategic Economic Plans (SEPs) presented to Government by these LEPs (in order to secure local growth funding) included numerous commitments to small business growth and support.²⁰

These include:

- Co-ordinated business support with specific provision for small businesses, through Growth Hubs and in specific areas. Services provided include improvement of information about access to finance, advice on energy, decarbonisation and resources, access to alternative finance products and tailored loans, exporting and technological improvements;
- Building on specific small business strengths as these support the overall aims of the LEPs' SEPs. In particular the strengths of northern small businesses in the manufacturing sector (including advanced manufacturing) are stressed;
- Support for small businesses in supply chains;
- Planning interventions such as increasing the availability of land and premises;
- Tailored support for staff training and retention, including increasing the number of apprentices, leadership and management development, and training; and
- Opportunities to engage small businesses in innovation through network building, links with universities, virtual contacts and other support.

As important economic actors, there are also discussions taking place on how LEPs should link into the UK Industrial Strategy. There may, for example, be a move for each LEP in the north to draft its own Industrial Strategy for its territory, in addition to its local economic strategy. LEPs should take this opportunity to identify where investments could best be targeted to deliver regional economic growth, taking the needs of small businesses into account to maximise these benefits.

LEP boards vary in size and composition, and the small business 'voice' is represented in different ways. The 2016 Budget required all LEPs to include at least one representative of small businesses on their boards.

FSB views LEPs and Growth Hubs as a key mechanism for supporting regional economic growth. There are a range of different factors which will affect how effective these bodies are.

The next section gives an overview of Northern Powerhouse LEPs (NPH LEPs) and Growth Hubs, considering their funding levels, business support offering and the extent to which they account for small and micro-businesses. The data was gathered by examining existing research about LEPs: LEP and Growth Hub websites; annual reports and, where available, financial accounts.

LEP Funding and budget allocated to small business support

In general, financial information about LEPs is patchy and, where it is available, it varies greatly in format, metrics and level of detail; this happens to such an extent that it is often difficult to draw meaningful comparisons.

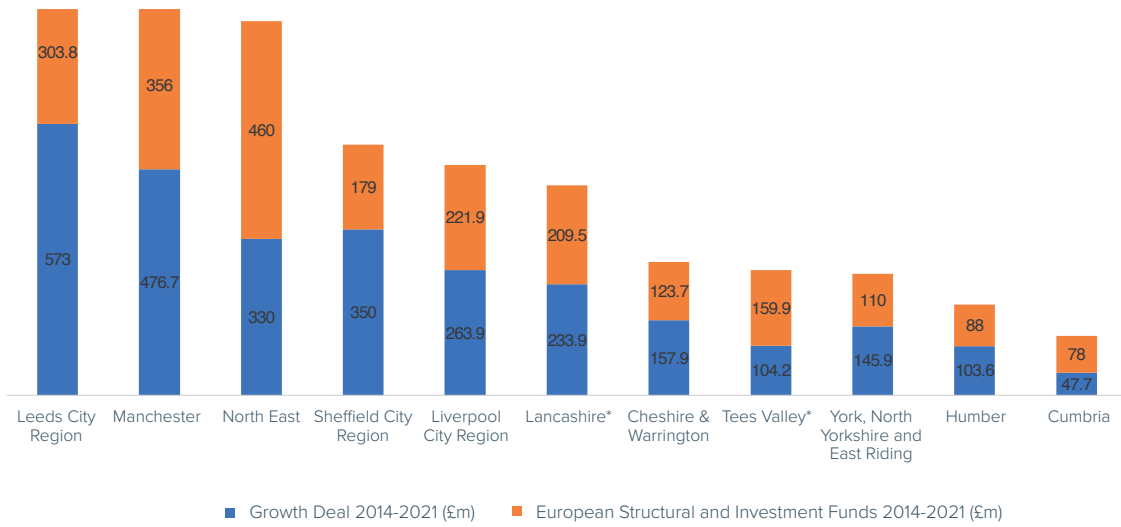
It also seems to be widely accepted that LEPs have not been sufficiently funded or staffed in order to reach their potential. Several studies have suggested that LEPs are underfunded in relation to the mission that they have been asked to fulfil when first set up to replace Regional Development Agencies by the Coalition Government.

¹⁹ These are: Humber, Cumbria, North East, Manchester, Cheshire and Warrington, Liverpool, Sheffield, Leeds, Tees Valley, York, North Yorkshire and East Riding, Lancashire.

²⁰ At the time of writing, the 2017 Strategic Economic Plans have not been released. These will likely reflect changes in economic circumstances in different LEP areas, but will likely continue to view the above interventions as being broadly necessary to support business growth.

The National Audit Office, for instance, reported in 2016 that only five per cent of LEPs in England agree that resources are enough to meet the expectations placed on them by the Government. The majority (69%) also reported not having sufficient staff and 28 per cent reported not having sufficiently skilled staff²¹.

Chart 6: Northern Powerhouse LEPs Funding (2014 – 2021)



Source: www.gov.uk and LEPs websites

*Due to unavailability of more recent data from LEP websites, figures on EU funds for Lancashire and Tees Valley refers to 2014-2020 and is taken from "The Future of Local Enterprise Partnerships: The Small Business Perspective" written by the Centre for Local Economic Strategies on behalf of FSB in September 2014.

Looking at information available on Northern Powerhouse LEPs, it is clear that there is wide variation in funding levels allocated to LEPs, both through Growth Deals and European funding.

Growth Deal allocations were based on the Government’s assessment of the strength of the LEPs’ Strategic Economic Plans, combined with the proportion of England’s population represented by each LEP.

This has resulted in significant variations in levels of funding (for the period 2014 – 21), with the City Regions of Leeds (£573m), Manchester (£476.7m), Sheffield (£350m) and Liverpool (£263.9m) landing the largest deals and the still relatively large but less urbanised and densely populated regions, such as Cumbria (£47.7m), getting far less.

This is unsurprising as the Manchester, Leeds and Liverpool city regions all have higher than average business growth and, together with the North East of England, some of the highest volumes of start-ups. However, this does suggest that regions where funding is likely to see the largest rates of return are being prioritised over other regions where business may be most in need of stimulation and support.

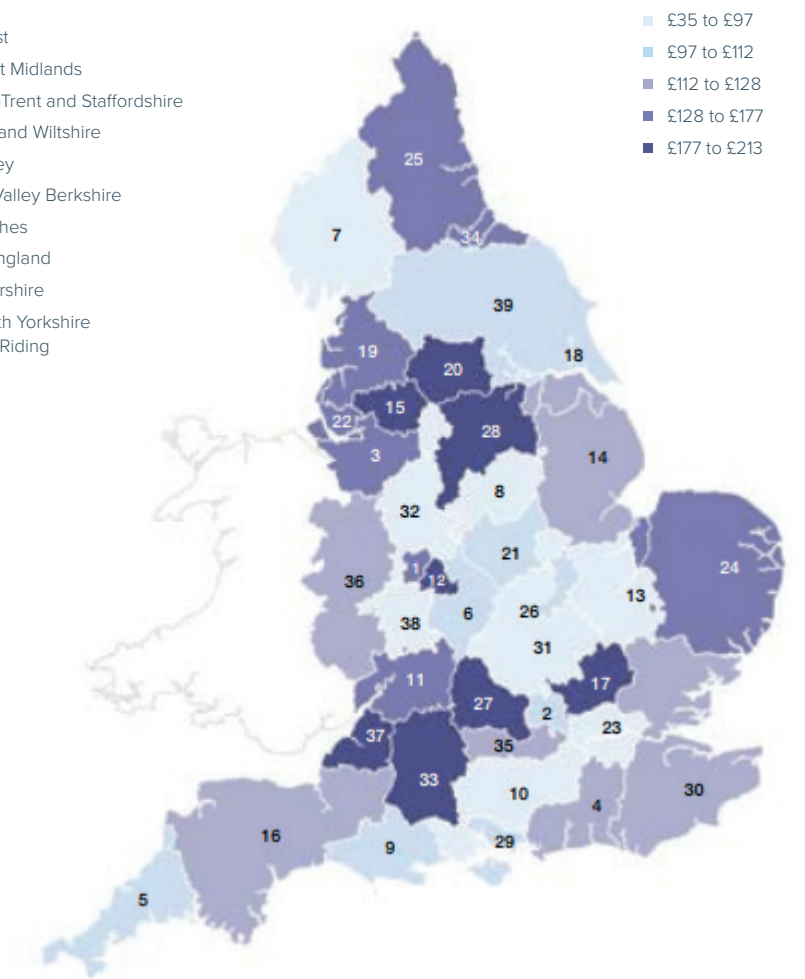
Adjusting for population size, LEP funding per capita ranges from £35 – £97 (Cumbria and Humber) to £177 – £213 (Leeds, Sheffield and Manchester), which, again, suggests that there are substantial disparities in funding across northern LEPs, and that underfunding is likely to be an issue for some more than for others.²²

²² National Audit Office, March 2016, "Local Enterprise Partnerships"

LEPs Growth Deal funding per capita in England

1. Black Country
2. Buckinghamshire Thames Valley
3. Cheshire and Warrington
4. Coast to Capital
5. Cornwall and Isles of Scilly
6. Coventry and Warwickshire
7. Cumbria
8. Derby, Derbyshire, Nottingham and Nottinghamshire
9. Dorset
10. Enterprise M3
11. Gloucestershire
12. Greater Birmingham and Solihull
13. Greater Cambridge Greater Peterborough
14. Greater Lincolnshire
15. Greater Manchester
16. Heart of South West
17. Hertfordshire
18. Humber
19. Lancashire
20. Leeds City Region
21. Leicester and Leicestershire
22. Liverpool City Region
23. London
24. New Anglia
25. North East
26. Northamptonshire
27. Oxfordshire
28. Sheffield City Region
29. Solent

30. South East
31. South East Midlands
32. Stoke-on-Trent and Staffordshire
33. Swindon and Wiltshire
34. Tees Valley
35. Thames Valley Berkshire
36. The Marches
37. West of England
38. Worcestershire
39. York, North Yorkshire and East Riding



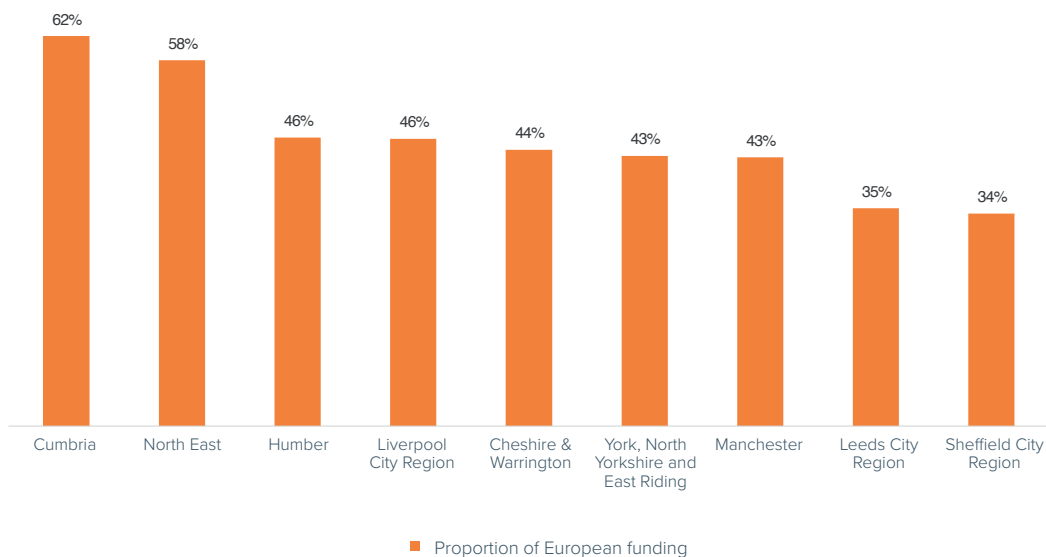
Disparities in funding at Growth Deal level are mitigated in some cases by the provision of European Structural and Investment Funds, although these are allocated based on regional need rather than simply on a per capita basis.²³ For some regions such as the North East, Cumbria and the Humber they represent a substantial share of LEP funding.

Given recent developments in the UK's decision to leave the European Union, however, this clearly poses questions around the future availability of these funding streams. Reducing or removing these sources of funding will have significant implications for the sustainability of these regional economies. FSB has raised this issue, and called for new sources of funding to be made available.²⁴ The Government has taken initial steps to creating a UK Shared Prosperity Fund which could help achieve this goal, although more details about how the scheme will work in practice, and how funding will be allocated on a regional basis, remain to be established. Future funding will likely be tied to the goals of the Industrial Strategy, so it is critical that LEPs identify what needs to be funded, and to have the support needed to successfully bid for these funds.

²³ European Structural and Investment Funds are awarded to European regions in proportion to the relationship between the regional Gross Value Added (GVA) and the European average. Currently, 'less developed' regions whose GVA is less than 75 per cent of the EU average receive the most funding. However, in the UK, only Cornwall qualifies as 'less developed' along with West Wales and the Valleys.

²⁴ FSB, Reformed Business Funding, May 2017. Available at www.fsb.org.uk/docs/default-source/fsb-org-uk/reformed-business-funding.pdf

Chart 7: Proportion of LEP funding represented by European Funds



Source: www.gov.uk and LEPs websites

*Based on our analysis of LEPs' websites and online sources, there is no data available for Lancashire and Tees Valley on European Funds.

When it comes to LEP spending on business support every year, again, lack of consistency in financial reporting means that figures are patchy and inconsistent. They vary from £18.4m (North East) to £13m (Leeds) and £7.8m (Lancashire).

The variation in resources available to LEPs is also reflected in staffing levels, with Liverpool City Region LEP employing 45 members of staff; York, North Yorkshire and East Riding employing 23; and the North East employing 21; compared to Humber employing 15 and Cumbria employing three. Even in absolute terms, these are small numbers when set against the volume and complexity of activities that LEPs are expected to lead on.

A lack of resource and capacity is especially notable in the area of transport, with many LEPs effectively giving control of transport spend to local authorities.

Although figures for Growth Hub staff suggest a similar story of varying numbers, the picture is complicated by the fact that most Growth Hubs also report working with a number of partners.

This is perhaps unsurprising, given that Hubs are expected to tap into existing resources and connect businesses with local support; however, it also highlights how difficult it would be for LEPs to deliver business support, were they to rely on their own internal resources only.

The nature of the relationship between Growth Hubs and partners varies widely and is not always clearly spelled out – it can range from procurement to the sign-posting of existing services run by partners. The Manchester Growth Hub, for instance, has a system whereby it provides successful local companies offering business to business services a shop window in exchange for referrals of their clients to the Hub.

Most Hubs (six out of the 11 examined) have partnerships with leading universities in the region. In many cases, these involve providing consultancy or training services on areas such as management, leadership and innovation.

Four out of 11 Hubs indicate on their websites that they work in partnerships with member organisations such as the British Chambers of Commerce and/or FSB. Many of the other partners are either businesses (e.g. the North East partnering with Microsoft, Nominet and BT to deliver Digital Technology Master Classes) or consultancies.

Governance and small business representation

An important aspect of LEP's ability to be successful is the extent to which they are able to reflect the needs and priorities of business stakeholders in their region. All the 11 LEPs examined show a reasonable balance between public and private representation on their board, with business representatives often having either equal or majority representation on LEP Boards compared to public sector representatives. This is in line with the National LEP Assurance Framework, which states that Local Enterprise Partnership boards must have a private sector chair, with at least 50 per cent of the rest of the members also coming from the private sector.²⁵

This also tallies with data from the National Audit Office which found that, in general, private sector board membership in LEPs is between 45 per cent and 80 per cent.²⁶ This is unsurprising as, on paper, LEPs are required to be private sector led entities. However, the extent to which small businesses are represented on LEPs' main boards is not always clear.

In many cases, small business representatives are not always clearly flagged as members of the LEP board. The York, North Yorkshire and East Riding LEP is one of the few cases of a LEP clearly highlighting one of its board members as the SME representative. Cumbria has the CEO of its local Chamber on its board. Humber's LEP chair is a small business owner and the LEP has an FSB representative on its board.

FSB has been clear that the small business representative on a LEP Board does not have to be themselves a small business owner. The main criteria must be that they act as a champion for the interests of small businesses, and that they engage with the small business community.

It appears to be more common for small businesses to be represented in LEPs through sub-committees and other forms of advisory groups. Five out of 11 of the LEPs researched have some form of sub-board or sub-committee focusing on business growth, which seems like a more effective avenue of representation for small businesses. The extent of which small businesses are represented on these committees is somewhat unclear however.

There are also a few cases where small businesses are consulted directly and on a larger scale by LEPs. Sheffield City Region, for example, runs a skills gap survey among employers which is accessible through the LEP's website. Similarly, Humber regularly runs a series of forums, surveys and consultations to gather local business intelligence.

LEP and Growth Hub Services aimed at small businesses

As part of its core activity, every LEP is expected to create a Growth Hub that acts as a one-stop-shop for advice and support to local businesses. As with LEPs more generally, to ensure that Growth Hubs remain responsive and flexible to local needs, no blueprint was set out by the Coalition Government for what a Hub should look like, how it should be structured or how it should work.

All Growth Hubs have, however, committed to fulfilling a series of roles:

- Raising awareness of business support so firms know where to go to get help;
- Offering diagnostic and sign-posting so that firms can be referred to the right help quickly; and
- Running networking events so that business owners can meet each other, make contacts and seize commercial opportunities.²⁷

This means that there are both similarities in the services that Growth Hubs offer but also significant variation in their tone, feel and focus.

²⁵ LEP Assurance Framework, November 2016. Available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/567528/161109_LEP_Assurance_Framework.pdf

²⁶ National Audit Office, March 2016, "Local Enterprise Partnerships"

²⁷ D. Scott on behalf of What You See Is What There Is (www.wysiati.co.uk), 2016, "Growth Hubs – start-up information"

Chart 8: Services offered by Growth Hubs in the Northern Powerhouse



Source: www.gov.uk and LEPs websites

*No data available for Lancashire and Tees Valley on European Funds.

Some of the key services offered by almost all Hubs in the north include:

- Sign-posting to external finance/funding opportunities, either through an in-built portal or simply by listing potential funders (all hubs offer this);
- Sign-posting to events and networking opportunities (mostly run externally) (10 out of 11 hubs);
- Face-to-face support for start-ups (nine out of 11 hubs); and
- Sign-posting to International Trade and Export advice (eight out of 11 hubs), often through local Chambers of Commerce or central Government resources.

Replication of online resources

Looking at the full range of services that northern Growth Hubs are currently offering, it is clear that there is some degree of replication, particularly when it comes to online resources that are not as dependent on local needs.

These include:

- International trade and export advice;
- Information/resources/online knowledge centres on how to set-up, run and grow a business;
- Apprenticeships advice;
- Finance/Funding opportunities sign-posting; and
- Links to other business support organisations and Government support.

Although all Hubs offer extensive online support and resources, face-to-face support (unless it is for start-ups) is not always available. Only five out of 11 Growth Hubs offer face-to-face support for established businesses, and four out of 11 offer a search engine of local advisors.

This is interesting, as together with the issue of replication of online resources, it highlights how many Hubs may not actually be spending their resources on services that provide the most value-added.

Effective diagnosing and sign-posting

Only four out of 11 of the northern Growth Hubs appear to have an explicit and dedicated helpline or system of online enquiries designed to assess users' needs and direct them to the appropriate support (internal or external). This means that the process of diagnosing and sign-posting businesses to local support may not be as effective as it should be and could reinforce a sense among businesses of not knowing who to call.

Similarly, only four out of 11 of the northern Growth Hubs clearly point to some of the basic national helplines and resources (National Helpline and .gov website) that are still in place for businesses. Again, this lack of consistency suggests scope for improvement in the way Growth Hubs are sign-posting businesses to the right information.

Wide variations in models

Across all northern LEPs, there is wide variation in terms of the models through which their Growth Hubs operate. Some Hubs are almost like giant online search engines through which businesses can look up support available locally on a number of areas such as funding, premises, events etc. In these cases the Hub's websites (which are also the main interface of support) tend to be very basic with an almost "anonymous" feel (e.g. North East, Tees Valley).

Other websites, by contrast, are richer, more engaging and speak clearly and directly to their target audience, potentially making the process of identifying the support needed easier and more effective. The Liverpool Hub's website allows businesses to search for real advisors and consultants in the local area that have a name, profile and a biography on the website. The Lancashire Growth Hub has a clearly sign-posted helpline and online enquiry form that immediately sets users onto a support path rather than leaving them to navigate an unwieldy system of information.

Other Hubs have moved away from online sign-posting to better target business support through simple, innovative models. This is the case for York, North Yorkshire and East Riding which pioneered the concept of a Pop-up Business Café, a way of ensuring businesses which wouldn't normally attend conferences and networking events are able to access support. The LEP works with local business organisations and groups in towns and villages to find temporary and informal settings where business experts volunteer their time to sit down and provide 20 minutes of free advice to those who need it. The approach is grassroots, as the LEP will support any local business that wants to set up their own pop up café, and prides itself in being friendly and professional and yet not "stuffy" or corporate.

The extent to which LEPs are creative and innovative in the way they offer business support through the Hubs, doesn't always seem to correlate with their level of funding (e.g. the North East LEP has one of the largest Growth Deals and is one of the most basic when it comes to services offered by the Growth Hub). Some of the LEPs that are doing more for small and micro-businesses, and doing this in the most interesting and creative ways, are not always the best-funded (e.g. The Humber, Yorkshire, Liverpool).

Funding available for small business support

Although not many northern LEPs explicitly aim their services at small and micro-businesses, a substantial number (seven out of 11) offer funding streams that cater for this category rather than just SMEs at large.

Some of the most common types include growth funding for small and micro-businesses with grants of as little as a few thousand pounds:

Growth Vouchers (Lancashire LEP): Financial support for SMEs requiring match funding from businesses. The minimum voucher value is £1,000 and most vouchers awarded are in the region of £2,500. They can be used for production of prototypes, specialist IP advice, marketing campaigns or branding, specialist technical expertise, key business software (e.g. stock control, order processing) but not capital equipment.

Action Plan Implementation Subsidy (Cumbria LEP): Grants associated with the Hub's start-up programme. It is a 40 per cent subsidy of up to £2,000 towards the cost of specialist support for businesses looking to grow and taking on more staff. The funding can go towards marketing advice, web development, accountancy and finance, social media, legal advice or PR. This is supported by the European Regional Development Fund.

Grants for Growing Businesses (Cheshire & Warrington LEP): Between £1,000 and £6,000 available to SMEs to support growth projects creating a step change approach to increasing turnover and jobs. Up to 40 per cent contribution to the cost of the project; funded through the European Regional Development Fund.

Others, such as the **Leeds LEP Skills Service** specifically focus on workforce development and training, with grants between £500 and £50,000 specifically aimed at small/medium sized businesses and providing support for up to 50 per cent of training costs.

LEADER grants are offered by the Lancashire and the Yorkshire, North Yorkshire and East Riding LEPs. These are EU grant funding programmes aimed at providing funding for businesses and organisations looking to expand their operations in rural areas. They focus on micro and small enterprises and farms – and support activities related to diversification, increasing farm productivity, rural tourism, the provision of rural services, cultural/heritage activities, and increasing forestry productivity. Up to 40 per cent of the project can be funded, with a minimum grant amount of £6,000.

Very few LEPs offer grants covering capital costs that are suited for small or micro-businesses. However, one notable example is the **Business Grant Programme (Yorkshire, North Yorkshire and East Riding LEP)** which in 2014 provided businesses with up to 20 per cent of their capital costs in grants ranging from £5,000 to £1m. Small grants were made available alongside larger ones in an effort to ensure the programme was accessible to small and micro-businesses with modest growth plans.

Other notable funding streams offered by northern LEPs include:

Digital Growth Vouchers (Leeds LEP): Available to small and medium sized businesses which are looking to invest in digital technology; ranging from £1,000 to £5,000, covering up to 40 per cent of the investment. The programme also offers masterclasses, individual reviews and social media support with the aim of increasing digital capacity.

Enhancing SMEs International Trade Performance Programme (Cheshire & Warrington LEP): Consists of match funded grants of £1,500 – £3,000 to help implement bespoke Export Action Plans.

Uptake and satisfaction of LEP/Growth Hub services by small businesses

Data on the usage and satisfaction of LEP and Growth Hub services tends to be patchy and inconsistently recorded. This is part of a general lack of clarity from the Government on how LEPs should be measuring and reporting their impact.

According to the Work Foundation, over 67,000 small businesses nationally have now engaged with their local Growth Hub.²⁸ This still represents a small overall proportion of the total business population, so more work is needed to create a step change in small business engagement.

Our data supports this view and suggests that usage of Growth Hub services to date is low, with only just over 12 per cent of FSB members reporting using Growth Hub services before.

This tallies with figures from the few northern LEPs which have reported figures related to the usage of their business support services:

- York, North Yorkshire and East Riding reports supporting 4,437 businesses in the last year through its Pop-Up Business Cafés;
- Humber supported 1,907 businesses in the last year;
- Lancashire supported 3,000 businesses in the last two years; and
- Leeds supported 4,300 businesses in the last four years.

Only Lancashire has a thorough and well thought through system of metrics to monitor the impact of its interventions. Looking at how other LEPs report on the performance of their Growth Hubs, this seems to be the exception rather than the rule.

²⁸ Lancaster University, Wave 2 Growth Hub Programme Interim Report, 2016. Available at www.theworkfoundation.com/wp-content/uploads/2016/11/403_W2GH-Interim-Report-May2016.pdf

Between 2013 and 2015, the Lancashire Growth Hub reports having supported nearly 3,000 businesses. It also reports 1,274 unique business assists in the same period with 909 of these demonstrating improved performance and creating an estimated extra £50 million in GVA.

The Hub also records client satisfaction through an externally commissioned online survey and in-depth interviews. It estimates that 77 per cent of businesses which used its services were satisfied and 82 per cent of businesses would recommend its services.

Our own research has also found high satisfaction with the performance of Growth Hubs, though with few small businesses having actually used their services.²⁹ The majority (72%) of businesses using Growth Hubs found them helpful, compared to just 18 per cent who did not find them useful. Most significantly, 73 per cent of businesses using Growth Hubs did so to access support to help them to grow, demonstrating their importance to supporting growth in regional economies.

How small businesses are categorised by the LEP/Growth Hub

Overall, very few northern LEPs seem to be actively targeting small and micro-businesses or tailoring their services towards them. With the exception of funding streams, the focus of many programmes offered by LEPs tends to be either on start-ups (e.g. nine out of 11 Growth Hubs have face-to-face support programmes for start-ups) or on SMEs more broadly. Two LEPs (Leeds and Lancashire) have programmes explicitly catering towards pre-start-up individuals.

The focus on start-ups is also reflected in how LEPs talk about categories of businesses in their regions. Whilst in the majority of cases their discourse differentiates between start-ups and established businesses, very few LEPs have a more nuanced definition of the latter category.

Apart from a few exceptions (Humber, York, North Yorkshire and East Riding, North East, Cheshire and Warrington), there is a tendency among LEPs to talk about SMEs as a whole rather than defining the spectrum further by considering small, micro-businesses and individual entrepreneurs. This is despite the fact that these categories of businesses represent the vast majority of businesses in the north, with nearly 97 per cent of businesses having less than 10 employees.³⁰

Finally, some northern LEPs also place a strong emphasis on supporting businesses that have strong ambitions of quick and significant growth and job creation. The Manchester Growth Hub, for instance has a very “growth-focused” tone in describing its services for young businesses that are looking to expand.

This echoes the concern already raised by small businesses in our roundtables that, although growth is a key element for economic prosperity, small businesses with more modest growth ambitions can be just as vital to the local economic ecosystem as high-growth businesses in terms of creating stable employment, reliable supply chains and in being an integral part of the fabric of the local community.

This highlights the need for LEPs and Growth Hubs in the northern regions to ensure that their services also cater for businesses with differing growth ambitions, and that their messaging is relevant and attractive to these businesses.

²⁹ FSB, Reformed Business Funding, May 2017. Available at www.fsb.org.uk/docs/default-source/fsb-org-uk/reformed-business-funding.pdf

³⁰ Percentage of business population, employment, and total turnover accounted for by businesses of each size in northern English regions, mid-2015. Source: ONS

SECTION 3: GOALS AND POLICY OBJECTIVES

This section outlines FSB's stance on how to ensure that the Northern Powerhouse – and the Industrial Strategy – can most effectively help entrepreneurs and small business flourish across the north. More than that, it serves as a manifesto to advocate for a series of approaches and priorities that central government, local authorities, LEPs, metro mayors, and businesses should take into account when formulating policies.

We see our strategy as part of the third element outlined in the introduction: encouraging small business growth and start-ups, and keeping existing businesses going to encourage business growth and so economic growth. It's worth restating here our vision for the north: to be the best place to start-up, run, grow and scale-up a small business in Europe within the next decade.

Our principles for creating a successful northern economy

There are a number of hallmarks of successful actions and activity which we believe will create a flourishing small business climate in the north.

These include:

Working in partnership: In order for small business to thrive, all the major players will need to work together in partnership. This includes local and central governments, businesses of all size and their trade bodies, universities, and other educational establishments.

Granular change: There is a tendency to favour big projects and grand sounding ambitions. We favour a more granular approach, which is why, later in this section, we have listed a number of projects that we think are cost-effective, relatively quick to deliver and collectively will improve the smooth running of the north.

Focus on multiple timescales: Our worry about many of the approaches to the north is that the timescales are simply too long. Neither HS2 nor Northern Powerhouse Rail will bring the benefits of economic growth in under 15 years – 25 – 30 years is probably more realistic. We think there need to be strategies that can bring benefits in the shorter-term, alongside longer-term planning for big infrastructure projects and educational reforms. This is why we favour greater investment in small business support, and smaller scale transport schemes, which would deliver more immediate benefits to the region.

An inclusive north: We want all types of businesses, social enterprises, creative organisations and charities to be seen as part of delivering inclusive growth. We want economic growth to benefit all parts of the north of England and all parts of the population – including both rural and urban areas, and all geographic areas. While we understand why Manchester and the other major cities may want to have a distinctive role in developing the Northern Powerhouse, we believe that any initiative needs to cover all parts of the north of England, from the Humber to the Mersey, from Bamburgh Castle to the Solway Firth. In particular, any strategy needs to bind together rural and urban areas.

Supporting all sectors and all types of small business: While we understand the logic of promoting particular sectors within the Industrial Strategy, we believe that if only those businesses are nurtured huge opportunities for new business growth will be missed. We want to encourage policy interventions and investments which support all kinds of entrepreneurs, start-ups and small businesses. These all have a role to play in developing a different business climate, and of course in creating jobs and a vibrant regional economy.

Learning from others across the UK and beyond: One of the ways that the small business sector in the north will flourish is to learn from what others have done to create a more entrepreneurial business climate. This might be learning from hotspots of business start-ups in cities in the north, across the UK, around Europe and the world. We don't need to reinvent the wheel. We can see what has worked for others, and adapt the best of it, to create a world-class environment of entrepreneurship.

What works is what matters: As a non-partisan organisation, political neutrality is at the heart of FSB's constitution. We will work with all major political parties and elected representatives at all levels of our Government, to benefit

our members and the small business movement. We want whatever decisions politicians take to be driven by demonstrable effectiveness, not by pre-conceived notions of what should work.

FSB's top policy objectives for the north of England

FSB's proposed policy objectives will generate pathways to success for small businesses across the north of England.

Our over-arching objectives include:

Strengthen Northern Powerhouse small business support and offer pan-regional and local services: We need to improve start-up and survival rates for small businesses in the north – one of the major purposes of LEP small business support. Our own survey data also shows that LEPs and Growth Hubs are way down the list of sources of support that northern small businesses turn to. Indeed many are not even aware of their existence. So we need a far better system of support that is highly visible and easily accessible. We also need to avoid all 11 LEPs replicating services based on geography. There are some specialist support services that would be better delivered on a regional basis across the north.

Double funding of enhanced Northern Powerhouse small business support to £300 million a year: Once reforms are made to the delivery of business support in the north, funding should double for these important programmes. The introduction of a UK Shared Prosperity Fund offers an opportunity for LEPs to work together to improve the delivery of business support, and bid for substantially more funding. The Government must set out how this fund will work, and how innovative successful LEPs working together can be rewarded for their creativity and partnerships. The Industrial Strategy also offers an opportunity for LEPs across the north to define the policy interventions necessary to deliver regional economic growth, which must take the needs of small businesses into account.

Create a Council of the North: We believe there is a case for a single body to knit together activities and strategic developments, and to advise, guide and warn agencies, local authorities, LEPs and metro mayors about their performance. A Council of the North could bring together all stakeholders to identify areas to progress, and to share best practice, especially in areas like business support.

Make Transport for the North a statutory body: The Government should move forward with its plans to make Transport for the North a statutory body. Beyond this, focussing investment on smaller scale projects would deliver real benefits to transport connectivity on the local road and rail routes which small businesses depend on most. These investments could deliver real improvements in the short-term.

Create a People for The North: Building and retaining the skills base in the north is key to future business success. Built along the lines of Transport for the North, a new pan-northern skills agency could bring together all relevant stakeholders, including employer groups, universities and education, skills and apprenticeship providers to identify existing and future shortages and improve the skills and expertise of employers and employees – both current and future.

Increase investment in transport: Improving transport connectivity will be vital to deliver growth in the north. We have identified a number of schemes which could help deliver this growth. These projects can build on the initial work of Transport for the North in identifying schemes which will deliver economic growth – making the business case for the new investment in transport that we believe is needed, and then making sure it is delivered. Assessing interventions as a cohesive whole would help improve the business case for these investments.

Make world class digital connectivity a hallmark of the Northern Powerhouse: We think that the Northern Powerhouse should be known for the universal and consistent speed of its digital connectivity. The benefit of investing in broadband is that it benefits rural and urban areas, it benefits the highly mobile and those more static, and it puts all parts of the north on an equal footing. While we are aware that much investment in digital is done by private companies, the reality is that the benefits of world-class digital connectivity will bring benefits right across the economy of the north. So we believe that the National Infrastructure Commission should investigate digital connectivity across the north and identify how best to improve the quality of digital connectivity. Politicians and those with influence should push as hard for improving broadband in the Northern Powerhouse as they do for HS2 or Northern Powerhouse Rail.

Multiple timescales, granular change and partnership are key to success: To achieve our vision we think there are three approaches that need to be adopted. The first is to work on change that delivers over the short-, medium- and long-term. Fifteen years to wait for big infrastructure projects is too long for the change that the north needs. The second is to look for granular change, in other words not one or two big silver bullet solutions, but many different infrastructure, educational and business support ideas. Our last approach is to work in partnership. We don't believe that success will be achieved by any one body on its own, but through multiple parties working together.

Small businesses have different needs from medium sized enterprises: FSB members were clear in our research that their needs as small businesses were different from those of businesses with 200 employees. Yet both are covered within the concept of the small business. We want agencies to be much clearer about the services they provide for different types of business, and never to forget that 97 per cent of businesses in the north are small.

Governance

For the north of England to thrive, we believe there is a strong case to have a light touch pan-northern body which can knit together the breadth of services and activities on which business, and therefore economic growth, depend. For this reason, we support the call for an over-arching 'Council of the North' to create economic and business coherence and synergy.

We have the first example of a regional body in Transport for the North, and we welcome its achievements and impetus so far. We believe the Government should quickly move forwards on establishing this as a statutory body, with the right powers and funding to deliver on its aims.

Alongside Transport for the North, we would support the developments of a 'People for the North' body covering education, skills, apprenticeship and training.

At present there has been much focus on devolution deals as a pre-cursor for financial devolution. It's worth remembering that there is no inherent reason why replacing individual authorities, which have never been that supportive of businesses, with a larger more cumbersome version of the same, would be an improvement in terms of the climate for business growth.

The litmus test for us in devolution is not about elected mayors, or about multi-authority deals, but about whether any deal improves the outlook for business, especially small business. Ultimately, it is about whether these changes are able to impact on issues such as:

- Improving the investment in road, rail, broadband and finance infrastructure;
- Whether businesses have a democratic say in how the elected body addresses business issues;
- Business rates locally;
- The support for small businesses and start-ups; and
- The overall approach to businesses.

Infrastructure

The strategy for improving infrastructure should balance granular quick, cost-effective local and regional projects with larger long-term projects. We see infrastructure as providing the core services and support that help businesses flourish.

The upcoming publication of the Strategic Transport Plan for the North will create the business case for improving transport infrastructure across the north. This will build on existing work identifying Strategic Development Corridors, and should offer a blueprint for the Government as to where to direct new investment.

Broadband is top of our members' priority list of improvements

Improving digital infrastructure was viewed as the most important area for development for businesses across the north of England. The advantage of high-speed broadband is that it is beneficial for businesses of every sector, size, and physical location and whether they are in an urban or rural setting.

These views are held despite the improvements to digital infrastructure which have been seen in recent years as a result of private and public sector investment, as there is so much still to do to remain competitive with other areas of the UK, but also across the world. According to Ofcom's most recent figures, only 80 per cent of small businesses can access superfast broadband.

Further investment is needed in three areas: The Government should quickly make a decision about whether to accept BT's offer to improve connections for those without access to superfast broadband, or whether to move down a regulated approach to delivering this connectivity. The level of the Universal Service Obligation should also be kept under review and raised in line with business need as appropriate.

Secondly, the Government should look to make further investments in delivering 'full fibre' connectivity. Most future investment will be led from the private sector, so it is important that the Government supplements this where possible to ensure that as many businesses, especially in business parks, are able to benefit from the improvements that full fibre connectivity would bring.

Finally, the National Infrastructure Commission should carry out analysis of digital connectivity across the north and develop new strategies for improving northern digital connectivity. This analysis can then form the basis for highlighting where investment could best be targeted.

Improving local roads and motorways

Our members prioritise both local roads and motorways in how they wish to see transport infrastructure develop. While investments in the Strategic Road Network are needed to bring the region together, all journeys will start and end on the local road network, with many never using a motorway at all. Increasing investments in local roads will provide immediate benefits to many small businesses across the region.

The move towards creating a Major Roads Network will also help to improve regionally important routes, helping to ease congestion and improve pan-regional connectivity. These routes are especially important in bringing individual regions closer together, but also in addressing key congestion points between different regions of the north.

We give examples below of the kinds of developments in the region that we think could be achieved relatively quickly and relatively cost-effectively, while reducing particular economic and geographic pinch points or bottlenecks. These schemes would fit well with the Strategic Development Corridors which Transport for the North have identified, and when taken together, could form the basis for further investments in transport infrastructure to deliver a step change in growth and productivity.

We support the approach of re-evaluating how investment in the transport network is considered. Taking a wider view of the benefits of transport infrastructure, and evaluating multiple projects serving the same strategic purpose would improve the business case for investment.

Local rail development is also key for success for businesses

Our research shows that our members see local rail as more important than inter-regional rail. While this may partly reflect the nature of our members' businesses, we think investment in local rail has benefits for businesses in terms of staff journeys to work, access for customers and suppliers, and for business meetings. Alongside the ongoing work of Transport for the North, we call on the Rail Delivery Group, made up of Network Rail and Train Operating Companies across the north, to pull together a package of improvements for the north of England that will benefit passengers, the public and small business communities across the north of England.

Much has been made of the speed of local rail, and the comparison with the connectivity of the London Underground and Overground. FSB would prefer reliable, green, cost-effective, rail projects delivered in a matter of years not decades. This is why we favour route electrification, supporting freight transport and the re-opening of old lines. Too much of the discussion about high-speed rail talks is as if they will be suitable for the average employee going to work, when the small number of stations in big city centres make them much more appropriate for business, rather than commuter, use.

Examples of infrastructure projects that will improve integrated, resilient transport networks

North West

- Electrify Manchester-Bolton-Preston.
- Electrify Windermere branch.
- Electrify Colne-Blackburn-WCML railway.
- Re-open Colne-Skipton railway as double track electrified railway.
- Re-open through Skelmersdale railway to the WCML as a freight link to Liverpool ports.
- Major programme of park and ride car parks at existing stations throughout the North West.
- Ensure scheduling on the West Coast mainline matches passenger numbers and that all stations are correctly categorised in the new West Coast franchise.

North East

- Reopen Newcastle-Ashington railway as double track passenger railway for five car 26m trains with at least six new stations, all with park and ride car parks.
- Re-open Leamside branch throughout as a double track railway.
- Extend Tyne & Wear Metro to Washington.
- Direct rail services to other northern cities from Sunderland and Middleborough will help the region. It's cheaper than HS2 or Northern Powerhouse Rail and opens up swathes of unused land and under-used rail infrastructure for businesses to be established. Both towns are close to ports and very close to manufacturing parks.
- Train access to Middleborough could also become essential once the Tees Valley Combined Authority is established and working fully.
- Dueling the A1 north of Newcastle.
- Access from east to west is very poor north of the M62. There needs to be immediate action, such as linking northern areas in the east and west on the A69, which would bring skills and investment to both sides of the Pennines.
- The A19 should also be uprated to motorway standards, as the trunk road currently provides an essential south-north/north-south link. This road is the only main road for accessing all ports along the length of the North East.
- Air passenger duty also needs to be reduced to make northern, and especially north-eastern, airports more attractive to inward investors as they currently carry higher costs compared to those in Scotland.

Yorkshire and the Humber

- Double-track the Harrogate-York railway throughout and extend all platforms on it to a minimum of five-carriage length.
- Build five new stations in the Leeds area (ongoing but will need continuous support to achieve) with major park and ride facilities.
- Re-open Skipton-Colne railway as double track electrified railway.
- Improve signalling and geometry on Leeds-Huddersfield-Stalybridge route to allow 100mph running and a six-minute headway throughout in both directions for TransPennine Express trains.
- Electrify Neville Hill (East Leeds) to Colton Junction (on the ECML south of York) to allow through running of electric trains between Leeds and York.
- Electrify ECML from Crofton Junction via Wakefield Kirkgate to Wakefield Westgate.
- Reduce single track sections of the South TransPennine route between Manchester and Sheffield to a minimum by re-doubling, and increase line speed to 100mph wherever possible.
- Increase platform size at all stations between Manchester and Sheffield to accommodate six-carriage trains.
- Open Sheffield-Rotherham tram/train service in 2018.
- Dual-carriageway scheme for the A64 from the end of the York Bypass to Malton, and from Seamer westwards as far as possible towards Malton.
- Selective junction improvements on the A59 from the A1 (M) to York, and between Skipton and Harrogate at the western end.
- A Hull city centre bypass for Hull Docks container lorry and ferry traffic from the A63.

Education and skills

Improving the education and skills of the workforce in the north is clearly a key aspect of long-term economic competitiveness. However, education providers need to not only provide a workforce with the right skills and experience, but they also need to encourage a culture of entrepreneurship in schools, colleges and universities. The north needs its brightest and best young people to be interested in working in business, and starting their own business. This will necessarily be a longer-term policy goal, but is one which is worth pursuing.

In order to drive these changes, we believe that a 'People for the North' agency is needed to co-ordinate educational delivery in the north. This means bringing together universities, schools and colleges.

People for the North should look to create a UCAS-style admissions system for apprenticeships that we called for in our manifesto for the Greater Manchester mayoralty. This idea has already been promoted by Andy Burnham, Mayor of Greater Manchester, but with a strong pan-northern skills agency, we see no reason why it shouldn't cover the whole of the north.

The same system could be used to promote work experience and industrial year placements at schools and universities respectively. It is particularly difficult for small businesses to make connections with schools and universities in order to offer workplace experience. This means that the largest employers, which are better known and with more places to offer, are likely to get the lion's share of contacts, and benefit from the input of young talent.

Improving access to finance

Access to finance is a vital ingredient for business growth. The absence of available, appropriate, affordable finance for small businesses is a major barrier to economic growth. We welcome the launch of the British Business Bank's funds for the north.

Funds supported by the British Business Bank could explore where finance gaps exist in the north, and whether to lower the threshold for loans from £25,000 to £5,000. We would like to see mainstream banks and new entrants make short- and long-term business finance as easy to find as possible. Our members are often too busy to discover who to turn to for advice or spend time assessing the differences between various loan offers. For small businesses and start-ups, finding suitable finance options is often one of many challenges being tackled simultaneously. Growth Hubs could also play a key role in sign-posting different finance schemes to businesses which are looking for external finance.

Small business support

Once we leave the EU, there will be an added need to continue to support regional economic development across the north. The likely withdrawal of EU funds will leave significant gaps which will need to be filled to ensure businesses are able to access the support they need to develop.

The Government therefore must set out how funds from the new UK Shared Prosperity Fund will be allocated to different regions. In our recent report, we set out some of the changes which could be made to ensure that this new fund is delivered effectively, and has the greatest economic impact.³¹ What is clear from our research is that these funds provide an important element of support to small businesses across the north, and a failure to replace these funds will make the goals of both the Northern Powerhouse and Industrial Strategy much more difficult to achieve.

As part of the Industrial Strategy, LEPs should come together to identify how best to improve regional economic growth across the north, and to build a business case for further investment in areas identified in this report. This could mean identifying services which could be delivered on a more pan-regional basis, rather than duplicating the business support offer. The Industrial Strategy process offers an opportunity for LEPs to coordinate approaches rather than purely focussing on delivery in their individual geographic area.

Increasing funding and standardising small business support across the north

- Since their establishment, Growth Hubs have provided an important service in sign-posting small businesses to different support offerings. Low brand recognition continues to hinder their impact, but their funding should be maintained and continued after March 2018, to allow them to build their name recognition;
- It is clear that LEPs will remain the key mechanism for delivering regional economic growth. In order for them to achieve this, they will need to be further reformed and strengthened. Central Government should provide more support for them to help achieve this. In particular, providing bid writing support will be increasingly important as the UK Shared Prosperity Fund is created; and
- The Council for the North could play a role in sharing best practice and working to hold LEPs, Growth Hubs and other agencies to account for their delivery to small and micro-businesses. The Council could also advocate for small businesses, entrepreneurship and start-ups. This would include liaising with local authorities for small business-friendly policies and holding LEPs, Growth Hubs and other suppliers to account for the quality of their services.

We think one of the biggest areas that could foster entrepreneurship is an increased, improved and better integrated system of small business support. The analysis in section three of this report shows that small business support can be excellent in some parts of the north while it can be patchy in others.

Regional as well as local support services: We believe that some programmes would benefit from being co-ordinated across the entire region, rather than replicated in each region. As part of this, we suggest that LEPs could coordinate

³¹ FSB, Reformed Business Funding, May 2017. Available at www.fsb.org.uk/docs/default-source/fsb-org-uk/reformed-business-funding.pdf

activity to bid for revenue from the UK Shared Prosperity Fund to deliver specialist pan-regional services such as export support, the arts sectors, social enterprises and rural enterprises.

All types of business should be supported: We also want to see support ranging from those businesses and start-ups that are ‘just about managing’, all the way to those that are growing, or want to grow, rapidly. It is also important that LEPs and Growth Hubs don’t treat small businesses as all the same: the needs of a start-up, or business with 10 people, are very different from one with 250 employees. Tailoring support to differing growth ambitions would help all businesses, whatever their stage of development. This message should be reinforced by central Government.

Benchmarks and quality standards: We think all small business support in the north needs to have clear benchmarks and quality standards which are published annually so that the standards of service can be judged and compared. Creating a ‘What Works Centre’ for business support could identify and share best practice across different LEPs.

There are a number of elements to an effective small business support service; although many of these are already being delivered by LEPs and Growth Hubs, it is key that they are consistently available across the whole of the north. LEPs also should improve their transparency and reporting standards, so that small businesses have reassurance that money is being spent in an effective and transparent manner.

We think some of the key elements of small business support are:

- **Mentoring:** A cost-effective way to deliver small business support, particularly if it can be delivered through trained volunteers who are current or former business owners. We know from our research and contact with many small businesses that talking to another small business owner can be extremely beneficial for a start-up or another business owner;
- **Sign-posting and surgeries:** Two ways of helping a business owner by giving powerful and direct support at periods of particular need. These could be about any range of issues, but our experience is that many small businesses are too busy working to look for available support. Having somebody who knows what is available can be a real boon;
- **Training and qualifications:** In the early stages of a small business, or as staff are recruited, many owners would like some training on a breadth of issues including human resources, financial management, marketing, branding, and customer service. Indeed, taster sessions on the pros and cons of starting a small business are run effectively in many areas; and
- **Financial advice:** One of the most important areas where small businesses need support. Often their financial advice comes from the supplier of the finance itself, which is far from ideal. We think that business owners need to know what finance is out there, how to assess the pros and cons of the different types of finance and, ultimately, be able to take a decision about what their business needs. Growth Hubs could play an enhanced role in delivering this.

International business

Small businesses can be – and, in many cases, are – successful in international and transnational activities. This is not just because digital technology can be borderless, but also because small businesses can offer desirable products and services that are in demand without regard for geography.

Local leaders should look at ways in which they can foster a ‘can-do’ attitude towards business crossing international borders. Alongside this is the need for enhanced financial support to support businesses who want to export. Both finance and business support need to have the longer-term basis that is part and parcel of many international enterprises.

The Government also has a key role to play in encouraging the international ambitions of small businesses. The Department for International Trade (DIT) needs to provide small business support not just in the north itself, but also

through its network of agents and embassies. This includes a database of foreign investors who may be interested in small business investment in the north and also those small (and large) businesses who are interested in operating across international borders. Essentially, we believe that small business support should make operating internationally as frictionless as possible. This will be increasingly important as we leave the EU.

Measuring success

A challenge for the Northern Powerhouse and the Industrial Strategy initiatives will be measuring the impact and effectiveness of different policy interventions. We believe that an annual 'Entrepreneurship in the North' report would help understand how the strategies for encouraging small business and start-up development are progressing. Overall, we think there are a number of ways that the success of business should and could be measured:

- The number of business start-ups in the NPH;
- The number of small businesses folding;
- Surveys of small businesses monitoring a range of key performance indicators;
- The growth of the overall economy of the NPH compared to other parts of the UK and the UK as a whole; and
- The growth rate in rural and urban areas, and in each of the different economic areas.

In addition to this, we encourage the Government to establish a 'What Works Centre' for business support to identify how best to deliver business support, and to disseminate best practice across the north.

CONCLUSION

In order to ensure that the vision of the Northern Powerhouse and the Industrial Strategy becomes a reality, we believe that the voices and needs of small businesses must be heard.

It is increasingly clear that the value and future of these interventions lies in the hands of the businesses, organisations and agencies in the north. The north will be what those who care about its success make of it. It is not only local and central government which can ultimately determine the success of the northern economy. They are undoubtedly important but all the businesses, large and small, which have people working in the north of the England, have their part to play.

FSB is excited about the potential of the north to be an entrepreneurial powerhouse. With the right approach, both the Northern Powerhouse and the Industrial Strategy can convince investors, entrepreneurs, regulators, and politicians that the northern economy can grow faster and deliver more, not just for the people who live in it, but the whole of the UK. FSB is keen to play its part in delivering that potential.

APPENDICES

The importance of small businesses to the north

In 2015, Lord Young described the period from 2010 as ‘the Golden Age for small firms’³², with record numbers of small businesses (760,000 more in 2015 than in 2010) accounting for 48 per cent of private sector employment, and the UK ranking as the most entrepreneurial country in the world. Young attributes this to:

- New legislation on National Insurance Contributions;
- Business rates measures, including changes to Small Business Rates Relief;
- Support for small firms to take on apprentices;
- Reductions in the net cost of domestic regulation and reduced bureaucracy for small and self-employed businesses in managing their tax affairs;
- Better entrepreneurship education; and
- Technological change, better access to premises, and growth in the number of social enterprises.

There is some debate over whether small business growth is stimulated primarily through creating conditions which facilitate firm foundation and development, or through dedicated support schemes. Both may be important to different kinds of business, at different times. For example engagement with Business Link varied depending on business phase and ambition.³³ Historically take-up of explicit support has been relatively poor in the UK.³⁴ Across the UK, policy on small firms has shifted from an emphasis on new firm formation to support for companies with growth potential.³⁵

Small businesses are an important contributor to economic growth and employment:

- The average number of jobs created by individual SMEs increased from 4.9 between 2008 and 2011 to 5.4 between 2011 and 2014.³⁶
- Between 2009 and 2013, Gross Value Added (GVA) grew twice as quickly in small businesses as in large businesses. There is evidence that small businesses are at least as productive as large ones.³⁷

Across the north of England the number of large businesses is relatively small, but they account for between a third and two-fifths of employment.³⁸ This is particularly true for Yorkshire and Humber where more people are employed in very large businesses than in either of the other large northern regions.

However, the remainder of employees work in businesses of a wide range of different sizes, all of which contribute to regional prosperity: the North East has a very slightly smaller proportion of businesses classified as having ‘no employees’ (i.e. those in which all of the business is conducted by a working proprietor), and a slightly higher proportion of businesses with between one and 20 employees. The North West has very slightly more employment in businesses consisting of 10-50 employees.

³² Young D (2015), The report on small firms 2010-2015, Report by the Prime Minister’s Advisor on Enterprise, HM Government

³³ Atherton A, Kim J and Kim H (2010), Who’s driving take-up? An examination of patterns of small business engagement with Business Link, Environment and Planning C: Government and Policy, 28(2), 257-275

³⁴ Curran J (2000), What is small business policy in the UK for? Evaluating and assessing small business policies, International Small Business Journal 18(3), 36-50

³⁵ Mueller P, van Stel A and Storey D (2008), The effects of new firm formation on regional development over time: the case of Great Britain, Small Business Economics 30, 59-71

³⁶ Centre for Cities 2015

³⁷ Centre for Cities 2015

³⁸ See Figure 1 in the Appendix

Business size and sectors

Across the north, the business population of each sector differs by size.³⁹ Some sectors have a high number of small businesses:

- Construction has the highest number of businesses with no employees (the vast majority of which are unregistered); this is especially marked in the North East but is consistent across northern regions;
- Professional, scientific and technical services also have a high number of small businesses with no employees, but a higher rate of registration among these;
- Education, arts and entertainment, information and communication, transport and administrative support all have relatively high numbers of non-employee businesses;
- Wholesale, retail and repair, manufacturing, and accommodation/food services have high numbers of ‘micro-businesses’⁴⁰; and
- Production and health have relatively low numbers of small businesses.

Not surprisingly, therefore, employment in many sectors is located to a large extent in small and micro-businesses. Agriculture, construction, information and communications, professional, scientific and technical activities, wholesale, retail and repair, and accommodation and food services all have high concentrations of employment in small businesses (and in the North East real estate employment is also dominated by small firms). Micro-businesses and businesses without employees are particularly important in the agriculture, construction, information and communication, accommodation/food service, wholesale and retail sectors.

Business births and deaths

Although business birth rates in the north are lower than those seen in the Midlands and London, they remain higher than those for the East of England and the south outside the capital.⁴¹ Survival rates for northern businesses compare relatively well to those for the UK as a whole, and are relatively uniform across the northern regions.⁴² In fact, the North East and North West have a slightly higher rate of one-year survival than the national rate. Survival rates in all northern regions appear to be improving, in line with national trends.

Across the UK economy, there is a shift away from ‘traditional’ sectors such as manufacturing and construction, towards areas such as professional services, financial activities, digital and creative work. This is reflected in SME trends, where there has been a fall in both the number of SMEs and SME employment in construction, and SME employment in manufacturing has also fallen.

However, in the north, the proportion of small businesses in these ‘new’ areas remains lower than in the south⁴³, and the proportion of northern businesses operating in areas such as manufacturing is relatively high. This could reflect responses to ‘clusters’, which provide opportunities such as access to supply chains. Even in ‘traditional’ sectors, small businesses may be innovative in the approaches they bring.

In general, higher start-up rates in manufacturing are found in regions with identifiable ‘industrial districts’, while big cities and areas with strong growth have greater firm entry in consumer sectors.⁴⁴ There is even some evidence that challenging conditions for innovation, such as limited business populations and ‘monolithic’ traditional industrial structures, can actually support innovative small firms and stimulate ‘proactive entrepreneurial behaviour’, as a response to constraints; the number of firms may be smaller but those formed may be more successful.⁴⁵

³⁹ See Figures 1, 2, 3 in the Appendix.

⁴⁰ Micro-businesses are businesses with less than 10 employees and an annual turnover lower than £2 million.

⁴¹ See Figure 10 in the Appendix.

⁴² See Figure 11 in the Appendix.

⁴³ Centre for Cities 2015.

⁴⁴ Verheul I, Carree M and Santarelli E (2009), Regional opportunities and policy initiatives for new venture creation, *International Small Business Journal* 27(5), 608-625

⁴⁵ Keeble D (1997), Small firms, innovation and regional development in Britain in the 1990s, *Regional Studies* 31(3), 281-293

Business formation in innovative sectors may in fact be rising in the north, although the rates remain lower than in the UK as a whole. Figure 12 (in the Appendix) shows the percentage of business births which were in the ‘knowledge economy’ sectors in the north of England between 2009 and 2014. This is increasing across the north, with the highest proportion of new business formations of this kind in the North East (although business births there are lower overall).

The sub-sectors in which these business births are located are diverse. In the North East, rates of formation of technological consultancy businesses are substantially higher than elsewhere in the north and the UK, but fewer births are seen in general IT services than in its northern neighbours. Creative content services are less common sites for new business formation in the north than they are nationally, but aerospace and transport is slightly more common. These figures for rates of business survival in these areas are higher, generally by between one and two percentage points, in the north than in the UK as a whole.

Business growth

Although many of the areas with the healthiest rates of business growth are in the south of England, analysis conducted by the Business Growth Service suggests that several northern regions, including the Greater Manchester, Leeds and Liverpool City Region LEPs also have impressive rates of business growth. When cities are considered, some smaller urban areas – such as Sunderland, Middlesbrough and Derby – have a relatively high proportion of fast-growing local business units.⁴⁶

Of the 11 LEP areas in the UK with above-average rates of start-ups showing early signs of strong ‘scaling’, most are in the north. London heads this group but North East LEP is third, as is Leeds City Region, Greater Manchester, Lancashire, Sheffield, Cheshire and Warrington and Liverpool City Region.

Among urban areas in the UK, both Sheffield and Sunderland have a higher proportion than London of surviving start-ups which were founded in 2011 and reached £1m turnover by 2014. The other Northern Core Cities are not far behind with just over seven per cent of Leeds and Manchester start-ups and just under seven per cent of those in Liverpool and Newcastle performing at this level.

The majority of northern LEPs also have relatively high proportions of ‘fast growing firms’. Greater Manchester, Liverpool and Leeds all have rates above the national average, while North East LEP is among the top half of LEPs. Rates are slightly lower in the Sheffield City Region, and – perhaps surprisingly, given the sectoral and skills profiles identified here – Cheshire and Warrington, Lancashire and Cumbria.

Figure 1: Number of businesses of each size, by sector, North East England, mid-2015

	No employees (unregistered)	No employees (registered)	2-4 1 employee employees	5-9 employees	10-19 employees	20-49 employees	50-99 employees	100-199 employees	200-249 employees	250 or more employees
Agriculture, forestry & fishing	80	0	0	710	180	65	20	5	0	0
Production	*	*	10	90	40	35	25	10	5	0
Manufacturing	3495	1365	240	1010	545	440	325	170	80	20
Construction	15535	3425	895	2495	755	400	190	55	25	5
Wholesale, retail & repair	6595	3215	1005	3475	1645	715	325	80	30	5
Transportation & storage	3220	1090	195	545	250	130	100	35	20	5
Accommodation & food service	1745	390	515	2030	1220	660	325	75	25	5
Information & communications	4070	1845	20	800	165	80	55	20	10	0
Finance & insurance	1580	310	30	260	85	45	20	5	0	0
Real estate	980	925	70	565	195	85	25	10	5	0
Professional, scientific & technical	9300	7025	430	3005	665	360	175	60	15	5
Administrative & support	4080	1880	665	1350	435	260	130	65	30	10
Education	12645	320	40	275	105	65	35	15	5	0
Human health & social work	*	*	200	555	300	385	325	80	45	5
Arts, entertainment & recreation	3430	520	85	295	120	90	55	10	5	5
Other services	7905	320	570	1415	480	115	35	5	0	0

Source: ONS

⁴⁶ BGS/ERC 2015

Figure 2: Employment in businesses of each size (thousands), by sector, North East England, mid-2015

	No employees (unregistered)	No employees (registered)	1 employee	2-4 employees	5-9 employees	10-19 employees	20-49 employees	50-99 employees	100-199 employees	200-249 employees	250 or more employees
Agriculture, forestry & fishing	0	4	2	3	1	1	*	*	*	*	
Production	*	*	0	0	0	1	1	1	1	0	
Manufacturing	4	1	1	3	4	6	10	12	12	4	38
Construction	16	4	2	7	5	5	6	4	3	*	2
Wholesale, retail & repair	8	4	2	12	11	10	10	5	4	1	2
Transportation & storage	3	1	*	2	2	2	3	2	3	*	2
Accommodation & food service	2	0	*	7	9	9	9	5	3	*	4
Information & communications	5	2	0	2	1	1	2	1	1	*	
Finance & insurance	2	0	0	1	1	1	1	1	*	*	
Real estate	2	1	0	2	1	1	1	1	*	0	
Professional, scientific & technical	10	7	*	8	5	5	6	4	2	*	3
Administrative & support	4	2	1	4	3	4	4	5	4	2	26
Education	13	0	0	1	1	1	1	1	*	*	
Human health & social work	*	*	0	2	2	6	11	5	6	1	53
Arts, entertainment & recreation	4	1	0	1	1	1	2	1	1	*	6
Other services	9	0	1	5	3	1	*	*	*	0	0

Source: ONS

Figure 3: Number of businesses of each size, by sector, North West England, mid-2015

	No employees (unregistered)	No employees (registered)	1 employee	2-4 employees	5-9 employees	10-19 employees	20-49 employees	50-99 employees	100-199 employees	200-249 employees	250 or more employees
Agriculture, forestry & fishing	640	7,050	1,825	1,950	540	160	60	10	10	0	
Production	*	*	15	305	180	125	80	35	15	0	
Manufacturing	9150	4650	685	3640	2075	1525	1100	480	205	45	145
Construction	62405	12340	2045	8365	2380	1200	570	160	55	5	30
Wholesale, retail & repair	15995	13645	3115	13160	5835	2750	1310	385	150	35	115
Transportation & storage	22285	5755	380	1965	710	485	285	110	35	15	25
Accommodation & food service	3645	1285	1560	5890	3125	1835	960	205	75	15	60
Information & communications	9455	9125	95	3740	690	405	275	65	15	5	15
Finance & insurance	2320	1925	100	1030	375	225	115	50	25	10	20
Real estate	2165	4510	275	2320	805	310	100	30	15	5	20
Professional, scientific & technical	44840	24735	1400	10565	2430	1365	770	275	75	20	85
Administrative & support	23505	8775	1820	5505	1680	960	495	230	125	35	115
Education	23500	1275	85	830	420	265	145	50	10	5	10
Human health & social work	*	*	590	2250	1360	1550	1055	270	85	10	40
Arts, entertainment & recreation	14605	1820	210	1090	370	255	135	40	25	0	35
Other services	20065	1960	1525	4265	1345	450	135	25	15	5	5

Source: ONS

Figure 4: Employment in businesses of each size (thousands), by sector, North West England, mid-2015

	No employees (unregistered)	No employees (registered)	1 employee	2-4 employees	5-9 employees	10-19 employees	20-49 employees	50-99 employees	100-199 employees	200-249 employees	250 or more employees
Agriculture, forestry & fishing	1	11	5	8	4	2	2	*	1	0	
Production	*	*	*	1	1	2	2	2	2	*	
Manufacturing	10	5	2	11	14	21	35	34	29	10	109
Construction	64	13	4	23	16	16	17	11	7	1	2
Wholesale, retail & repair	19	15	7	41	40	37	39	26	21	8	2
Transportation & storage	23	6	1	6	5	7	9	8	5	3	2
Accommodation & food service	5	1	3	20	22	26	28	14	10	4	10
Information & communications	10	9	0	9	5	5	8	5	2	1	21
Finance & insurance	3	1	0	3	2	3	4	3	3	2	32
Real estate	4	6	*	7	5	4	3	2	2	*	#VALUE!
Professional, scientific & technical	49	25	3	27	16	19	23	19	11	5	14
Administrative & support	25	9	4	16	11	13	15	16	17	7	111
Education	25	1	0	2	3	4	4	3	2	*	
Human health & social work	*	*	1	7	10	24	33	19	11	2	32
Arts, entertainment & recreation	16	2	*	3	3	4	4	3	4	*	28
Other services	21	2	3	14	9	6	4	*	2	*	

Source: ONS

Figure 5: Turnover (£m) in each sector, by size of business, North West England, mid-2015

	No employees (unregistered)	No employees (registered)	1 employee	2-4 employees	5-9 employees	10-19 employees	20-49 employees	50-99 employees	100-199 employees	200-249 employees	250 or more employees
Agriculture, forestry & fishing	30	748	420	779	490	204	*	35	*	0	
Production	*	*	4	202	235	*	*	287	568	*	
Manufacturing	257	477	94	1175	1517	2378	4438	5662	5662	1650	29779
Construction	2656	2202	357	2974	2254	2095	2807	1998	1257	*	#VALUE!
Wholesale, retail & repair	764	2066	640	5449	6522	7773	10525	6976	5725	2202	36663
Transportation & storage	719	418	52	550	517	812	1216	1196	868	465	21451
Accommodation & food service	143	105	153	809	756	738	933	549	533	111	375
Information & communications	223	813	12	696	430	491	1010	535	313	161	4507
Finance & insurance											
Real estate	92	592	*	654	482	340	285	121	151	*	
Professional, scientific & technical	2103	2476	203	2390	1769	1583	1974	1864	2206	367	1400
Administrative & support	619	1224	473	1972	1345	1369	2108	1728	1446	1091	8046
Education	492	96	*	164	160	*	221	166	*	*	
Human health & social work	*	*	68	362	543	1215	1640	932	441	155	798
Arts, entertainment & recreation	376	143	*	271	140	*	352	199	203	*	10017
Other services	523	202	115	572	434	354	282	91	125	*	

Source: ONS

Figure 6: Number of businesses of each size, by sector, Yorkshire and the Humber, mid-2015

	No employees (unregistered)	No employees (registered)	1 employee	2-4 employees	5-9 employees	10-19 employees	20-49 employees	50-99 employees	100-199 employees	200-249 employees	250 or more employees
Agriculture, forestry & fishing	605	7,065	1,610	1,890	570	215	90	15	5	0	
Production	950	355	20	240	135	85	55	25	5	0	5
Manufacturing	12890	3440	580	3025	1765	1320	955	455	235	45	135
Construction	48130	9265	1770	6825	1825	950	420	120	30	5	25
Wholesale, retail & repair	22030	9880	2575	9585	4290	2125	965	285	100	20	85
Transportation & storage	15345	4920	410	1530	605	390	250	85	35	15	30
Accommodation & food service	3500	1035	1315	4525	2470	1480	700	145	35	5	25
Information & communications	5865	5585	85	2530	470	280	160	45	25	5	15
Finance & insurance	3130	1105	90	725	240	100	55	25	10	5	15
Real estate	890	3245	190	1615	530	240	60	20	0	0	10
Professional, scientific & technical	24320	14435	975	6895	1680	915	440	145	65	10	30
Administrative & support	15635	6170	1380	3480	1100	650	355	170	90	20	75
Education	18305	940	75	655	270	205	105	20	5	5	5
Human health & social work	20305	2175	420	1445	775	940	770	225	65	15	30
Arts, entertainment & recreation	10420	1515	185	810	310	180	120	30	25	10	20
Other services	18280	1225	1160	2770	840	260	80	10	5	0	

Source: ONS

Figure 7: Employment in businesses of each size (thousands), by sector, Yorkshire and the Humber, mid-2015

	No employees (unregistered)	No employees (registered)	1 employee	2-4 employees	5-9 employees	10-19 employees	20-49 employees	50-99 employees	100-199 employees	200-249 employees	250 or more employees
Agriculture, forestry & fishing	1	11	4	7	4	3	3	1	*	0	
Production	1	0	0	1	1	1	2	2	*	*	*
Manufacturing	15	4	1	9	12	18	30	31	33	10	116
Construction	50	10	4	19	12	13	13	8	4	1	2
Wholesale, retail & repair	27	11	6	30	29	29	29	20	13	4	2
Transportation & storage	16	5	1	5	4	5	8	6	5	3	2
Accommodation & food service	5	1	3	16	18	21	20	10	5	2	6
Information & communications	7	6	*	6	3	4	5	3	3	*	
Finance & insurance	4	1	*	2	2	1	2	2	*	*	75
Real estate	1	4	*	5	4	3	2	1	*	*	10
Professional, scientific & technical	27	15	2	18	11	13	13	10	9	3	6
Administrative & support	17	6	3	10	7	9	11	12	13	4	70
Education	19	1	0	2	2	3	3	1	*	*	
Human health & social work	21	2	1	4	6	14	25	15	9	4	29
Arts, entertainment & recreation	11	2	0	2	2	2	4	2	3	2	6
Other services	20	1	2	9	6	3	2	1	*	0	

Source: ONS

Figure 8: Turnover (£m) in each sector, by size of business, Yorkshire and the Humber, mid-2015

	No employees (unregistered)	No employees (registered)	1 employee	2-4 employees	5-9 employees	10-19 employees	20-49 employees	50-99 employees	100-199 employees	200-249 employees	250 or more employees
Agriculture, forestry & fishing	27	*	407	799	*	349	357	131	*	0	
Production	22	58	3	118	142	168	646	514	*	*	*
Manufacturing	377	314	77	766	1138	1729	3671	4815	4966	1383	23377
Construction	1987	1516	305	2688	1433	1639	1894	1314	878	153	5439
Wholesale, retail & repair	1213	1601	545	3838	4214	5471	7821	5170	3164	1227	62998
Transportation & storage	494	339	63	420	429	655	1098	821	762	227	3619
Accommodation & food service	141	95	129	629	577	576	590	353	186	51	209
Information & communications	105	474	*	451	276	331	497	292	660	*	
Finance & insurance											
Real estate	56	374	*	606	349	311	*	*	*	*	714
Professional, scientific & technical	700	1761	*	1603	989	1164	1078	806	903	*	1657
Administrative & support	478	632	350	1253	1056	1057	1826	957	1036	416	3321
Education	443	68	*	105	*	136	219	66	*	*	
Human health & social work	560	134	46	237	297	739	1279	657	313	*	821
Arts, entertainment & recreation	197	111	21	378	95	143	119	91	215	60	377
Other services	506	*	88	373	*	182	*	*	*	0	

Source: ONS

Figure 9: Percentage of employment which is located in businesses of each size by sector, northern English regions, mid-2015

	North East			North West			Yorkshire and the Humber		
	No employees	1 to 9	10 to 49	No employees	1 to 9	10 to 49	No employees	1 to 9	10 to 49
Agriculture, forestry & fishing	36.4	54.5	9.1	35.3	50.0	11.8	35.3	44.1	17.6
Production			50.0			40.0	12.5	25.0	37.5
Manufacturing	5.3	8.4	16.8	5.4	9.6	20.0	6.8	7.9	17.2
Construction	37.0	25.9	20.4	44.3	24.7	19.0	44.1	25.7	19.1
Wholesale, retail & repair	17.4	36.2	29.0	13.3	34.5	29.8	19.0	32.5	29.0
Transportation & storage	20.0	20.0	25.0	38.7	16.0	21.3	35.0	16.7	21.7
Accommodation & food service	4.2	33.3	37.5	4.2	31.5	37.8	5.6	34.6	38.3
Information & communications	46.7	20.0	20.0	25.3	18.7	17.3	35.1		24.3
Finance & insurance	28.6	28.6	28.6	7.1	8.9	12.5	5.6		3.4
Real estate	33.3	33.3	22.2	30.3		21.2	16.7		16.7
Professional, scientific & technical	34.0	26.0	22.0	35.1	21.8	19.9	33.1	24.4	20.5
Administrative & support	10.2	13.6	13.6	13.9	12.7	11.5	14.2	12.3	12.3
Human health & social work		4.7	19.8		12.9	41.0	17.7	8.5	30.0
Arts, entertainment & recreation	27.8	11.1	16.7	26.9		11.9	36.1	11.1	16.7

Source: ONS

Figure 10: Business birth and death rates, English regions

	Business birth rate	Business death rate
North East	13.6	9.6
North West	14.1	9.9
Yorkshire and The Humber	13.8	9.5
East Midlands	14.4	9.1
West Midlands	14.1	9.1
East	13.4	9.0
London	18.6	10.5
South East	13.2	9
South West	11.8	8.7
UK	14.3	9.4

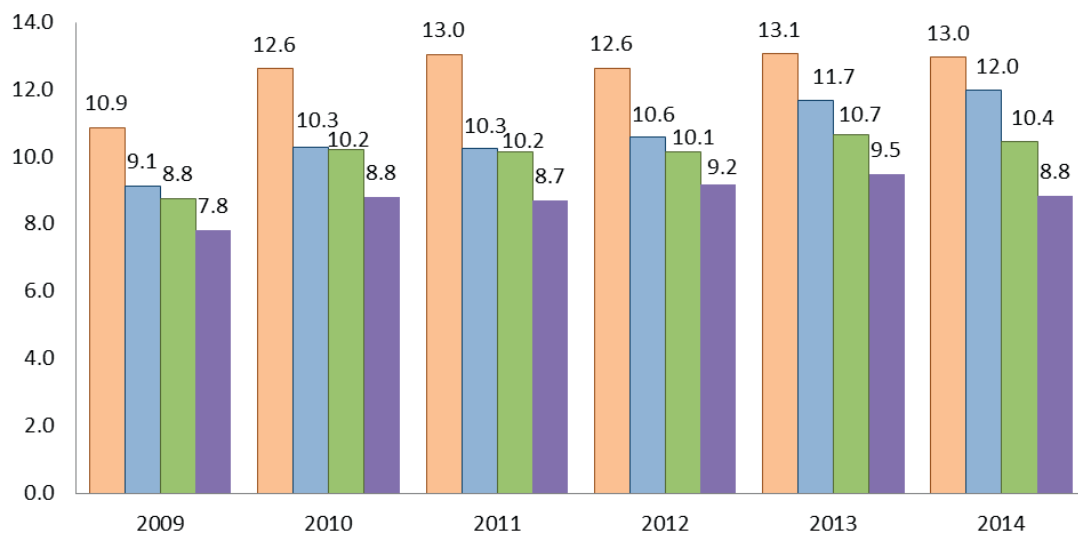
Source: ONS

Figure 11: Business survival rates over five years, northern regions

		1-year survival	2-year survival	3-year survival	4-year survival	5-year survival
North East	2010	88.3	73.7	57.3	47.2	40.7
	2011	93.7	75.3	59.4	49.6	
	2012	92.2	75.6	60.4		
	2013	94.3	74.7			
	2014	92.3				
North West	2010	87.4	71.9	55.7	46.6	39.9
	2011	93.1	74.6	59.6	49.5	
	2012	92.0	74.2	59.4		
	2013	94.1	74.4			
	2014	92.8				
Yorkshire and the Humber	2010	85.7	70.9	55.7	46.9	40.8
	2011	93.7	75.3	59.4	49.6	:
	2012	90.1	73.0	58.8		
	2013	93.4	74.6			
	2014	91.4				
UK	2010	86.7	72.5	57.1	48.1	41.4
	2011	93.1	75.6	60.5	51.0	:
	2012	91.2	73.8	59.4		
	2013	93.5	75.0			
	2014	92.2				

Source: ONS

Figure 12: Percentage of business births which were in 'knowledge economy' sectors, northern English regions, 2009-2014



Source: ONS

■ UK ■ North East ■ North West ■ Yorkshire and the Humber

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