

**To: Local Authority UKSPF working teams**  
**Re: The UK Shared Prosperity Fund**

6<sup>th</sup> July 2022

On behalf of the Federation of Small Businesses (FSB) local leadership team, I would like to provide some information and asks which we hope will help in your decision making regarding the UKSPF.

At the FSB we collect feedback and research from our members about the challenges they are facing, the support they need and the potential outcomes of effective business support. We have c.4,500 members of FSB in Leicestershire, Northamptonshire and Rutland however as a not-for-profit campaigning body, we represent the interests of all small businesses.

As you and your team work hard to quickly produce your UKSPF priorities and approach and consider the projects which are put to you, I hope you will consider the following from an FSB and small business perspective. No doubt you share our concerns about how this much-reduced level of funding to replace the EU-funded support will be able to have a real impact on our communities and businesses, and how truly innovative and impactful projects from a diverse range of providers can be found at short notice.

We would like to ask that the true value and reach of your local small businesses is taken into account when considering interventions and projects for all three categories of Community and Place, Business Support and People and Skills. As you will see below, we also think it's vital that small businesses are able to be part of your SPF assessment mechanisms.

## **SME perspectives on the UK Shared Prosperity Fund**

If UKSPF and levelling up succeed, small firms, which are integral to our economic recovery, should feel better supported, be better connected, able to find the right staff and feel more pride in their area. Small business must be at the forefront of decision making and engaged with plans to level up their local areas.

Policy and decision makers must also seek to reward the value that smaller businesses create for their communities through, for example, reducing social exclusion, improving health and wellbeing, increasing employability, creating better access to services, improving the local environment and creating greater community cohesion. The particularly important role that smaller businesses play in rural areas and fringe towns should not be underestimated.

Our evidence suggests that small firms create strong civic engagement networks, which may help to foster greater trust within communities and, as a result, encourage more people to work together to help the community as a whole (see Office for National Statistics, Social capital in the UK: May 2017). Despite their day-to-day pressures, many smaller firms are committed to utilising their resources, skills and time in giving back to their local community.

For communities to thrive, the 16.3 million people employed within small businesses must also thrive. The agility and adaptability of small firms means they are not only able to provide effective business 'in-kind support', such as donating resources to community organisations – especially in hard to reach areas – but they also act as a gateway into employment for those furthest away from the labour market. This includes people with disabilities, those with low levels of educational attainment and older workers.

## **Planning and Delivering SPF projects**

There are a number of key principles that we would like to see taken forward when planning and delivering SPF projects. These are:

- There should be a clear plan for small business representation on strategic, review and accountability bodies or mechanisms, ideally through FSB representation

- Projects should outline key measurable results and benchmarks and ensure these are reflective and inclusive of the local business community – including supply chain businesses, and sole traders
- Key learnings, best practice and any useable data from previous delivery bodies, EU funding streams and projects should be sought so that these valuable insights which may improve outcomes are not lost.
- Opportunities are sought to work together with other councils and organisations across borders so that businesses looking for support are not presented with a postcode lottery, and so that collaboration, shared intel and economies of scale can be achieved.
- Consultations should be timely, easy to understand and communicated in good time – and accessible to all
- Business support should be delivered through multiple media channels seeking to maximise accessibility to all business owners; such as webinars, podcasts, and online training and events and can be accessed flexibly and in a user friendly way i.e 'on demand'.
- The cost of doing business is having a major impact on small businesses and all projects should be undertaken with this in mind

## Priority 1: Pride in Place

Small businesses are often the heart of the community and have their roots in the local community. Small businesses often have run in the same family for years or are born out of a local need or opportunity. 'Place' is an important factor affecting the small business environment and must reflect changing habits and needs. 62% of small businesses said that they were worried about the decline of their high street for example. Encouragement and focus of projects must include attracting new people, consumers and entrepreneurs to the area, support new uses for place and work along with other priorities such as net zero.

Plans or improving place should ensure:

- Inclusivity of different parts of the business community within plans for the local area in which they operate
- Affordable and specific allocation of space for independent and small businesses to allow a unique and divergent offering
- Ensuring there is a range of affordable and flexible local business premises available, both to encourage new enterprises and allow existing businesses to prosper and grow
- Commitment to the net zero journey
- Integrated infrastructure

## Priority 2: No Business Left Behind: Genuine, tangible and strategic business engagement and support

Small businesses have a major part to play in achieving the key missions and pillars of the Shared Prosperity Fund. Small businesses can be hard to reach, yet they are crucial to business engagement – they make up over 99% of private sector firms.

During Covid, 85% of small businesses reported they had accessed business support, and 45% of those credited their survival to this business support. Business support and engagement – and getting it right – can play a fundamental role in building a thriving community and business community.

There should be a clear plan for understanding the key needs of the local business community, for example understanding and addressing differing local skills challenges and opportunities and we are grateful for any opportunity FSB has to engage and feed in our thoughts. This will help to provide a clear idea of what is needed now and in the coming years to ensure a sustainable approach to business engagement and support. A few initiatives that we see as local priorities are as follows:

- **Starting a business and support for scaling up** - including one to one support and workshops / masterclasses for businesses. Supporting startups and attracting new businesses to the area should not be prioritised over supporting existing businesses who are already embedded in the local economy and community to thrive and grow. We would encourage the use of pop-up shops and opportunities for start up businesses and Peer Networks

have proven to be successful in providing group session and one-to-one coaching to address specific issues and challenges being experienced by small firms.

- **Addressing financial and knowledge/skills based barriers to investment and innovation** – Innovation is a long-term driver of growth and is nothing new to small businesses – according to our research 76% of small businesses innovated in the prior three years to remain competitive. Support should be available through grants and specialist advice to develop new products or services that are new to market and support businesses to bring ‘new to firm’ innovation into their businesses (such as investments in design, branding, software, development and organisational improvement). This will help to increase productivity, resilience and competitiveness.
- **Journey to net zero – support for small businesses to reach net zero targets.** FSBs Accelerating Progress report highlights that 36% of small businesses have a plan to combat climate change, but only 30% have made changes to their business as a result of that plan. The report outlines a number of recommendations to help support small businesses including Help to Green initiatives and grants. Consideration could also be given to one to one support and workshops
- **Digital skills** – FSB research shows that over a quarter (26%) of business owners lack confidence in their basic digital skills and more than a fifth (22%) believe a lack of basic digital skills among their staff is holding them back from increasing their digital and online presence. Despite clear evidence that better digital capability spurs growth a quarter of small firms do not consider digital skills to be important to the growth of their business. Demonstrating the benefits of digital to these firms will be critical.
- **Leadership and Management** – FSB research on innovation from 2018 shows that many business owners do not participate in leadership and management training. Small firms should be encouraged to improve their leadership and management practices and greater take up of digital technologies to improve productivity
- **Targeted business support** – A collaborative research report published by FSB and the Centre for Research in Ethnic Minority Entrepreneurship (CRÈME) Unlocking Opportunity: The value of ethnic minority firms to UK economic activity and enterprise found that ethnic minority-led firms more commonly relied on informal networks for business support when compared with the rest of the small business sector (especially amongst mixed and Black/Black British-led business). Similarly, women-led businesses are also more likely to seek advice and support from informal networks and mentors. This suggests that many ethnic minority- and women-led firms will need targeted attention and specific business support in the months ahead, especially as traditionally many have often had a low engagement with mainstream support and advice. Research shows that driving increased female entrepreneurship and improving the productivity of women-led businesses by about 40% could unlock around £50 billion of additional GVA growth.

FSB Business without Barriers report also highlights key findings and recommendations for supporting disabled entrepreneurs to help start and grow their own businesses.

### Priority 3: Jobs and Skills for the future

Small businesses have worked tirelessly to survive the challenges of the past two years and this is an important opportunity to support them in rebuilding to be ready for the future.

Small businesses are also agents of social change. They provide jobs, skills and training for those furthest from the labour market including young people and older workers, those with disabilities and mental health conditions, and those with low levels of educational attainment. FSBs Small Business Big Heart report showed that 95% of FSB small business employers have employed at least one worker from a labour market disadvantaged group in the last three years, some of which include those: aged 16-24 (58%), aged 50 or above (78%), with a known disability or mental health condition (30%), with low levels of educational attainment (34%), with English as a second language (24%), and labour market returners (23%).

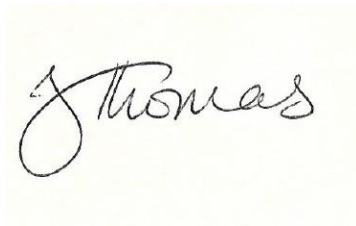
Skills gaps are a major impact on productivity and SPF should use this as an opportunity to identify key local skills gaps (for example low/ medium /high skilled jobs in particular sectors). Employers could be supported to take on apprenticeships and understand which key areas could benefit from job seekers with specific skill sets or qualifications.

Labour shortages are also a major issue. Funding with a view to campaigns or projects to attract or co-ordinate job seekers into job vacancies and supporting SMEs throughout this process would be welcome.

Training programmes or boot camps could be considered to plug any emerging gaps as well as taking advantage of future directions of skills, including green skills. It is easy to forget about upskilling current staff, which is just as important for i) business growth ii) improving productivity and collaboration and iii) being future ready and future fit.

We hope that you find this useful, it will be available to our members, volunteers, and wider SMEs as part of FSBs policy and lobbying communications and we would be very pleased to provide further information and indeed help to source local small business representatives who can help to shape and assess the delivery.

Yours Sincerely,



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