

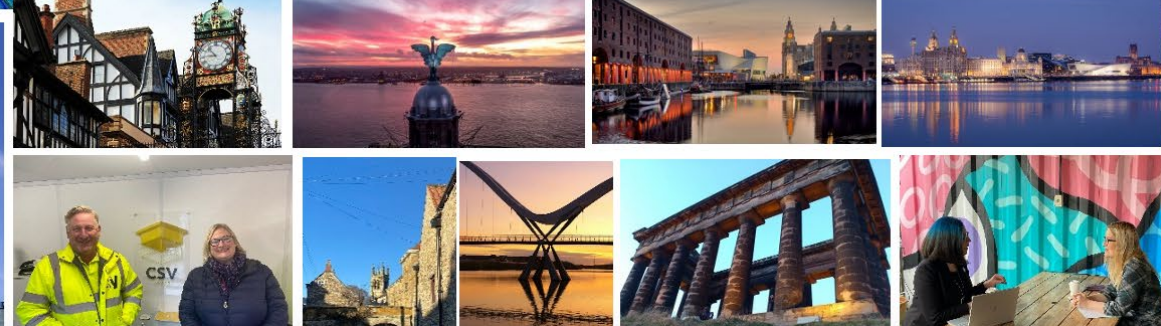


# An Entrepreneurial North

Unleash The Power Of Small Businesses to Reduce Regional Inequality



This document was produced by FSB in March 2023



## Foreword

**Businesses across the North of England already play a major role in creating jobs and generating sustainable 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 Levelling Up White Paper, Northern entrepreneurs will be the key to our success.**

This report brings together proposals from small business owners right across the North to form a clear and cohesive approach to supporting businesses, creating an entrepreneurial culture, and reinvigorating our communities. Our ambition is simple. We want to make the North of England the best place in the UK to start-up, scale-up, and run a small business.

We want people across the UK, and indeed the world, to truly recognise the North of England as a powerhouse for small business enterprise and growth. It is only by nurturing and encouraging entrepreneurship and investing in Northern infrastructure that we believe the Government will be successful in increasing the growth rate of this economy.

Our success will depend on commitment and a set of targeted actions to include all communities across Northern towns and cities: from The Humber to the Solway Firth, from Northumberland to Cheshire, every single member of our community must be brought forward with us on our journey to economic success. The focus must be on small businesses at each stage of their growth journey, including the self-employed, pre-start, starts-ups, businesses with moderate growth ambitions and scale-ups.

Over a period of 11 weeks, we have held in-depth roundtables and surveyed businesses across the North, creating a robust evidence base for our recommendations. Although funding and investment in digital and transport infrastructure play a major role in creating the conditions for economic success, this report is not just focussed on funding. This is about recognising the challenges businesses face, increasing efficiency in the delivery of interventions on significantly reduced funding provisions, and maximising the local autonomy we now have to deliver meaningful interventions that work for our communities.

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 support in rebalancing the UK economy. It is only by helping small businesses to achieve their ambitions that we will see genuine economic success.



**Mohammed Hussain**  
England Policy Representative  
Yorkshire, The Humber  
& North East England



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England Policy Representative  
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## Executive Summary

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This report is focussed on small businesses in the North of England, outlining the barriers to business growth and the opportunities for local leaders to address the same in order to build a sustainable and thriving economy. The data used throughout the report, unless stated otherwise, are the responses of small businesses across the North in a survey and in-depth roundtables conducted by FSB over a period of 11 weeks.

The purpose of the report is to address a key challenge: how to unleash the power of small businesses to reduce regional inequalities and create a diverse, sustainable, and thriving economy across the North of England. While the challenges around regional wealth inequalities are multifaceted, this report focusses on how entrepreneurialism and small business success can be crucial to support the reduction of inequalities to make the North an attractive place to live, learn, work, and run a business.

This report, divided into four sections, sets out our recommendations to create a thriving entrepreneurial culture and support business resilience.

**Section 1** focusses on business support, both an examination of the current landscape and recommendations on improving delivery to maximise the benefits of support in creating a diverse and thriving SME community.

### Key findings in this section include:

- The rate of business creation in Yorkshire, The Humber and the North East was consistently below the National average between 2016 and 2021, while the North West has been above average.
- Businesses find the support landscape too complex to navigate and struggle to identify the programmes of support available to them.
- 58 per cent of businesses rely on representative organisations such as FSB to convey information on support available, and 53 per cent use online search engines such as Google to learn of delivery programmes.
- 41 per cent of businesses reported utilising grants to support their business, and 44 per cent reported accessing support through consultants and/or peer mentors.



- 54 per cent of businesses would benefit from support with marketing and social media to grow their business.
- 51 per cent would grow their business by exploring new UK-based markets, and 57 per cent would consider growing through the development of new products and/or services.

To grow the UK economy effectively, it is imperative that the North of England is provided with resources and capabilities that enable new and diverse business creation, help to grow existing businesses, and build economic resilience. It is essential that, in transitioning from EU funding to UKSPF, lead accountable authorities prioritise improving business support provision and infrastructure, minimising duplication, fostering an entrepreneurial culture, and delivering effective programmes for new start-ups and all small firms, including high growth businesses and those with more moderate growth trajectories.

**Section 2** sets out the barriers to business growth with regards to people and skills across the North, seeking to address the recruitment challenges impacting cross sector organisations, and bridging the enterprise-academia gap.

**Key findings in this section include:**

- 70 per cent of small businesses reported finding the right person to suit their business as their main challenge when recruiting, while 56 per cent struggle with recruiting individuals with the right technical skills for their business.
- 34 per cent of businesses don't engage with technical education due to a lack of capacity and resource.
- 15 per cent of businesses don't understand the technical education landscape while 13 per cent did not know how to access these programmes.
- Businesses feel it is essential to bridge the gap between enterprise and education in order to address future skills needs.

Running and growing a successful business depends upon the skills of business owners and their staff. Maintaining and upskilling at regular intervals is paramount to ensuring the longevity and success of a business.

Equally, businesses and industry experts are an invaluable asset in supporting the upskilling and work readiness of the next generation. It is essential to ensure that businesses are fully engaged with the education system, not only to address the current challenges with skills shortages, but to strategise effectively for the future workforce. Further, FSB's report Small Business Big Heart found small businesses "act as a gateway into employment for those furthest away from the labour market."

With targeted and effective support, small businesses can upskill themselves and their employees, offer insights and experience to the next generation, and provide employment opportunities to those furthest away from the labour market.

**Section 3** examines the strengths and weaknesses of our connectivity and infrastructure across the North and the impact this has on business. Additionally, this section examines the barriers impacting small businesses in their journey to Net Zero.

**Key findings in this section include:**

- 59 per cent of businesses feel the road network across the North is not fit-for-purpose to service their needs, and 56 per cent of respondents feel the road conditions are the main challenge.
- 54 per cent of businesses feel the public transport network is not adequate for their needs with 66 per cent citing services are not fit-for-purpose, 69 per cent suggesting services are unreliable, and 45 per cent feel services are not cost efficient.
- 67 per cent of businesses struggle with poor broadband connectivity.
- 25 per cent of businesses don't know what changes they could implement in their business to achieve Net Zero.
- 62 per cent feel grant support would assist them in achieving Net Zero while 41 per cent say clear and concise guidance would help.

Small businesses play a pivotal role in sustaining local economic development, creating jobs, and offering a range of different services. In order to enable businesses to deliver to their full potential, it is essential that they are provided with the networks and infrastructure required in terms of the roads, public transport services, and digital connectivity.

Further, the North of England has significant opportunities to lead the UK's Green Industries with its unique assets for generating sustainable energy. Small businesses will be at the heart of this delivery and must be brought forward on their journey.

**Section 4** explores the strengths of our communities across the North and how these can be leveraged to build a strong economy.

**Key findings in this section include:**

- Businesses feel there is a significant gap in support provisions tailored to the needs of B2C firms.
- Targeted support to encourage entrepreneurialism in diverse communities is essential to unlock the North's economy.
- Access to adequate workspace is a significant barrier to small business success with 40 per cent reporting that the size of available workspace is a challenge and 64 per cent feel the space they require is not affordable.

Communities are shaped by their industry and businesses. Where once many parts of the North were shaped by heavy industry, there is now an opportunity for small businesses to help shape a new North.

The North of England is home to some of the UK's biggest cultural assets and visitor attractions. In order to maximise the attractiveness of the region, it is necessary to evaluate the support needed for visitor economy businesses across rural, coastal, and urban settings. Further, it is essential to ensure all communities across the North are provided with interventions tailored to their needs in order to achieve their full potential.

Small businesses are the backbone of our economy, not only for their fiscal contributions but as pillars of their communities. A growing and flourishing small business community is an essential driver to the sustainable long-term economic growth of the North. The power of creating an entrepreneurial culture across the North will unlock our potential to level up against regions across the UK whilst ensuring no community within the North is left behind.

This report explores the challenges impacting businesses and makes 22 recommendations on the solutions local leaders can implement to address the barriers to business and economic growth.

## Introduction

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Businesses in the North of England account for nearly 20 per cent of the UK's overall private sector economy, contributing almost 17 per cent of the UK's annual private sector turnover. 99 per cent of this business base consists of small to medium enterprises (SMEs) and sole traders. The benefits of growing the Northern economy is not limited to the North but impacts the growth and success of the UK economy as a whole.

The recent report *Looking Out To Level Up* published by the Institute for Public Policy Research (IPPR) in the North states: "The UK continues to stand out internationally for the wrong reason: because it is the most regionally unbalanced large, advanced economy."

While the challenges around regional wealth inequalities are multifaceted, this report focusses on how entrepreneurialism and small business success can be crucial to support the reduction of regional inequalities.

Small businesses are at the heart of the Northern economy and a key driver of our growth. Local leaders and Politicians across all parties recognise the importance of improving the performance of the North's economy as an essential lever to balance regional wealth.

Members from across FSB's Northern regions have led this work, and this report sets out in more detail the barriers to small business success and the opportunities to address the same.

A key question which stakeholders at all levels of Government and local leaders need to address is how small businesses can be better supported to achieve their full potential. Broadly speaking, we believe that there are three ways that the Northern economy can grow:

- Encouraging entrepreneurialism and diversifying start-ups;
- Supporting small business resilience and growth;
- Capitalising on cultural and creative assets to grow the visitor economy.

Previous areas of focus for growing the Northern economy have been centred around inward investment from global private sector organisations, and investment from central and local government.

The formation of the Northern Powerhouse Partnership and its many subdivisions, including the Northern Powerhouse Investment Funds, do indicate an understanding that





local businesses require a co-ordinated Northern approach to grow. Further investment through the formation of regional hubs for Central Government departments, including the Darlington Economic Campus, indicate the desire to raise aspirations across the regions and spread opportunities.

Additionally, the majority of the North is now covered by Devolution deals, delegating significant funding and powers to locally elected leaders and empowering real local growth. However, the question remains: have intentions to rebalance regional economies translated into tangible growth and resilience?

While inward investment mechanisms for economic growth are crucial in the North, more must be done to encourage the creation of local businesses and support the existing SMEs. These investments can only be useful if they create the conditions which help existing businesses to thrive and encourage the formation of new diverse businesses.

Investment in basic infrastructure is consistently indicated as the top priority for Northern communities. This can include providing effective transport and digital infrastructure, a responsive skills base, and the support network to help businesses overcome challenges which could otherwise hinder their growth.

Growing and thriving businesses generate more income and profit, employ local people 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 employment, growth, innovation and increases in productivity in the region.

FSB's belief is that all three strands – inward private sector investment, government support, and local business growth - are critical in equal measures to ensure the sustainable and continuous growth of our region.

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.

This report, divided into four sections, sets out our recommendations to create a thriving entrepreneurial culture and support business resilience.

**Section 1** focusses on business support, both an examination of the current landscape and recommendations on improving delivery to maximise the benefits of support in creating a diverse and thriving SME community.

**Section 2** sets out the barriers to business growth with regards to people and skills across the North, seeking to address the recruitment challenges impacting cross sector organisations, and bridging the enterprise-academia gap.

**Section 3** examines the strengths and weaknesses of our connectivity and infrastructure across the North and the impact this has on business.

**Section 4** explores the strengths of our communities across the North and how these can be leveraged to build a strong economy.

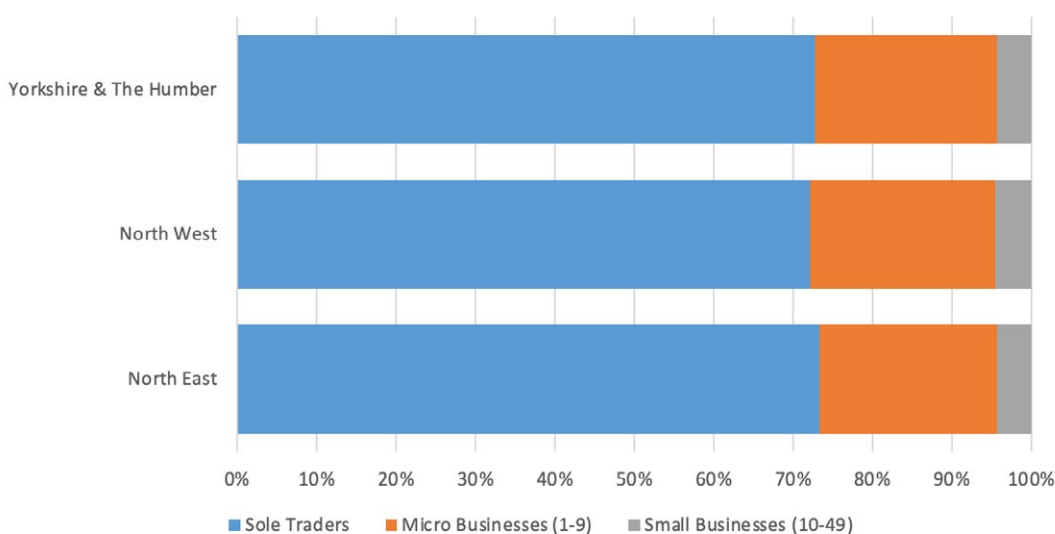
Each of these sections sets out FSB's key recommendations to local leaders on how to address the barriers to business success and create a thriving Northern economy.

## Evidence Base

According to figures published by the Department for Business in 2022, the business population estimates for the regions within the North of England are as broken down in the graphs and tables below.

Employees	North East		North West		Yorkshire & The Humber		UK
Sole Traders	11270	72.7%	366855	71.5%	278045	72.2%	4061035
Micro Businesses (1-9)	34425	22.2%	118450	23.1%	87360	22.7%	1187045
Small Businesses (10-49)	6615	4.3%	23160	4.5%	16760	4.3%	217240
Medium Businesses (50-249)	1090	0.7%	3825	0.7%	2865	0.7%	35940
Large Businesses (250+)	225	0.1%	775	0.2%	560	0.1%	7675
<b>Total Business Population</b>	<b>155095</b>		<b>513065</b>		<b>385590</b>		<b>5508935</b>

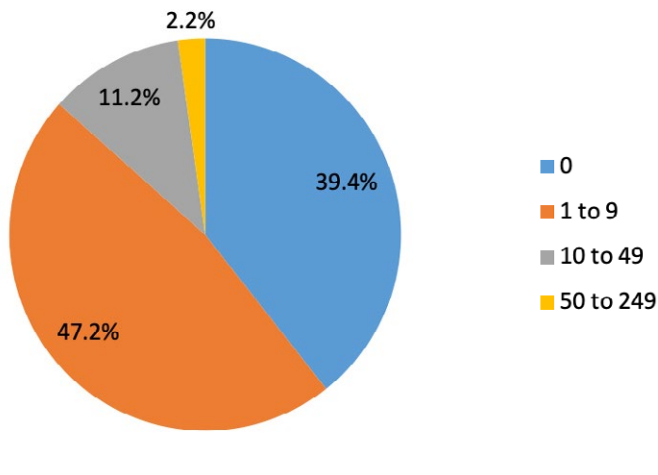
Business Population Estimates 2022, Department for Business, Energy and Industrial Strategy



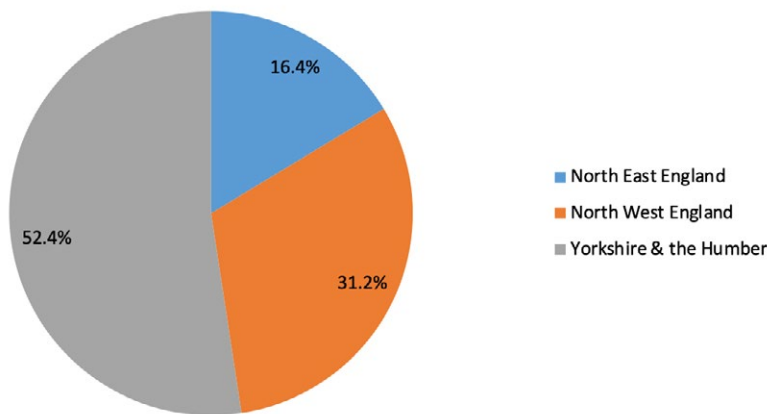
As part of the research undertaken to compile this report, FSB surveyed business owners to include members and non-members across the North of England over a period of 11 weeks from 2nd December 2022 to 17 February 2023. Additionally, FSB conducted six in-depth virtual roundtables consisting of business owners from across the North to delve deeper into the challenges impacting businesses.

The respondent demographics are detailed in the graphs below.

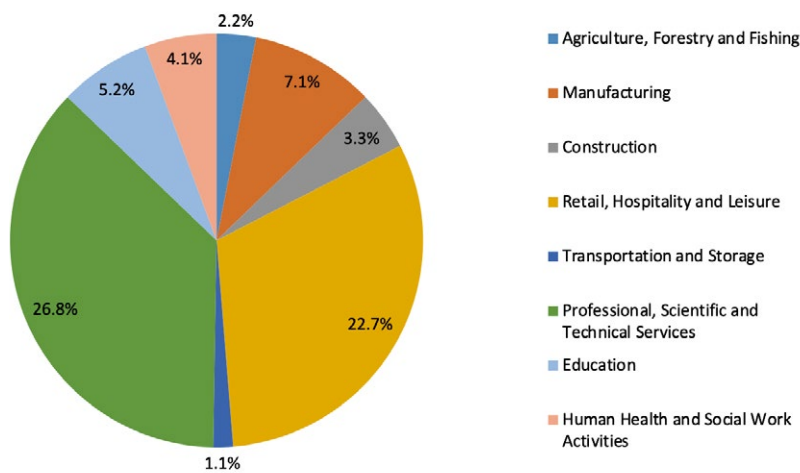
### Number of Employees



### Business Location



### Business Sector



# Section 1: Business Support

**To grow the UK economy effectively, we must address regional disparities. For this, it is imperative that the North of England is provided with resources and capabilities that enable new and diverse business creation, help to grow existing businesses, and build economic resilience.**

## Start-up and Entrepreneurialism

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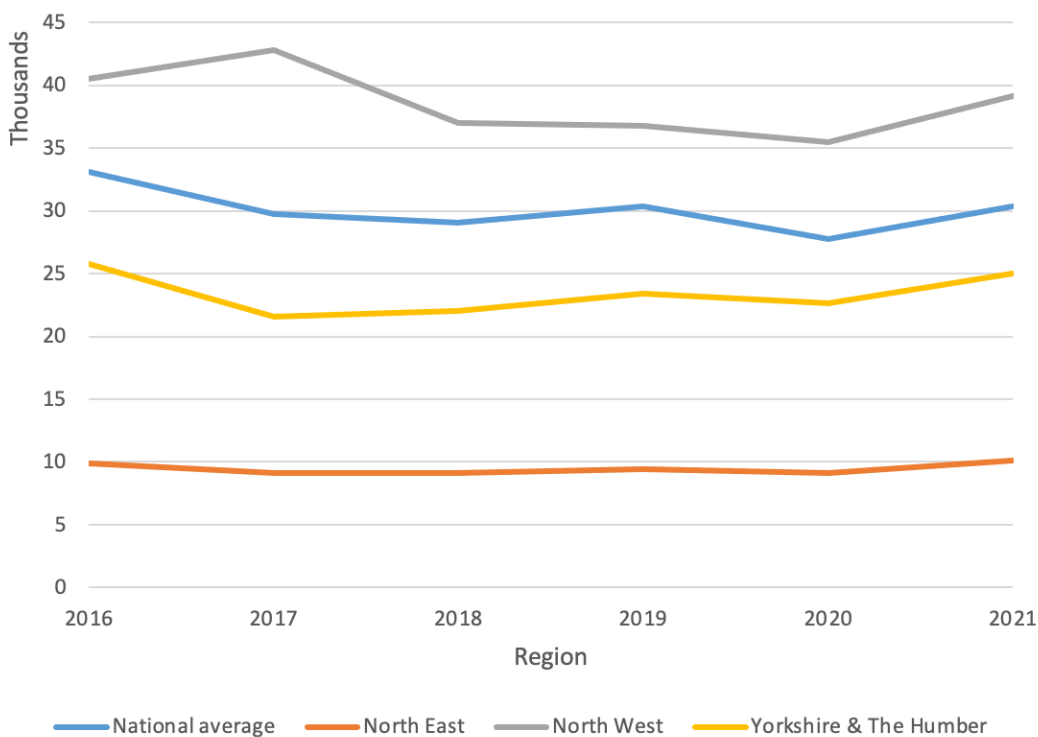
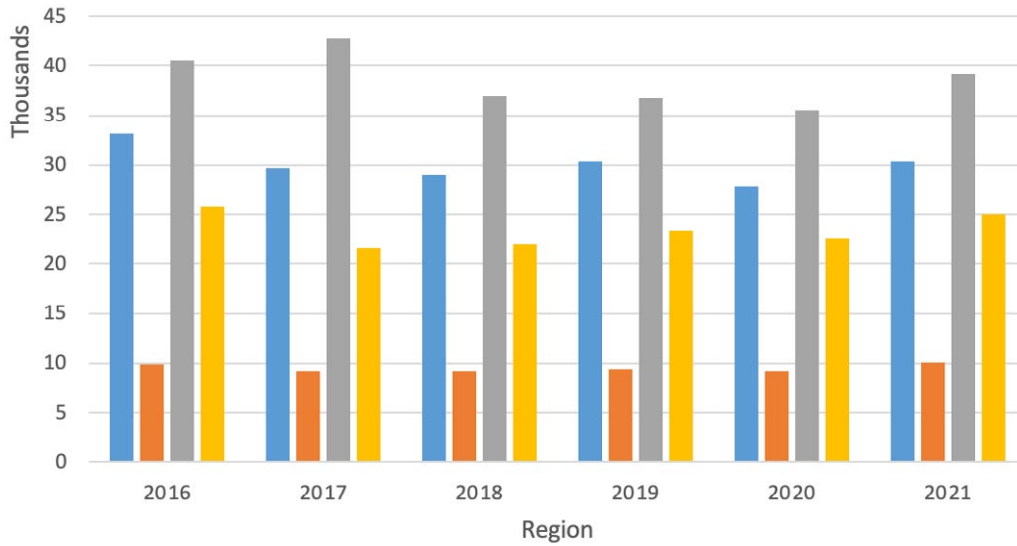
The North's success and ability to deliver for our communities requires an active and flourishing business community. This in turn relies on the ambitions, productivity, innovation, and resilience of our entrepreneurs.

Individuals should be encouraged to consider self-employment and small business ownership as a viable means to build a successful career. Entrepreneurs and small businesses are the drivers of innovation, productivity, job creation, and economic growth, and enrich the local landscape as pillars of their communities. Encouraging more individuals to seek career success through entrepreneurialism will build a strong and sustainable Northern economy.

The creation of new businesses that develop into successful ventures can only be increased through enterprise education for the next generation of business owners and the provision of adequate support for those who take the leap.

Across the North, the number of new businesses created saw a steady decline from 2017 to 2020 but rose in 2021. The rate of business creation in Yorkshire, The Humber and the North East was consistently below the National average between 2016 and 2021, while the North West has been above average.

## Business Creation



With the encouraging increase in business creation, it is essential to ensure these new businesses receive the support they need to survive and grow beyond the first three years of trading in order to grow the North's economy. 60 per cent of businesses fail within their first three years of trading but with the right support they can not only survive but thrive.



Financial aid is often viewed as the key element of business support, but it is more than funding. It includes a mix of holistic and tangible support by way of training to understand the mechanics of running a successful business, market research and optimisation, product and/or service development, identifying the appropriate professional services required, and building a peer support community.

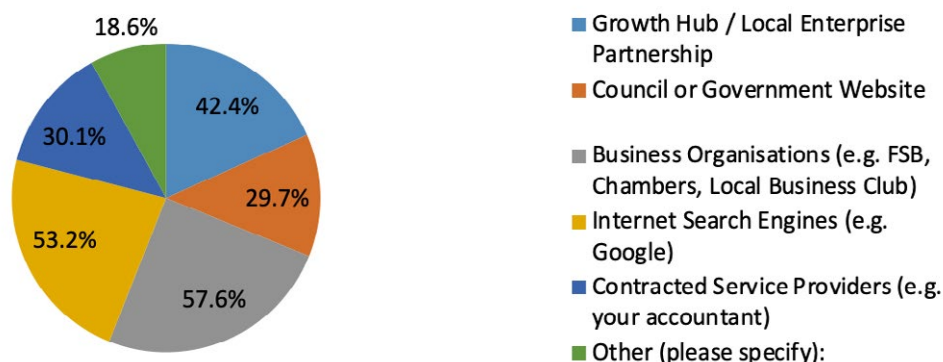
*“Businesses would benefit from a “micro-hub” where business owners can meet, share experiences, share opinions and their journey to secure capital investment and interact with expertise, those providing investment etc.”*

**Small Business Owner**

In recent years, the main source of funding for business support across the North has been through the European Union’s (EU) structural, development and investment funds. These enabled new entrepreneurs to access a range of support measures. However, EU funding came with restrictive criteria making it inaccessible to many small businesses. It has also created a complex landscape that has made it difficult to identify the most appropriate pathway and created conflicting programmes and communications.

Research undertaken by FSB in the report Open For Business indicates that businesses find the support landscape too complex to navigate and are therefore unable to identify the support available. The research undertaken for this report further supports this barrier. The graph below demonstrates that businesses rely on trusted bodies to communicate and engage effectively which enables them to ascertain the support available.

If you are in need of support for your business, where would you look for the help you need?



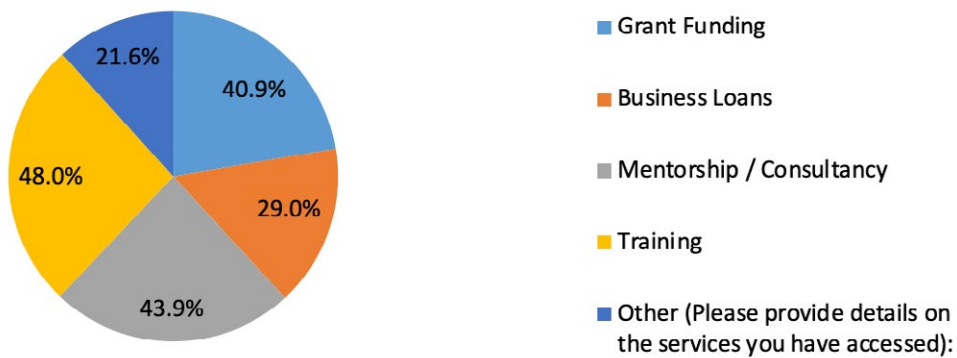
(In the ‘other’ category, businesses specified their default source of information would come from networking groups, personal contacts, employees, professional bodies, and other business owners.)

The information above indicates that businesses search across a variety of information sources when seeking support. This suggests the need for consistency across platforms with regards to business support communication to ensure businesses receive accurate guidance on the programmes available to them. Co-ordinating and mapping support provisions centrally through Local Authorities and/or Growth Hubs will ensure that businesses receive accurate guidance, directing them to the relevant support provisions, regardless of their search method.

*“If you’re B2C and don’t go networking, support isn’t just on your radar as a small business – or B2C is excluded.”*

**Small Business Owner**

### What support have you accessed to support your business?



(In the 'other' category, businesses specified networking, financial advice, legal advice, and market research among others.)



Our research has shown that, while it is important for new businesses to have access to funding in the early stages of operation, less than 30 per cent would seek financial aid through debt accumulation while the business is in its infancy. Instead, they choose to use grants and personal equity to fund their enterprise.

With the introduction of the UK Shared Prosperity Fund (UKSPF) as the replacement for EU funding, lead accountable authorities across the North have the opportunity to increase efficiency in the delivery of business support and minimise duplication. This will ensure that delivery programmes are aligned with business needs.

The UKSPF allocations for areas across the North are significantly lower than that of previous provisions under EU funding.

Region	ESF & ERDF (2014-20) - Euros		UKSPF (2022-25) - Pounds		Multiply (2022-25) - Pounds	
	Total (Millions)	Av. Per Year	Total (Millions)	Av. Per Year	Total (Millions)	Av. Per Year
North East	739	123	156	52	14	5
North West	1,132	189	228	76	37	12
Yorkshire & The Humber	794	132	148	49	26	9

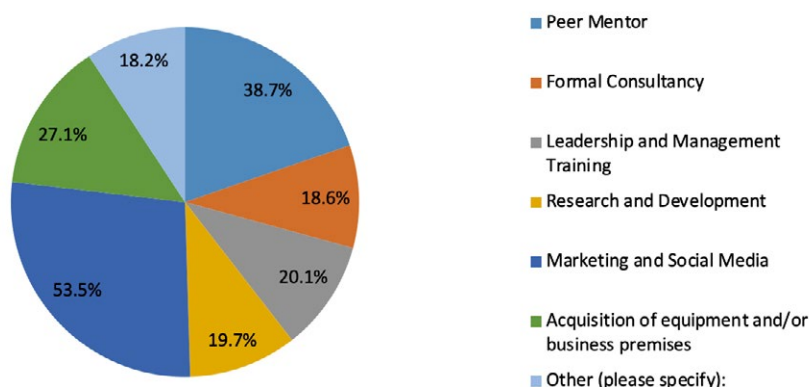
(Sources: House of Commons Library, EU Funding in the UK briefing paper [2020] and UK Gov Shared Prosperity Funding Allocations [2022])

It is crucial that authorities engage businesses and representative bodies in the design and governance of these programmes to ensure that these are fit-for-purpose and make effective use of limited funding.

*“There are post EU / European funding environment opportunities to financially support business-to-consumer firms rather than just business-to-business.”*

**Small Business Owner**

With the exception of grants, what support would your business benefit from?





Our research suggests marketing and social media, including support to digitise, are the primary sources of support required. Further, business owners emphasised the need for strong economic plans and strategies from local leaders which provide clear and tangible objectives. This is to enable them to understand the broader strategies and plans in their locality which will in turn allow them as business owners to align their strategies with local objectives and unlock their business growth plans.

Additionally, our research demonstrates the wish for effective peer mentorship programmes which should be considered when designing start-up support services. This must include a mix of coaching and peer mentoring from those with business expertise as well as industry experts currently operating enterprises.

FSB recommends that authorities across the North include within their delivery plans a ‘Help To Enterprise’ programme, taking learning opportunities for the Help To Grow Management scheme to implement a well-rounded and effective learning tool for new entrepreneurs.

*“All the support we’ve seen seems to be coming to an end after March 2023. Concerned at lack of information about what comes next.”*

**Small Business Owner**

## Business Growth and Productivity

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To ensure a consistent and stable growth in regional economies, it is important to ensure that businesses are provided with the tools and support they need in order to meaningfully and impactfully grow their business.

Our research indicates that the current programmes on business growth do not resonate with a large population of the small business community. Current metrics on measuring business growth restrict many smaller businesses from accessing the support they require and focus wholly on perceived lucrative sectors and enterprises with perceived high growth potential by way of new product and/or service creation, and job creation.

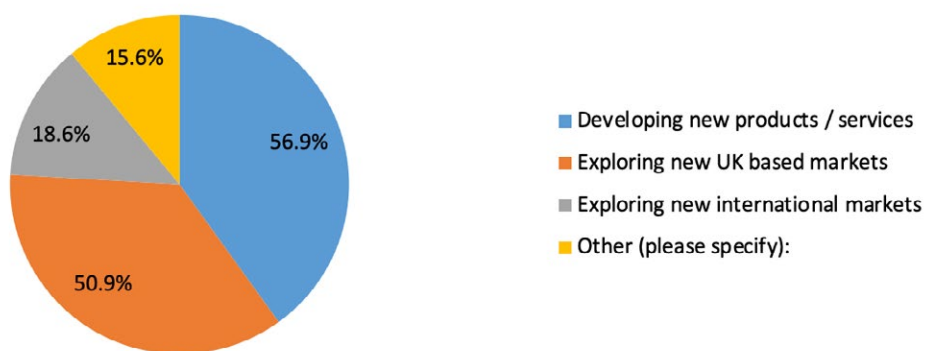
These performance indicators result in an oversight of those businesses, particularly micro businesses, who have great growth potential if given the correct support. Moreover, it ignores those businesses for whom survival and building resilience would be key indicators of viability, especially in the current economic climate.

This focus informs performance indicators that dictate behaviours which in turn impact levels of service and success. A move that encourages smaller business growth potential to be measured would result in business owners being nurtured to achieve their full entrepreneurial potential which would have significant positive impacts on the overall growth of the North's economy.

Our research suggests a need to simplify the complex business support landscape in order to make it better, more accessible, and comprehensible for small business owners. In addition, it highlights the need to introduce well-rounded inclusive support measures available across all sectors. Furthermore, this should consider that business needs are as diverse as the businesses themselves, therefore support measures need to be more bespoke rather than expecting a universal mechanism to be suitable for all.



## Thinking about growing your business, what would your preferred methods of scaling be?



Businesses indicate that the development of new products and/or services will drive business growth. This evidences the need to adopt strong market research facilities as well as support with innovation, research and development. Areas across the North have opportunities to support these ambitions with the effective use of assets to include the Business and IP Centres, the National Innovation Centre for Data, and the University facilities among many others.

*“Innovation isn’t driven by academia – it’s driven by business – but funding is through academia who don’t understand small businesses and don’t really engage with businesses to find out what the real world is about.”*

### Small Business Owner

FSB recommends using examples of programmes such as Made Smarter and Growth Catalyst schemes to design and deliver meaningful long-standing interventions to support business growth ambitions across a variety of sectors.

Our research also shows the importance of ensuring public sector procurement contracts are accessible to smaller businesses in a manner that enables them to bid, as well as improvements in the communication of opportunities.

FSB’s recent research into public sector procurement tells a disappointing story of distrust, misinformation, and perceptions of insurmountable barriers for the smallest firms who would like to work for their public sector organisations, but see it as out of their reach. The research indicates the need to address the issues utilising FSB’s recommendations as a driver to ensure accessibility of contracts for small firms.



## Access to Finance

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Funding and finance provisions form a large part of small business strategy and consideration. As with the barriers to accessing business scale-up support, help with accessing business finance is a challenging landscape for small businesses to navigate.

Our research indicates that where possible, in the first instance, small businesses will consider optimisation of their business finances internally, utilising personal and business equity in addition to short term credit options such as overdrafts to fund its operational needs. Challenges with late payment of invoices therefore continue to create a barrier to business success, particularly where cashflow is already incredibly volatile.

For small businesses, cash is absolutely king; irresponsible payment practices by larger organisations create an impossible task of strategizing and planning for business success. Not only does this impede business success, but it also adds further strain on the business owners' personal finances. This creates a challenging environment for the entrepreneur both from a business perspective and as a consumer. Given the inequalities of wealth distribution and research that indicates the number of areas across the North of England that report high levels of poverty, this issue needs addressing.

FSB's research and subsequent campaigns on [late payment](#) indicate the damaging effects of poor payment practices on the business community and the economy as a whole. These challenges have been further exacerbated by recent economic challenges including the Covid pandemic and the ongoing cost of living crisis.



When seeking external funding options, small businesses will generally opt to seek grant funding to support their business ambitions as their first port of call. However, it is important to note that, particularly in some sectors, businesses are considering options such as equity finance and investors as a means to grow. This increases the need to introduce effective support and guidance on accessing finance based on individual business needs, including educating businesses on the options available to them and how to conduct due diligence effectively.

As with business support programmes, small businesses report the conflicting advice and overwhelming number of communication channels creates a complex environment to navigate. This results in poor decision-making or a general abstinence from seeking financial advice.

FSB recommends streamlining communications and engaging with businesses meaningfully to provide guidance and advice on financial wellbeing and funding support to suit the business needs. This would require a co-ordinated approach from delivery partners by Local Authorities and/or Growth Hubs to ensure all communications channels deliver a consistent message in a digestible and accessible manner.

**Businesses have commented:**

*“Finance needs often vary depending on sector but also other factors. For example, one business might be looking for half a million pounds to develop a hotel, the other for £200,000 from the cash flow perspective to get them through to summer when trading picks up. This is not reflected in the flexibility of funding on offer.”*

*“Many lenders just seem to see small businesses as a risk and won’t touch them – despite examples of strong start-up trading performances, and clear business plan, strategy etc. Banks and finance companies tend to offer you an umbrella when the sun is shining, and take it away when it’s raining.”*

*“Many finance providers, whether offering commercial lending or grants, always seem to be seeking a reason to say no. For example the business has not been around long enough, been around too long, too big, too small etc - one example was a bid for a £2,000 grant to build a website, which involved a lot of paperwork and resource which turned up conflicting feedback from different finance providers and was ultimately unsuccessful anyway.”*

*“Recent example of experience working with around 200 start-ups seeking capital – reports of over-complexity and a mismatch between the business owner needs (they often don’t know this in detail themselves) and lack of understanding of the process and the advice / motivation of lenders seeking to sell financial products.”*

## FSB Recommendations

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### ✓ **Foster enterprise education and create an entrepreneurial culture**

In transitioning from EU funding to UKSPF, lead accountable authorities should prioritise improving business support provision and infrastructure, minimising duplication, fostering an entrepreneurial culture and delivering effective programmes for new start-ups and all small firms, including high growth businesses and those with more moderate growth trajectories.

Authorities should deliver a ‘Help To Enterprise’ scheme in order to offer well-rounded functions including effective peer support, legal expertise, finance expertise, media and marketing, research and development, and digitisation. This should include comprehensive ‘after-care’ services to ensure businesses are guided through their journey, rather than restricted to set timeframes of support and interventions.

Enterprise education could also unlock economic activity among those furthest from the labour market. Given the high levels of unemployment due to health conditions in areas across the North, supporting individuals to consider self-employment as a viable means of re-entering the workforce should be of particular focus for authorities across the region.

### ✓ **Adopt a new approach to communication and engagement**

Authorities should streamline communications with regards to business support to simplify the complex landscape and ensure that businesses receive a consistent message on the programmes available to them. This would require a co-ordinated approach from delivery partners by Local Authorities and/or Growth Hubs to ensure pathways are communicated in a digestible and accessible manner. This will also enable authorities to avoid duplication across different support organisations, allowing them to work to their strengths rather than

delivering competing and conflicting support programmes. This in turn will simplify the landscape allowing small businesses to navigate the programmes available to them.

Further, to make effective use of limited funding as we transition from EU funding to UKSPF, lead accountable authorities should commit to full engagement with businesses and representative bodies to ensure that support programmes are aligned with business needs. This includes consultation and open evaluation of programme delivery throughout with an understanding that modifications to programmes can be made during the course of its delivery as needed.

✔ **Challenge and adapt the current performance indicators of business support programmes**

Lead authorities should commit to ensuring a better integration of private sector providers of funded business support schemes into a more holistic model of support built around a diagnostic tool is essential. This will ensure businesses receive a bespoke support service based on their needs rather than dictated by restrictive eligibility criteria and performance indicators.

Previous performance indicators on business growth to include job creation, years in business, and/or product development should not be the only measure of business success and growth. As automation, digitisation, and gig working become the norm, this is an outdated measure of business growth potential.

✔ **Unlock business growth through procurement opportunities and challenge the late payment culture**

Public sector bodies should commit to making the procurement processes more accessible to small business owners, including better communication of tender opportunities.

Additionally, organisations should consider innovations in procurement opportunities such as making adherence to the Prompt Payment Code across all tiers in the supply chain a condition of bidding for tenders.

✔ **Support small businesses with understanding their financial health and opportunities to access finance**

Cash is critical for smaller firms and those in the North struggle more than other regions to access affordable finance. In the delivery of UKSPF business support programmes, lead authorities should create programmes to help them to better navigate the complex finance landscape, build and demonstrate creditworthiness and support work to address the UK's debilitating late payment culture.

Additionally, regional credit banks or mutual societies should be established to make business finance decisions based on local experience and knowledge of the local landscape, rather than relying on remote finance decisions. This should include a guided process for small businesses through relationship and/or investment managers.

✔ **Support small businesses to innovate and collaborate**

Innovation programmes and R&D spend needs to be targeted towards smaller businesses. Lead authorities and business support delivery partners should unlock greater coordination and cooperation between small businesses and local assets such as the Business and IP Centres, the National Innovation Centre for Data, Universities, and large companies based in the region in order to help businesses across the North to innovate and embrace research and design, including developing new products, services and processes that drive growth and productivity. Over 50% of R&D spend is currently undertaken by small firms. A continuation and growth of this should be encouraged through innovation programmes.



## Section 2: People and Skills

**Running and growing a successful business depends upon the skills of business owners and their staff. Maintaining and upskilling at regular intervals is paramount to ensuring the longevity and success of a business.**

Equally, businesses and industry experts are an invaluable asset in supporting the upskilling and work readiness of the next generation. It is essential to ensure that businesses are fully engaged with the education system, not only to address the current challenges with skills shortages, but to strategise effectively for the future workforce. This can be achieved through the implementation and regulation of the findings and subsequent reporting of the Local Skills Improvement Plans (LSIPs).

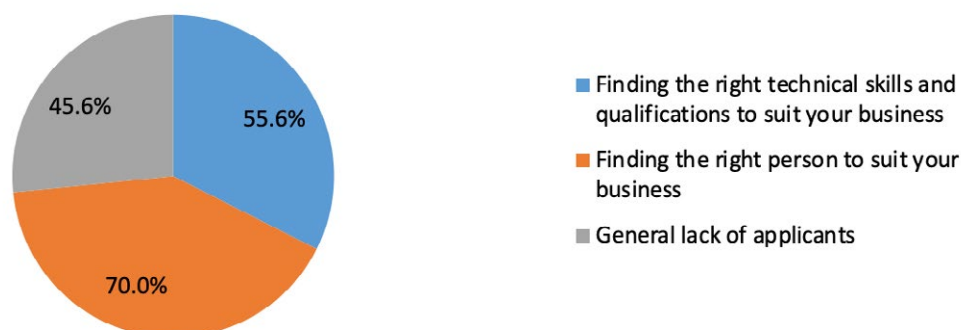
### **Challenges with Recruitment and Retention**

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Our research indicates that businesses of all sizes and across all sectors are dealing with challenges pertaining to attracting and retaining skilled employees suited to their needs. These issues have been created and exacerbated by a number of compounding issues including unpreparedness of younger people entering into the workplace, employee expectations and ambitions, perceptions of some sectors and jobs, lack of international labour, ill health, and early retirement of experienced personnel.



## What are the main challenges impacting recruitment?



Small businesses are particularly and more significantly impacted by the shortage of labour; in a business with a smaller number of employees, any and all absences or vacancies have a higher impact on the workload and operational capabilities of the business overall.

Recruitment of employees in a small organisation poses a number of challenges for a business owner already facing difficulties from every aspect of the business. Larger companies have within their business skilled Human Resource teams to advertise, interview, and source the best candidates with the correct technical skills and the soft skills required. However, in a smaller business, the challenges begin at the very heart of recruitment: advertising.

The current landscape to advertise and promote opportunities within a small business are incredibly limited, with many business owners uncertain on their options. Small businesses rely on their social media channels and websites where these are available, or word-of-mouth. They are unable to enlist the services of recruitment companies due to cost, and there is a perception that Job Centre screening processes are not adequate enough to justify their use.

Furthermore, businesses have reported that candidates are becoming increasingly demanding with regards to unreasonable salary expectations, flexible working hours, remote working opportunities, and company benefits. Small businesses disproportionately provide extensive support and benefits to their employees wherever possible, including salary competitiveness. However, the current recruitment conditions have created an increased pace at which expectations are being raised that small businesses cannot sustain.

With the availability of warehouse roles within large multinational organisations and low-pressure jobs within large supermarket chains, both of which can offer a degree of flexibility with working hours, small businesses whose hours are predetermined by their operations are struggling to compete.

Additionally, the availability of remote working opportunities has broadened the landscape for employees who are able to enjoy a low cost of living in Northern communities while operating in and earning a higher salary with South East companies. Although the availability of these opportunities does generate a higher spending potential in the North, adding value to the Northern economy, it does still pose a challenge for smaller businesses competing for talent.

Our research also found that businesses are struggling to retain their existing staff base as well as newly recruited team members. For a small business, recruiting and training a new employee can be both expensive and time consuming, adding further pressure on the business owner if those employees are not retained.

Though the issues are present across a variety of sectors, they are particularly prevalent in retail, hospitality, leisure, and social care, all of which have historically been challenging, as well as highly skilled jobs that require extensive industry experience.

## Addressing the Skills Gap

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Our research demonstrates the value of skills audits to support businesses in identifying the gaps in the skills provisions within their business in order to address efficiently and effectively the same. Delivery programmes including Skills Support for the Workforce offer an array of support measures to enable businesses to upskill their existing workforce, ensuring the longevity of their business as well as enabling the creation of entry level jobs for those seeking employment opportunities.

Further, our research has shown that employees who feel valued through training and investment from their employer are much less likely to seek alternative employment opportunities, thus addressing the retention issues impacting SMEs.

Additionally, business owners report support that enable them to upskill themselves by way of management and leadership, and operational skills required to run a business would be widely welcomed. The introduction and success of the Help To Grow Management scheme is an example of the skills opportunities small business owners would consider.

Business owners have a good understanding that skills support and provisions are available to them. However, the overlap of conflicting programmes, the vast array of delivery mechanisms, and the uncertainty of where to seek reliable support all create barriers to accessing these provisions.

With the ability to deliver effective skills provisions in a more streamlined and coherent manner using the UKSPF, in addition to the devolution of some skills provisions, lead authorities should consider creating a long-standing and sustainable mechanism through which entrepreneurs can learn, earn and grow. This should include a continuation of the Help To Grow Management schemes as well as an introduction of an equivalent programme for new entrepreneurs.

## Getting People Into Work

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Data published by the Office for National Statistics shows that the regions across the North of England are above the national average in unemployment and economic inactivity. Post-Covid the economy has experienced the loss of experienced people from the workforce for a variety of reasons including ill health and early retirement. The challenge is to upskill the existing workforce and encourage both the unemployed and the economically inactive into work to unlock the potential and skills within those communities and boost the Northern economy.

FSB's report [Small Business Big Heart](#) found small businesses “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. As the proportion of workers aged 50 and over continues to rise, so does the number of older workers employed in small businesses.

Long-term unemployment and generational unemployment continue to impede the ambitions and successes of individuals and businesses. Providing small businesses with the ability to meaningfully engage with those furthest from the labour market would empower them to offer opportunities to those who seek them.

Targeted support to provide businesses with the guidance and protection they need to employ those individuals with additional needs to integrate into the workforce can create a positive movement for both the business and individuals. This refers specifically to supporting businesses with making adaptations to accommodate employees with additional needs and/or caring responsibilities, supporting businesses to consider applications from those with a criminal history, and supporting the transition to civilian jobs for veterans of the Armed Forces.

## Enterprise-Education Gap

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Our research indicates that one of the long-standing issues with the next generation of employees is the lack of understanding of the workplace and lack of preparedness. Businesses are keen to provide support to those young people who engage with industry experts to empower them to understand the opportunities at their disposal.

However, the challenges with engagement does not begin with the young people themselves as there is a disconnect between academia and industry as a whole. Young people rely on the guidance and expertise of their trusted networks including their teachers and parents to inform and influence their career decisions and development. This is an opportunity to influence the influencer.

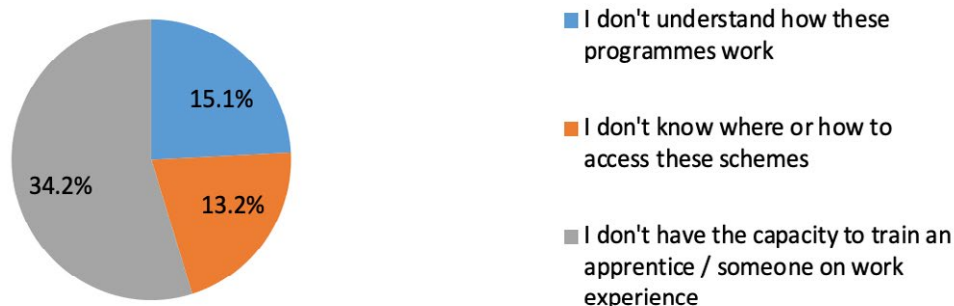
It is important to encourage and enable teaching staff and leadership teams within schools and colleges to engage with industry experts meaningfully, including through time spent in industry. This will create a stronger understanding of the operational and communication needs of a business, which will in turn translate to a well-rounded transfer of knowledge to the students. This should be an addition to enabling young people themselves to experience the workplace.

Apprenticeships, T-Levels, and industry placements can all be key drivers in addressing the skills needs while simultaneously providing enhanced opportunities to young people. However, historically, these alternative routes to career success have not been maximised with learning providers whose measure of success is determined by the percentile of their students entering into higher education.



Labelling technical education as ‘alternative’ has created a colloquial negative perception of these otherwise valuable opportunities. It is important for students to recognise and understand that these pathways are as viable for career success as is the academic route, and in some cases, may be more accessible.

## Are there any particular barriers preventing you from accessing staff via Technical Education routes?



When considering technical education as a means of recruitment, 34 per cent of businesses cited capacity as the main barrier to engagement. Research suggests that colleges provide approximately 5 hours of intensive support per student to support their university application process. Providing equivalent support to those seeking apprenticeships or industry placements would be an invaluable mechanism to unlock their potential in industry, as well as reducing the burden of training with regards to soft skills for employers.

Businesses recognise the importance of their engagement with the education system in order to futureproof their workforce. It is therefore essential that opportunities to engage are created and maximised in a manner that is not onerous on the business owner without diminishing the impact of their engagement.

FSB's recent report, *Scaling Up Skills*, indicates the barriers businesses face when considering engaging with education, exploring opportunities with apprenticeships and T-Levels, and offering industry placements. This report provides policymakers with information and suggestions to address these complex problems.

In addition to engaging with schools and colleges, meaningful engagement with Universities has also been cited as a driver for business and individual success. The North of England has some highly regarded and well-established Universities. These institutions can be enabled to deliver effective business support by way of graduate employment schemes, research projects, and faculty expertise. FSB's Industry-Academia Network in West Yorkshire demonstrates the need to bridge the gap between businesses and Universities, and the benefits of the same.

Furthermore, Universities can unlock the innovation, research and development capabilities of smaller businesses through resources that would otherwise be unavailable to them. The Region has an incredible asset available to its business community, the effective use of which would open pathways to business success, skills support for the employer, and industry support for graduates. However, these institutions are currently underutilised. Emphasising the need for further devolution of skills provisions could provide local leaders with the autonomy to co-ordinate these resources effectively and maximise their impact.

**Businesses have commented:**

*“There is largely a post-Brexit migrant workforce ‘gap’ creating labour supply shortages impacting different areas of the country to various degrees.”*

*“Small business owners are often faced with two real choices when recruiting – pay on the promise that a young person without much experience will step up and deliver or overpay for someone more experienced.”*

*“Recruitment companies are refusing to see CVs from anyone under 25, citing unreasonable salary expectations and demands for perks.”*

*“There is a need to get apprenticeships right and more interest in them from young people in particular, while recognising that the of world of work has changed and the nature of what people want to do.”*

*“Employers should be given more ability to direct and mould courses – an approach taken by the new Skills Bootcamps, which was welcomed.”*

*“Universities have helped our business – sustainability project with students – Universities can help small businesses but they need to have greater links.”*

*“MPs and school teachers, should do a day in retail, hospitality or factories – so they understand more. Real world. A week in the real world like a type of national or community service”*

*“Information being given out is setting up students to fail – there are unrealistic expectations and a lack of common sense in the advice given to those entering work, especially on salary levels – and chances of promotion for graduates. Graduates use tech speak but have poor communication skills and the wrong expectations about work.”*



*“The apprenticeships model is very complicated to engage with. Funding, timing, the college and service providers matching the levy – it’s over complex and doesn’t work for the people it’s set up to help – learners and businesses. It all needs simplifying.”*

## FSB Recommendations

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### ✔ Targeted and effective skills support for small business owners and the self-employed

Too often, skills support programmes and strategies involve only measures to upskill employees and the unemployed. They neglect the 750,000 sole traders in the North and the 240,000 business owners running micro businesses. These business owners are key to the success and growth of their respective firms so supporting their skills needs can make a huge difference to growing the North’s economy.

Involving these business owners in developing their skills will also help them understand the value of developing skills. As they grow their businesses and create new jobs, they will be more likely to support employees to develop new skills and better understand the system for doing so.

### ✔ Create provisions and opportunities to bridge the enterprise-academia gap

Lead authorities and local delivery partners should encourage the establishment of closer partnerships between teaching staff and leadership teams within educational establishments with industry experts through funded networks & industry placements. Careers and enterprise coaching within education currently lacks industry expertise and an understanding of the employer landscape. Empowering educational leaders to effectively engage with industry experts will unlock meaningful interactions and understanding and in turn translate to better informed careers guidance for young people.

This can be further supported by Central Government through the devolution of the skills budget, provision and delivery to local leaders to allow for a more nuanced skills offer, bespoke to the needs of the local community and employment opportunities.

✔ **Encourage better relationships between universities and small businesses**

Universities across the North are a key delivery partner of skills provisions for businesses and their employees. As such, they should be mandated to appoint a small business champion to their senior team (in the same way as LEP boards do) in order to access funding and take part in government procurement. This will ensure those programmes designed and delivered by universities are reflective of small business needs.

Additionally, enabling better relationships between small businesses and universities will unlock opportunities for graduates seeking opportunities, students seeking industry placements, and businesses seeking academic and research support.

✔ **Fully engage small businesses in the design of skills provisions**

The business community understands its current and future skills needs. In order to deliver effective skills support programmes, it is essential that small businesses and representative bodies are consulted in the design and development of programmes.

This includes involving businesses in the creation and shaping of technical education courses and apprenticeships to ensure providers are taking a 'fit for the workplace approach'. Engaging small businesses will also highlight inefficiencies in the administration of such programmes allowing providers to simplify their processes which will in turn encourage more small firms to engage.

✔ **Utilise the strengths of small businesses to address unemployment and economic inactivity**

Lead authorities and delivery partners should prioritise creating an inclusive, tailored education system for businesses and providing support that enables them to engage with disadvantaged groups. Providing this alongside targeted business support and protection will enable more small business to access those furthest away from the labour market considering factors such as care provision and responsibilities, disability, criminal history, and others.

Job centres and provider networks should work collaboratively with small businesses to create a streamlined and adequate service, tailored to the needs of the employer. This will unlock opportunities for both employer and employee.

## Section 3: Connectivity and Infrastructure

Small businesses play a pivotal role in sustaining local economic development, creating jobs, and offering a range of different services. In order to enable businesses to deliver to their full potential, it is essential that they are provided with the networks and infrastructure required in terms of the roads, public transport services, and digital connectivity.

### Road Infrastructure

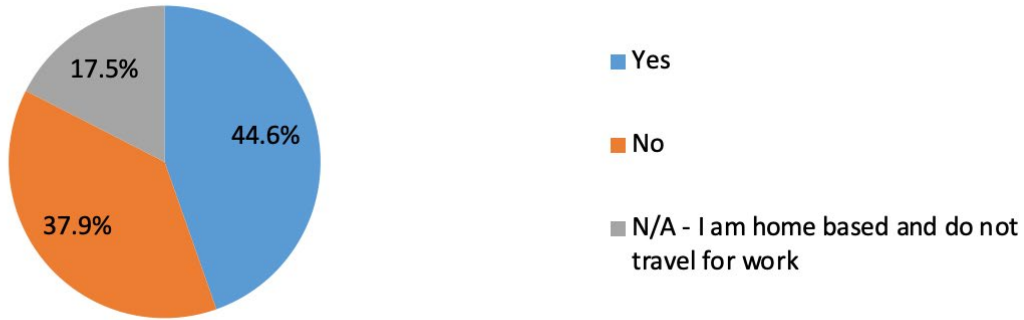
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Business owners and residents across the North remain heavily reliant on personal vehicles to travel to places of employment, education, and residence as well as client meetings.

Our research indicates that the road networks connecting the North need significant improvement, particularly with regards to connecting rural areas with cities and towns. While the road network is serviceable, improvements to the network would unlock access to new markets, opportunities and talent.



### Do you feel the current road network meet the requirements that you and your staff have?

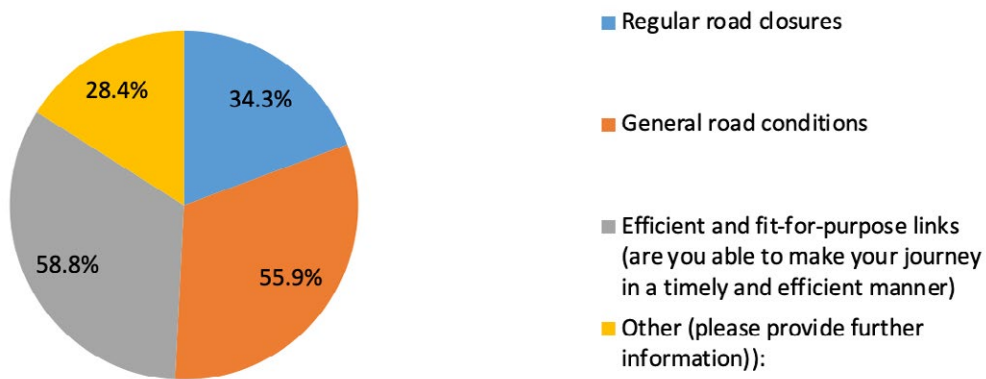


Nearly 38 per cent of businesses do not feel the current road network and conditions service their requirements for work and business related travel, while 45 per cent feel the current network is suitable for their needs.

Many residents, particularly those in rural areas, are reliant on personal vehicles to travel for work and education. The road network is also a means to support access to the visitor economy and unique attractions that rural areas across the region have to offer.

Road conditions, accessibility, and effective management of congestion have been cited as challenges impacting road users across the region. [FSB’s annual campaign](#) around potholes and their management provide some insight into the severity of this issue and the cost of the same to local authorities.

### Road network challenges relate to:



Our research indicates that road conditions and availability of fit-for-purpose routes are the main challenges impacting road users. Connections including the A54, A66, and A69 are considered to be in need of significant upgrades and investment, and there is a need for better East-West connectivity for businesses across the North.

However, despite the challenges with the road network, driving to client meetings, workplaces and education establishments remains the most time and cost efficient method of travel across the North, both within respective regions and for inter-regional travel.



## Public Transport

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Public transport services, including the bus network, trains, and city-based tram services are not perceived to be a viable method of transport across the North. The services are considered to be unreliable, unfit-for-purpose, and costly.

### **Small business owners commented:**

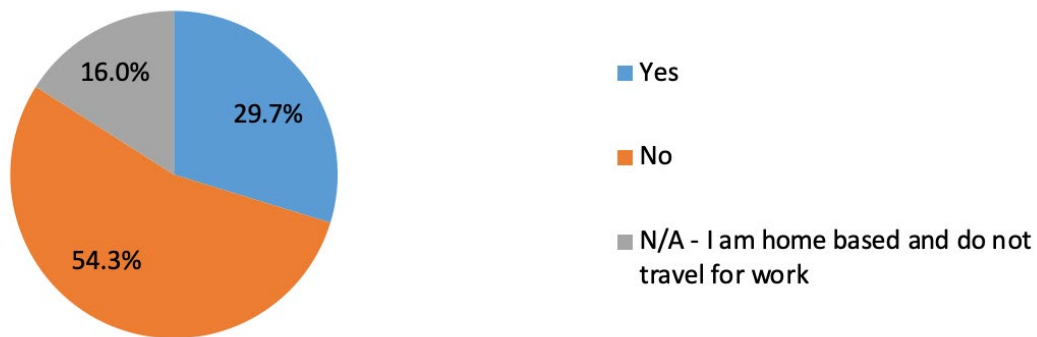
*“The public transport system is just broken and unreliable. Recently, there were two trains in six hours from the current location to the destination. Now we can say that those in the North aren't productive, but that's an entire day gone through no fault of my own.”*



*“Transport infrastructure is a mess. Not just roads – everything. Train strikes are exacerbating the problem and the service in the North is particularly bad. Trans Pennine Express and Northern are shockingly back.”*

*“We are so far from achieving agglomeration. Nothing has changed in five years when we first talked about Northern Powerhouse. If anything it’s got worse.”*

Do you feel the public transport links in your area adequately provide the service you or your staff need?



Over half of respondents to FSB’s survey reported that the public transport services in their area do not meet their needs.

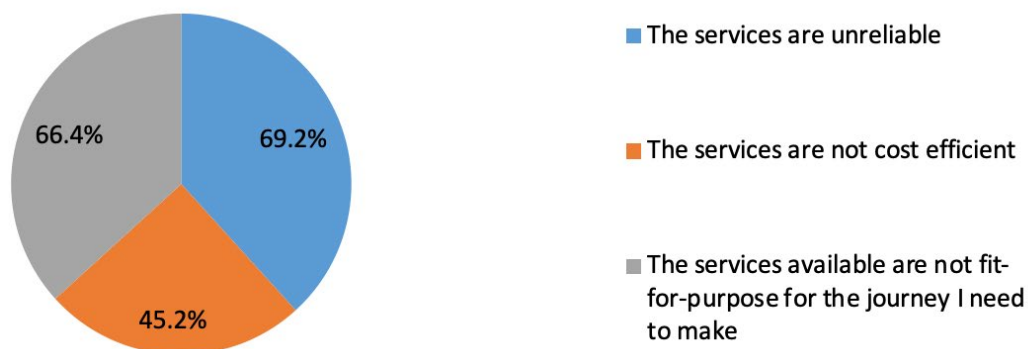
In order to encourage the use of public transport and move away from the use of personal vehicles, better connectivity, reliable services and cost efficiency must be considered, in addition to better integration between different services. For small businesses, time and cost are among the main priorities when considering business travel.

*“How can we realistically aim for net zero when northerners are forced to rely on motor vehicles to get around reliably/and cheaply/timely fashion.”*

**Small Business Owner**



## What are the main barriers or challenges you experience when using public transport?

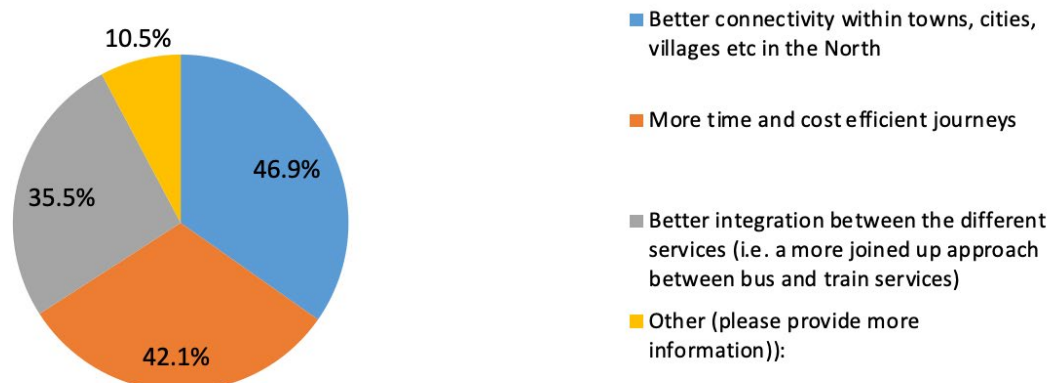


In addition to unreliable and costly services, businesses across the North, particularly in rural areas and smaller towns cite infrequent services as a significant barrier to the use of public transport.

Although there is an increase, particularly post Covid, to business meetings being conducted virtually, many client interactions and business transactions are still reliant on face-to-face engagement. Business owners say that the use of public transport to conduct these meetings across the North and even into the Midlands is not viable. Journeys can involve up to four transfers, excluding the journey to and from train stations.

Given the unreliability of the current rail network as a result of journey cancellations and delays, this is not considered to be a time or cost efficient manner of travel with many businesses opting to drive in order to avoid the challenges associated with rail travel, or needing to consider overnight stays where rail travel is unavoidable.

## What does an improved public transport network look like in your opinion?



Businesses have expressed the need for better integration of public transport services in order to make journeys more seamless. For example, Greater Manchester Metro and Tyneside’s Metro services should offer a contactless service as in London, allowing a single purchase ticket to be utilised across the different services required to make the whole journey seamlessly.

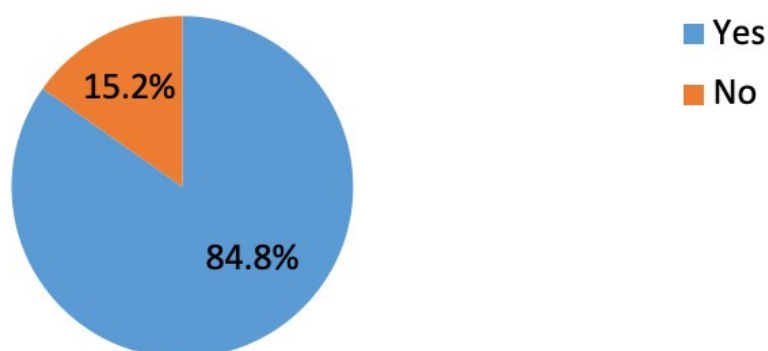
Furthermore, services across the North are limited in their availability and infrequent, creating additional barriers to the use of public transport. Many journeys also require a hub and spoke approach, not only with services such as Greater Manchester’s Metro service wherein users are required to travel into the city centre and back out to their intended destination, but cross-regional travel too.

<b>Journey</b>	<b>Distance (miles)</b>	<b>Drive Time</b>	<b>Rail Time</b>
Lancaster to Leeds	90	1hr 30	2hr 30
Carlisle to Hull	172	2hr 50	4hr 29
Chester to Newcastle	198	3hr 20	3hr 50
Hartlepool to Bishop Auckland	23	35 min	2hr
Accrington to Morecambe	45	50 min	1hr 45
Whitby to Scunthorpe	97	2hr	4hr 38

The journey details above are indicators to demonstrate the challenging environment of travelling across the North of England.

In order to create an environment whereby public transport becomes the default method of transport, significant investment and improvements are required to upgrade routes, create effective services, and enable time and cost efficient travel, with a particular focus on travel within the North of England itself, rather than focussing on reducing journey times to London and the South.

Would you like to see better connectivity in areas across the North of England through investment in rail services?



Better connectivity across the North would enable businesses to travel for client meetings, ensuring business transactions with Northern cities and towns are more lucrative, supporting business ambitions to trade locally. Additionally, it would unlock access to skilled workers in remote areas, providing young people with the ability to recognise the North as a viable place to live, learn and work, supporting the ambition to retain local talent in the North.

**Businesses commented:**

*“Future infrastructure needs as a result of green tech and levelling-up is likely to see widespread development across the north, and linking them is key.”*

*“Cities are isolated and the idea of hopping on a train to get from Leeds to Manchester for anything other than work is unthinkable i.e. for a night out. Manchester to London however, is another matter as people will and do travel from the North to London which shows when train services are frequent and reliable, people will make the effort.”*

*“Without better connectivity between towns and cities you will never get people living and working in the same space. This applies to rural areas too. Hospitality businesses in the countryside struggle to get staff in, and public transport here is impossible. Staff don’t want to work hard to get to workplaces and will often seek work in areas better serviced by public transport.”*

*“Intercity travel in a morning is a real issue. You can’t go from Manchester to Liverpool by train for an early morning pre-9am meeting as the trains don’t run often enough. You have to spend the night at a Travel Lodge or drive.*

*This again forces reliance on the car – or means business costs are inflated if you have a night stop-over. This creates an unlevel playing field and often means businesses are asking staff to have access to a vehicle. This also creates disparity in the jobs market as cars are very expensive to run, keep and maintain.”*

*“We’re building a new factory 72m x 16m factory – but there’s no network there to connect to – we are putting our own mesh in (brand new site in Darlington) and the roads are only single lane, for HGVs, there’s no parking for the units for workers – it’s all so badly planned – businesses need to have their say.”*

*“In Settle – train is 2 minutes walk, but to get to Leeds, I have to travel to Skipton by car to get a connection, the service is so unreliable, expensive and there’s not bus at all. We have people who want to use public transport to get to us in the Yorkshire Dales but they have to rely on a car because it’s not fit for purpose.”*

*“Public transport from Thirsk is an absolute nightmare. I can only employ staff who drive – there’s no alternative. This excludes young people from the workforce. We could definitely offer more work if public transport was better.”*



## Digital Connectivity

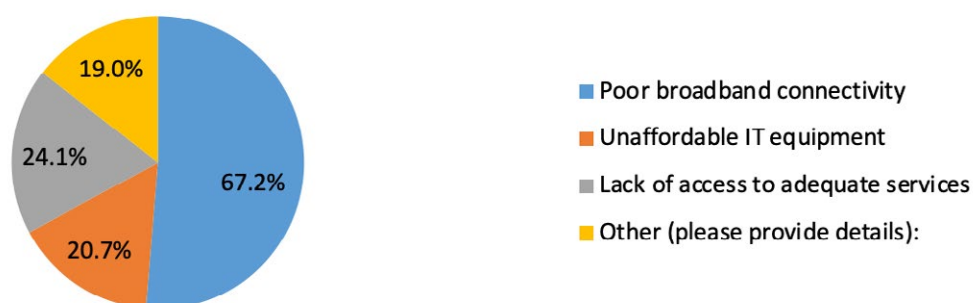
With an increasing use and reliance on digital connectivity, it is essential to ensure network reliability and high speed services, both of which are currently lacking in areas across the North, particularly in more rural locations.

Our research demonstrates the ongoing need for network improvements to minimise the challenges businesses face with poor broadband connectivity in areas across the North. Services are reported to be particularly unreliable in rural areas, placing those businesses at a competitive disadvantage.

*“Ongoing issues with connectivity in Manchester. We are losing our broadband a few hours a day regularly and we’re trying to grow our business – we’re having to cut staff hours because without the connection they can’t work.”*

**Small Business Owner**

What are the main challenges with regards to digital connectivity?



Improving digital infrastructure across the region is an urgent priority. Whether in relation to broadband or mobile connectivity, digital infrastructure is a critical enabler of productivity and broader business competitiveness within the North, across the UK and globally.

*“Digital connectivity - many businesses in operations/staff-heavy industries like leisure, tourism and hospitality lack a digital infrastructure, lack digital skills and often either aren’t aware of their importance or don’t believe they are important.”*

**Small Business Owner**

The way that business is being done has seen significant changes in recent years, further accelerated by the Covid pandemic. The adoption of digital technology to enhance productivity, the increasing usage of e-commerce and the fact that an ever-increasing number of Government services are being delivered online, makes the importance of fit for purpose digital infrastructure paramount.

The UK Government, the regulator Ofcom, and the private companies operating in the telecoms market need to work together to achieve a major improvement in broadband and mobile connectivity, to help unlock the potential of the North.

Additionally, research into digital inclusion highlights the need for support with digital skills as well as the acquisition of digital assets to ensure equitable and inclusive access opportunities. Authorities across the North should take examples such as Digital City, Digital Catalyst and Made Smarter programmes to recognise the ongoing need for continuous improvements and support in digitisation.

Digital skills continue to gain momentum as a key and essential attribute for business owners and their employees. The delivery of programmes such as Help To Grow Digital and the Digital Skills Bootcamps provide some support for small firms. However, more long-term programmes of delivery are required to enable businesses and their employees to continuously improve their skills.

Further, delivery programmes should acknowledge and cater to the diverse levels of skill. Business owners report that it is becoming increasingly challenging to ascertain the level of digital competency in prospective employees where there has been no distinction or clarification of the skills acquired through the bootcamp programmes. It is essential to deliver digital skills bootcamps that cater to audiences with differing levels of digital competency, ranging from basic to intermediary skills.

FSB recommends providing Digital Vouchers to businesses to enable them to purchase hardware needed to operate and grow their business. Further, Digital Bootcamps should be delivered in a manner that reflects the course content, providing participants with the option to select a programme that deliver based on their current skill set.



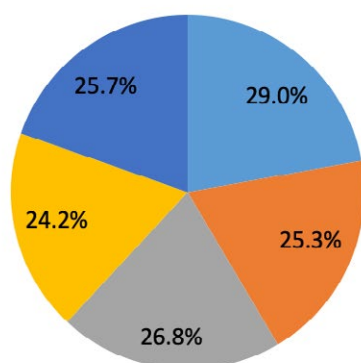


## Environment and Sustainability

The North of England powered the first Industrial Revolution and can be at the heart of providing clean energy for the next.

Whilst small businesses have been asked to tackle a number of challenges over the decades, none are more threatening than the impact of climate change. However, in the face of many competing priorities, taking action on sustainability has been lower on the priorities list for small businesses, who often find themselves cash, resource, and most importantly, time-poor.

What are the main barriers you face when thinking about your business' journey to becoming Net Zero?

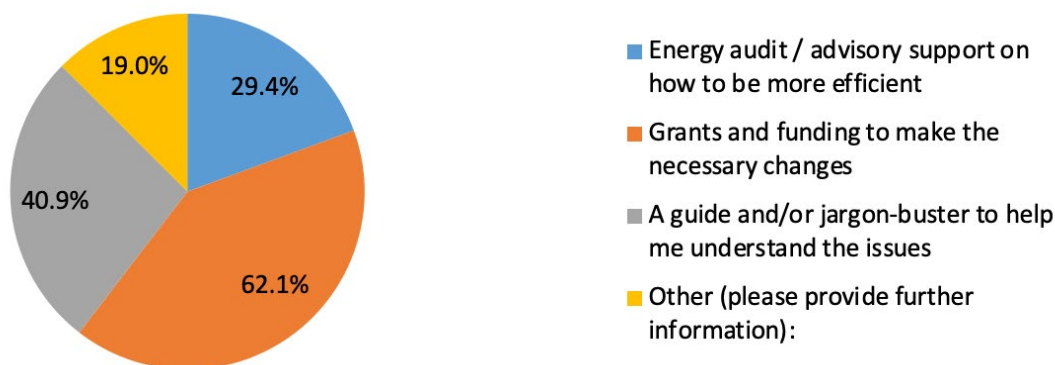


- Making changes within the business is too costly
- I don't know what changes I need to make
- I don't have the time/resource to consider what I need to do
- There are no changes I can introduce to make my business more environmentally friendly

Despite the escalation of communications pertaining to the changes businesses need to make in supporting the UK’s climate change ambitions, 25 per cent of businesses across the North are still unsure of what changes they can introduce within their business.

Small businesses have reported that the narrative around sustainability and environment are too complex, involving several hours that cannot be spared to try and navigate the requirements. In order to ensure small businesses move forward in the journey to Net Zero, it is essential that they are provided with trusted sources of information and understandable guidance. Over 40 per cent of businesses across the North have indicated that jargon and language with regards to sustainability are a barrier to their journey.

### What support would help you in your journey to Net Zero?



Small businesses do require advice, guidance and support by way of programmes such as the Energy Efficiency Schemes that offer energy audits tailored to individual businesses. However, funding and expense remains the most significant barrier in the journey to Net Zero for small businesses with 62 per cent reporting this as the biggest challenge.

FSB’s report, Accelerating Progress, details the issues small businesses face when considering their environmental impact and recommendations to address the same.

The North of England has significant opportunities to lead the UK’s Green Industries with its unique assets for generating sustainable energy. Small businesses will be at the heart of this delivery and must be brought forward on their journey.

**Businesses commented:**

*“Clarity is required on exactly what a ‘green economy’ means for small businesses in the supply chain. There are about ten different phrases like circular economy, green, low carbon, no carbon, etc and then, when you speak to the experts, they make it be even more confusing.”*

*“Language is a big one. What are we trying to do here? Are we simply trying to reduce our impact on the environment, or trying to change the world? Just trying to understand what that means as a business.”*

*“We need to encourage businesses to be a little bit braver to challenge themselves about how they're going to eliminate, or reduce, single-use plastic and really look at everything. We talked earlier about strategy - when a business understands that reducing their impact on the environment is the critical part of their reputation, then it starts to make sense and just sits somewhere in the business.”*

*“They’re looking so far to the future with the 2038 in Manchester and 2050 for the UK it’s just too far to be bothering about it now. Business are concentrating on surviving the year.”*

*“We moved into new premises, they’d been empty 15 years and we wanted funds for carbon audit but we couldn’t get that because we hadn’t been there 5 years. The rules are crazy. The support is lacking and there’s no guidance for small businesses.”*

*“We would like to put in EV charging points here for shared use, for our company and local residents, but there’s no joined up thinking on guidance or funding.”*

*“Why would small businesses invest now in electric vehicles - when electric is going up and up – it just doesn’t make any sense. EV is big investment up front for longer terms savings, but for now the business case doesn’t make sense for our vans and work vehicles.”*

*“Schemes (like heat pumps) are always one step behind the newest level of technology and there’s no sense in some of the targets for small businesses – or some of the programmes – small steps to net zero are not supported, and that’s where businesses start.”*

## FSB Recommendations

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### ✔ **Commit to improving the existing road network and infrastructure, both within localities and across county and regional borders**

Local authorities, co-ordinated by Transport for the North, should prioritise improving road conditions and networks to unlock access to new markets, opportunities and talent for businesses and their staff. This should include better access to rural towns, heritage sites and cities across the North, ensuring central government funding for roads is utilised as effectively as possible.

With the rural nature of the North of England and road travel still viewed as the most viable means of travel, Central Government must commit to future road funding, with the £2.7 billion for local road maintenance announced in the 2022 spring budget / spending review (in places not receiving City Region Settlements) due to end next year.

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Lead transport bodies and Local Authorities should commit to working with FSB and a range of local, regional, and national bodies such as Transport for the North to fix the UK's broken public transport system and create a truly integrated, efficient, and cost-effective network. This in turn will enable cross-border collaboration to improve both local and cross-regional travel efficiency.

Lead transport bodies should consider single ticketing across all networks within their locality to create a seamless journey for users. Additionally, discounted travel must be considered for those individuals under 25 and over 65, as well as prioritised timetabling for rural public transport networks around working hours within the hospitality, leisure, and retail industries, not simply leisure travel.

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powerhouse rail, and other infrastructure delivery that small businesses were calling for across the North. HS2 must be delivered as promised, allowing a greater number of both passenger and freight services, taking lorries off congested roads, and helping to improve connectivity across the Midlands and North of England.

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Cost is a/the major factor preventing businesses from embracing net zero ambitions, so local authorities, the Government and major business organisations should work to keep associated costs down and clearly demonstrate return on investment, with many businesses not viewing this favourably. In addition to grants or low-interest loans, business owners surveyed by FSB say a discount on business rates would encourage them to invest in energy efficiency.

In addition to energy efficiency, better waste management will play a vital role in reaching net zero. FSB believes that including small businesses (those that fall under the Small Business Multiplier) in access to domestic waste collection services and reuse and recycling centres operated by councils, would significantly help.

A 'one-size-fits-all' approach from the Government will not cut it – we want to see targeted policies acknowledging small firms' strengths and the limitations they face, including through the creation of 'Help to Green' vouchers to be spent on eco-friendly products or services, and a scrappage scheme and plan for electric vehicle charging points to encourage the take-up of zero emissions vehicles.

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## Section 4: Communities and Place

**Communities are shaped by their industry and businesses. Where once many parts of the North were shaped by heavy industry, there is now an opportunity for small businesses to help shape a new North.**

The North of England is home to some of the UK's biggest cultural assets and visitor attractions. In order to maximise the attractiveness of the region, it is necessary to evaluate the support needed for visitor economy businesses across rural, coastal, and urban settings.

The recent announcements on the Destination Management Pilot in the North East and Bradford as the City of Culture 2025 demonstrate the recognition of Northern cultural assets. It is essential to leverage these opportunities and maximise their impact to support the region's business community.

### Culture and Tourism

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Businesses operating in the tourism and hospitality sectors have been disproportionately impacted by the Covid pandemic, with nationwide lockdowns and operational restrictions impeding heavily on business success. These challenges have been further exacerbated by compounding issues including debts accumulated throughout the pandemic, surges in operational costs as a result of the rising cost of living crisis, difficulties with recruitment of employees, and declining consumer demand and revenue.

Since the beginning of the Covid pandemic, the UK economy has lost over half a million small businesses, many of whom operate in the tourism and hospitality sectors. FSB’s research in the recent report, [A Menu for Recovery](#), found that 44 per cent of small hospitality and tourism businesses are on or next to the high street, at the hearts of their communities. The closures of these businesses have a detrimental impact on the overall aesthetic appeal and vibrancy of high streets across towns, cities, and villages.

It is therefore essential for local authorities and decision-makers to recognise the need for investment in and support of high street businesses. Creating an environment of proactive support by removing barriers to operational use of high street spaces are an essential lever in reinvigorating town and city centres.

The North of England has opportunities to create thriving high streets and market towns with the effective use of funding streams such as the [Rural England Prosperity Fund](#), [Towns Deal Funds](#), [Future High Streets Fund](#), and [Levelling Up Funds](#), in addition to strategic use of levy payments across [Business Improvement Districts \(BID\)](#).

		North East	North West	Yorkshire & The Humber
Future High Streets Fund		£98.5m	£168.6m	£68.2m
Towns Deal Funds		£172.9m	£486.2m	£422.4m
Levelling Up Fund	Round 1	£99.8m	£232.5m	£186.9m
	Round 2	£108.5m	£354m	£82.5m
Rural England Prosperity Fund		£7.18m	£8.27m	£11.62m

Businesses continue to cite high costs by way of business rates and rent as the primary concern when considering high street premises. 67 per cent of small hospitality businesses who receive Small Business Rates Relief say they would not be able to survive without it. Over half of small hospitality businesses say further rates relief would support their high street.

Regulation and planning requirements are also among the main barriers to high street success. 65 per cent of small hospitality and tourism businesses said the relaxation of planning regulations for pubs and restaurants was important to their success. Local authorities should consider relaxing some regulatory barriers for high street businesses, taking into consideration the positive impact this had in the recovery period following the Covid pandemic.

Empowering local high street businesses to operate with reduced barriers and more accessible support will drive their operational success, reintroducing vibrancy to high streets and adding significant value to the local economy.

Vacant premises on high streets continue to cause issues for small businesses and the local authorities alike. FSB's research shows that over half of small firms think making vacant units readily available for businesses to let would help save the high street. FSB recommends the introduction of Hospitality Enterprise Zones, defined areas in which small businesses can receive incentives to take over vacant spaces, funded through UKSPF.

Additionally, encouraging footfall into town centres through co-ordinated and engaging events and occasions would provide support for high street businesses to increase awareness of their brands. Initiatives such as the various Christmas Markets across Northern cities and the Geordie Street App demonstrate the need for strategic intervention to support small firms to promote their business.

## Diverse Business Communities

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The North of England has the opportunity to lead in supporting entrepreneurialism across diverse communities.

FSB's recent report, [Business Without Barriers](#), found that disabled entrepreneurs are an essential part of the UK economy, with disabled-owned small businesses accounting for 8.6 per cent of the turnover of all UK businesses.

Despite the prevalence of disabled people and those with a health condition entering self-employment, tailored and adequate support available for them to start and grow their business is lacking. Given the high levels of unemployment due to health conditions in areas across the North, supporting individuals to consider self-employment as a viable means of re-entering the workforce should be of particular focus for authorities across the region.

A [recent study](#) into the entrepreneurialism of ethnic-minority communities also demonstrates the need for targeted support to diverse communities. Research indicates that individuals of ethnic-minority origin are consistently more entrepreneurial across the UK and twice as likely to start and run their own business. However, these businesses are less likely to continue to trade long-term.

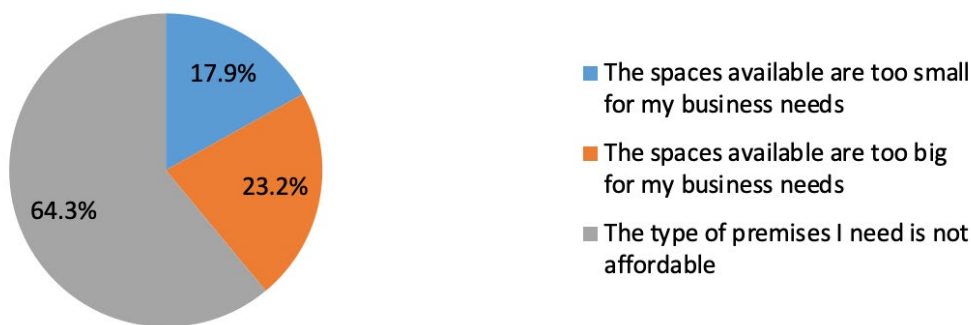
Local interventions to provide targeted support, tailored to the unique needs of ethnic-minority businesses could unlock the potential to ensure the resilience and longevity of these businesses, enabling the increase of their UK-wide GVA contribution from the current £25 billion a year to £100 billion.

## Access to Workspace

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Almost a quarter of small businesses (23 per cent) across the North reported that they do not feel they have access to suitable workspace in their area, with 64 per cent citing affordability of available workspace as the main barrier.

### What are the main challenges you face with regards to workspace?



Access to suitable workspace is essential to small business growth and scalability. FSB’s research indicates the need to offer affordable premises of varying sizes to accommodate the diverse needs of the business community across the North.

Businesses in the transitional period between micro and small have particular challenges accessing suitable space to accommodate their growing workforce. Local authorities should consider utilising and developing vacant premises to offer suitable workspace, accommodating businesses across various sizes.

*“There is a lack of small business space – councils focus on the next big unit for Amazon etc. but they don’t plan for the smaller supply chain to fit around it, there’s a lack of common sense in planning for regeneration and inward investment.”*

#### **Small Business Owner**

A number of businesses across the North also reported the lack of availability of adapted workspaces for disabled entrepreneurs or disabled employees, with no access to funding support to make adaptations. This gap in provision could be a significant barrier to business growth and success, and should be addressed at local levels.

**Businesses commented:**

*“The struggles of the high street is making the High street retailers do better and focus more on the service, the experience, the quality. You walk past the high street business, and they haven't thought about their shop window and the experience - they're going to have to do better, and I think online is a kick on to that too.”*

*“There needs to be a link between tourism and high streets as destinations, emphasising the importance of small, independent traders to this, and universities. York has got a really healthy Indie scene. You've got millions of tourists visiting every year and that's not going to stop any time soon.”*

*“At the moment it's a missing link between shop owners and people willing to rent, because no one knows about each other, and it's disconnected. There is an inefficient use of council-owned properties, and empty shops as a result of “invisible owners” allowing properties to be left unused and fall into disrepair.”*

*“Air B&Bs are disrupting both residential and commercial areas and need regulating.”*

## FSB Recommendations

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### ✔ Provide tailored support to business to consumer (B2C) firms

The North of England is home to some of the UK's biggest cultural assets and visitor attractions. Businesses in the tourism and hospitality sectors have been disproportionately impacted by the Covid pandemic, with nationwide lockdowns and operational restrictions impeding heavily on business success, as well as surging operating costs, declining consumer demand and labour supply challenges. Unlike previous EU funding, the new UKSPF funding regime allows for these B2C businesses to be supported so Local Authorities should embrace this flexibility and address the plight of high street retailers and the visitor economy when designing and implementing support schemes.

✔ **Simplify regulation and remove barriers to business success for those operating in the visitor economy**

Tourism and high street strategies need to be codesigned with small businesses who are sector specialists engaged in the process, not excluded.

Additionally, creating an environment of proactive support by removing barriers to operational use of high street spaces, including those created by regulation and planning requirements, are an essential lever in reinvigorating town and city centres.

Business rates are the primary concern for small businesses with high street premises. FSB believes the Government should proceed without delay with its long-promised root-and-branch reform, extend vital rate relief and help more business access it - local authorities can play their part by ensuring the claims process itself is accessible and functional.

✔ **Utilise opportunities to create thriving and vibrant towns and cities**

Local Authorities in the North should work to create thriving high streets and market towns with the effective use of funding streams such as the Rural England Prosperity Fund, Towns Deal Funds, Future High Streets Fund, and Levelling Up Funds, in addition to strategic use of levy payments across Business Improvement Districts (BID).

Additionally, local authorities should encourage footfall into town centres through co-ordinated and engaging events, and by being mindful that increased parking charges and other restrictions will have the opposite effect.

✔ **Support diverse communities with their entrepreneurial ambitions**

To support diverse business communities, local authorities must provide adequate, tailored support for women, disabled and ethnic minority business owners, and other perceived 'hard to reach' groups. This includes creating support programmes tailored to the needs of diverse communities and engaging meaningfully with communities across the region. A 'one-size-fits-all' approach is not adequate to provide inclusive support. It is imperative to recognise that communities require a tailored approach, both to the services delivered and the initial engagement. Local Authorities and delivery partners must improve outreach and utilise third sector partners to ensure meaningful engagement with all communities.



✔ **Commit to ensuring access to adequate workspace**

Local authorities should consider utilising and developing vacant premises to offer suitable workspace, accommodating businesses across various sizes and business owners with a diverse range of needs, and ensure the provision of adequate commercial premises is a central tenant of planning policy.

Additionally, FSB members surveyed believe making vacant units readily available for businesses to let would help save the high street. FSB recommends the introduction of Hospitality Enterprise Zones, defined areas in which small businesses can receive incentives to take over vacant spaces, funded through UKSPF.



# Conclusion

**Small businesses are the backbone of our economy, not only for their fiscal contributions but as pillars of their communities.**

A growing and flourishing small business community is an essential driver to the sustainable long-term economic growth of the North. The power of creating an entrepreneurial culture across the North will unlock our potential to level up against regions across the UK whilst ensuring no community within the North is left behind.

It is increasingly clear that small businesses and our future entrepreneurs need access to effective and meaningful interventions to secure their success and achieve their ambitions. Previous delivery mechanisms are not longer fit-for-purpose in an ever-changing and fast-moving environment. Businesses need local leaders and provider networks to be agile in their delivery, tailoring their support streams to a demand-led model based on what is required now and in future.

Whilst the significant reduction in funding provisions may be viewed as a barrier to delivering successful interventions, we believe that local autonomy to deliver for local communities is the opportunity on which we should focus. Additionally, closer codesign of support interventions, and closer working relationships by all involved, would foster greater understanding of the needs of industry.

FSB teams across the North of England are keen to engage with Local Authorities, Mayoral Combined Authorities, provider networks and partners across the region to ensure we work collaboratively as a whole network to achieve our shared ambitions for our region and for our communities.

# Summary of Recommendations

## Business Support

### **Foster enterprise education and create an entrepreneurial culture**

In transitioning from EU funding to UKSPF, lead accountable authorities should prioritise improving business support provision and infrastructure, minimising duplication, fostering an entrepreneurial culture and delivering effective programmes for new start-ups and all small firms, including high growth businesses and those with more moderate growth trajectories.

Authorities should deliver a 'Help To Enterprise' scheme in order to offer well-rounded functions including effective peer support, legal expertise, finance expertise, media and marketing, research and development, and digitisation. This should include comprehensive 'after-care' services to ensure businesses are guided through their journey, rather than restricted to set timeframes of support and interventions.

Enterprise education could also unlock economic activity among those furthest from the labour market. Given the high levels of unemployment due to health conditions in areas across the North, supporting individuals to consider self-employment as a viable means of re-entering the workforce should be of particular focus for authorities across the region.

**Adopt a new approach to communication and engagement**

Authorities should streamline communications with regards to business support to simplify the complex landscape and ensure that businesses receive a consistent message on the programmes available to them. This would require a co-ordinated approach from delivery partners by Local Authorities and/or Growth Hubs to ensure pathways are communicated in a digestible and accessible manner. This will also enable authorities to avoid duplication across different support organisations, allowing them to work to their strengths rather than delivering competing and conflicting support programmes. This in turn will simplify the landscape allowing small businesses to navigate the programmes available to them.

Further, to make effective use of limited funding as we transition from EU funding to UKSPF, lead accountable authorities should commit to full engagement with businesses and representative bodies to ensure that support programmes are aligned with business needs. This includes consultation and open evaluation of programme delivery throughout with an understanding that modifications to programmes can be made during the course of its delivery as needed.

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**Challenge and adapt the current performance indicators of business support programmes**

Lead authorities should commit to ensuring a better integration of private sector providers of funded business support schemes into a more holistic model of support built around a diagnostic tool is essential. This will ensure businesses receive a bespoke support service based on their needs rather than dictated by restrictive eligibility criteria and performance indicators.

Previous performance indicators on business growth to include job creation, years in business, and/or product development should not be the only measure of business success and growth. As automation, digitisation, and gig working become the norm, this is an outdated measure of business growth potential.

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<p><b>Unlock business growth through procurement opportunities and challenge the late payment culture</b></p>	<p>Public sector bodies should commit to making the procurement processes more accessible to small business owners, including better communication of tender opportunities. Additionally, organisations should consider innovations in procurement opportunities such as making adherence to the Prompt Payment Code across all tiers in the supply chain a condition of bidding for tenders.</p>
<p><b>Support small businesses with understanding their financial health and opportunities to access finance</b></p>	<p>Cash is critical for smaller firms and those in the North struggle more than other regions to access affordable finance. In the delivery of UKSPF business support programmes, lead authorities should create programmes to help them to better navigate the complex finance landscape, build and demonstrate creditworthiness and support work to address the UK's debilitating late payment culture.</p> <p>Additionally, regional credit banks or mutual societies should be established to make business finance decisions based on local experience and knowledge of the local landscape, rather than relying on remote finance decisions. This should include a guided process for small businesses through relationship and/or investment managers.</p>
<p><b>Support small businesses to innovate and collaborate</b></p>	<p>Innovation programmes and R&amp;D spend needs to be targeted towards smaller businesses. Lead authorities and business support delivery partners should unlock greater coordination and cooperation between small businesses and local assets such as the Business and IP Centres, the National Innovation Centre for Data, Universities, and large companies based in the region in order to help businesses across the North to innovate and embrace research and design, including developing new products, services and processes that drive growth and productivity. Over 50% of R&amp;D spend is currently undertaken by small firms. A continuation and growth of this should be encouraged through innovation programmes.</p>

## People and Skills

**Targeted and effective skills support for small business owners and the self-employed**

Too often, skills support programmes and strategies involve only measures to upskill employees and the unemployed. They neglect the 750,000 sole traders in the North and the 240,000 business owners running micro businesses. These business owners are key to the success and growth of their respective firms so supporting their skills needs can make a huge difference to growing the North's economy.

Involving these business owners in developing their skills will also help them understand the value of developing skills. As they grow their businesses and create new jobs, they will be more likely to support employees to develop new skills and better understand the system for doing so.

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**Create provisions and opportunities to bridge the enterprise-academia gap**

Lead authorities and local delivery partners should encourage the establishment of closer partnerships between teaching staff and leadership teams within educational establishments with industry experts through funded networks & industry placements. Careers and enterprise coaching within education currently lacks industry expertise and an understanding of the employer landscape. Empowering educational leaders to effectively engage with industry experts will unlock meaningful interactions and understanding and in turn translate to better informed careers guidance for young people.

This can be further supported by Central Government through the devolution of the skills budget, provision and delivery to local leaders to allow for a more nuanced skills offer, bespoke to the needs of the local community and employment opportunities.

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**Encourage better relationships between universities and small businesses**

Universities across the North are a key delivery partner of skills provisions for businesses and their employees. As such, they should be mandated to appoint a small business champion to their senior team (in the same way as LEP boards do) in order to access funding and take part in government procurement. This will ensure those programmes designed and delivered by universities are reflective of small business needs.

Additionally, enabling better relationships between small businesses and universities will unlock opportunities for graduates seeking opportunities, students seeking industry placements, and businesses seeking academic and research support.

**Fully engage small businesses in the design of skills provisions**

The business community understands its current and future skills needs. In order to deliver effective skills support programmes, it is essential that small businesses and representative bodies are consulted in the design and development of programmes.

This includes involving businesses in the creation and shaping of technical education courses and apprenticeships to ensure providers are taking a 'fit for the workplace approach'. Engaging small businesses will also highlight inefficiencies in the administration of such programmes allowing providers to simplify their processes which will in turn encourage more small firms to engage.

**Utilise the strengths of small businesses to address unemployment and economic inactivity**

Lead authorities and delivery partners should prioritise creating an inclusive, tailored education system for businesses and providing support that enables them to engage with disadvantaged groups. Providing this alongside targeted business support and protection will enable more small business to access those furthest away from the labour market considering factors such as care provision and responsibilities, disability, criminal history, and others.

Job centres and provider networks should work collaboratively with small businesses to create a streamlined and adequate service, tailored to the needs of the employer. This will unlock opportunities for both employer and employee.

## Connectivity and Infrastructure

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# Data Sources

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## Acknowledgements

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