Small businesses and Entrepreneurs – Masters of Disaster face cliff edge in business support funding

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It's been tough times for business – especially the SMEs which deliver 67% of private sector jobs and contribute over 50% of UK GDP.

Last week I was pleased to speak at an Enterprise Nation event hosted in partnership with Mastercard as part of their Strive UK programme, 'Future of funding for small business support'. Held in the Library of Birmingham on Centenary Square it was well attended with around 60 people, many of them entrepreneurs, in attendance and hosted by Emma Jones CBE, the inspiring 'voice' and founder of Enterprise Nation.

The event explored the future of small business funding support. Anticipating the conclusion of the Shared Prosperity Fund in March 2025, it brought together locally elected representatives, small business leaders and policymakers to explore potential future funding models for business support provision.

It was disheartening to note that small business owners have had to become 'Masters of Disaster' as they have confronted so many emergencies in recent years. Included amongst these are the drag effect of Brexit, war in Ukraine, Houthi attacks in the Red Sea, piracy in the Malacca straits and drought in the Panama Canal, all affecting supply chains, in turn leading to escalating costs for all involved. Whilst we have seen tentative signs of economic growth returning with a 0.2% increase in GDP in January 2024, over the past three months to January GDP has fallen 0.1% compared to the three months to October 2023 and its notable that in 2023 just four industries managed to grow their business population – health (+2.8%), Property (+2.7%), arts, recreation and entertainment (+1.7%) and construction (0.8%).

It is good news that as we anticipate 2024, the latest British Chambers of Commerce survey of SMEs showed that over half say they expect to grow this year. This is especially encouraging as the OECD report – 'Understanding Firm Growth: Helping SMEs Scale Up' found that more than half of all new jobs are created by SMEs scaling up. They recommend policies supporting entrepreneurship, access to skills improving debt and equity finance availability and promoting R&D funding supporting innovation and internationalisation.

Professor Mark Hart, Director of the Enterprise Research Centre at Aston University has highlighted gaps in our support for entrepreneurship – amongst younger and older people, for example. Younger entrepreneurs need support with skills and gaining confidence, as well as access to finance. So-called 'silverpreneurs' suffer from ageism despite the experience they bring to new ventures. Professor Hart sees "no lack of aspiration" among older founders. He notes that many have enjoyed successful careers, have experience in fundraising, with enough contacts to source seed backers and hire dynamic founding teams. FT (5th November 2023).

According to Forbes a 60-year old who sets up a business is three times more likely to succeed than a 30-year-old with about one quarter of new entrepreneurs aged 55-64.

It's still too hard to access funding for SMEs with 26% having trouble accessing loans through banks. Just two in five SMEs consider the process of seeking loans easy.

Angel networks in the UK are generally confined to large cities – London, Edinburgh, Glasgow, Birmingham, Coventry, Cambridge, to name a few.

When it comes to relative R&D spending the UK is comfortably and consistently outspent as a proportion of GDP by South Korea, Germany and marginally by Netherland and Switzerland.

There is a need for the research which is undertaken to be more efficiently transformed into viable commercial propositions. This means more emphasis on public and private partnerships, encouraging more spin-outs from research institutions and larger firms and facilitating cluster and reducing barriers to research collaboration.

There is, however, a further pressing crisis looming for our small businesses. From 31st March 2025 there is a cliff edge in business support funding confronting them. After this date no one knows what will happen to replace the Shared Prosperity funding, distributed by the government following Brexit.

Prior to Brexit business support funding amounted to £2.1bn annually via ERDF, ESF and LGF funding. I estimate that over the 2 years and three months that Shared Prosperity Funding is in place this would equate to £4.725bn in funding. However, over this period English districts and regions will receive £2.6bn of Shared Prosperity Funding, intended to promote levelling up, suggesting that business support funding has very nearly been halved.

It's a complex landscape for businesses.

In Malvern Hills we received £2.5m in UKSPF to take us to March 2025 and with funding for Local Enterprise Partnerships (LEPs) closing next month, we don't know what's happening afterwards.

On top of the SPF funding we also received £500k of Rural England Prosperity Funding to support rural businesses.

In our district we have funding available for:

-startups grants between £1-5k – growth grants of between £1-10k -Net Zero grants of between £1-8k -Innovation grants of between £2.5-15k All of these grants require 60% match funding by the businesses. Additional Shared Prosperity Funding is also available for Town centre grants of £2,500 each, tourism grants of the same amount with both of these available with 50% match funds from business.

This funding has been distributed differently to the European funding which saw the LEPs as the accountable bodies. In the case of SPF funding in two-tier authorities it is the the district councils which have become responsible given their closer connections to their place.

In Worcestershire we have teamed up with the five other district councils to fund a countywide Growth Hub, our incubator, Betaden, and our Skillsboost programme, enabling support for upskilling by employers across the county.

We are now very concerned about what comes next. Whilst there was some transition funding following ERDF, there is a real risk that unless we get clarity and certainty soon we will be confronting the end of programmes which have taken time to develop and deliver.

It takes months to plan the schemes that use UKSPF funding, so it will not be good if news about the funding comes through at the last minute, we need to know now. These delivery programmes take time to develop, contract out and to engage with businesses for delivery. We like other authorities are asking for clarity over the quantum of funding and where it might be going so we can pitch our cases for the support required.

Combined Authorities have had time to organise and shift towards a devolved approach and plan their own interim arrangements, but we don't know what happens in a two-tier system.

As we look forward, we are conscious of our wonderfully enterprising and innovative small businesses and the very special cohort of high growth businesses across the country. Entrepreneurs are never going to sit back on their laurels and get comfortable – we all know that!

But wouldn't it be nice if instead of having to be Masters of Disasters, they were able to become Masters of their own Destiny, fulfilling the potential wrapped up within each and every one of them. And wouldn't that make a huge difference to our GDP and productivity – helping families up and down our country during these challenging times.