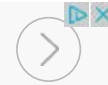




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# Local differences in the conditions for start-ups need to be recognised

Small Talk

DAVID PROSSER Monday 22 June 2015

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Where are Britain's small businesses performing most strongly? If your instinct is that London, where the economy is growing faster than in the rest of the country, is the place to look for small business success, you're right – but also wrong.

Research published last week jointly by the Enterprise Research Centre and the Business Growth Service paints a fascinating picture of the geographical diversity of small businesses – and suggests the progress they make and the challenges they face are far more nuanced than policymakers may understand.

Take London, for example. With around 90 start-up businesses for every 10,000 people in the population over the past 12 months, it is miles ahead of anywhere else on business creation (the average figure across the country is 50 or so). But London is close to the bottom of the table on start-up survival rates – just one in two businesses started in the capital three years ago are still trading.



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Looking for a high-growth business? Then your best bet is to talk to start-up companies in Northern Ireland, where 11 per cent of launches in 2011 were turning over at least £1m by 2014 – the national average is closer to 6 per cent. Or maybe try the Thames Valley, where 9 per cent of companies with a turnover of between £1m and £2m in 2011 had grown that to £3m by 2014, a larger proportion than anywhere else.

The research also suggests that businesses based in different part of the country are struggling to overcome different types of obstacles. In London, the most significant issue appears to be skills shortages – finding enough people with the right experience to support growth. Businesses in the Midlands cite their difficulties with strategy and management as barriers to growth. Access to finance is an issue across the country, but notably problematic in the North-east of England.

Other analysis also shows that small businesses' views remain very mixed and depend on where firms are based. The Federation of Small Businesses publishes its latest quarterly index on small business confidence, which shows that in aggregate, confidence is up significantly compared to the first quarter.

However, the overall increase masks significant regional variations – confidence improved most markedly in the South-east and the Midlands, but was disappointing in Scotland and actually fell in Wales.

It might seem obvious that small businesses in one part of the country would face different issues to those somewhere else, even if they also share some of the same concerns. Equally, when you have growth and survival rates from small businesses that vary by location so markedly, it's clear that something local must be going on.

Policymakers do not, however, appear to have made this connection. This Government is keen to establish its pro-small business credentials, and is making an Enterprise Bill an early priority in its legislative programme. There is much that such legislation can achieve – including progress on intractable problems such as late payments that are hitting small businesses nationwide – but there are also limitations to the solutions it is possible to provide from Westminster.

This is why the abolition in 2010 of the regional development agencies – one of the first deficit reduction moves announced by the Coalition Government – continues to look so short-sighted. The unfunded and voluntary local enterprise partnerships that have replaced them have not proved to be an adequate replacement. And without on-the-ground expertise in the challenges and opportunities for businesses locally, we won't have policy and support that is well-matched to businesses'



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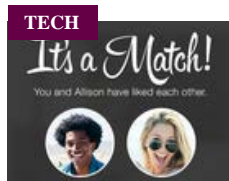
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## Costs of listing on junior market fall

The cost of floating a company on the Alternative Investment Market has fallen to its lowest level for five years, research shows, with larger businesses in particular enjoying economies of scale during the IPO process. The accountancy firm UHY Hacker Young said the average business listing last year incurred costs of 7.4 per cent of the funds it raised, down from 9.5 per cent in 2013 and a high of 10.6 per cent in 2011.

Nevertheless, costs remain higher than in the years leading up to the financial crisis: between 2005 and 2008, the average cost of a listing was consistently below 7 per cent of funds raised. Even in 2010, the figure was only 7.3 per cent.

Lawrence Sacker, a partner at UHY Hacker Young, said larger IPOs would continue to offer better value to the company listing. "The market is demonstrating its ability to support larger IPOs – there is appetite there for companies with ambitious growth plans," he said. "With professional fees making up a lower share of IPO proceeds, Aim is even more compelling as a fundraising option because it combines a low cost of funds with a less restrictive listing regime."

## Stricter mortgage rules penalise the self-employed

Tough new mortgage regulation is making it difficult for self-employed borrowers to obtain a home loan, a group representing freelancers and the self-employed says. The Association of Independent Professionals and the Self-Employed (IPSE) said self-employed borrowers had to jump through unnecessary hoops in order to get access to mortgage finance.

Two in five self-employed people are concerned they'll never be able to get a mortgage, an IPSE survey reveals, while 45 per cent believe mortgage providers don't want to lend to them.

"Chris Bryce, chief executive of IPSE, said: "Mortgage advisers need to be better educated about independent working to ensure the self-employed are treated fairly... and we hope the Government shakes up the mortgage system to make it more accessible for people who work for themselves."

## Small business person of the week: Will Little; Managing director, Little's Coffee

"We sell flavoured instant coffee using natural flavours and Arabica coffee beans. The business was launched by my parents in the Eighties – they were living in Finland and became disenchanted with working for other people. Our family moved to England in 1995 and established the business here, when it moved from a focus on speciality coffee to instant, which had a

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95 per cent market share at the time.

“I went away to university, which is where I met my wife, Caroline, who is now chief executive. We worked in London for several years – we had good, stable jobs in fashion and graphic design, but by 2010 we were beginning to feel the same way my parents had done. Our friends thought we were crazy, but we moved back to Devon, where my parents are based, and got involved with running the company.

“Since then, the business has taken off – we’re sold in Waitrose, Whole Foods, Harvey Nichols and independent retailers. Sales last year were £1.1m and we’re seeing growth of 15 per cent a year. We’ve also begun exporting – it is easier to sell overseas than people realise.

“We’ve also drawn on our professional backgrounds to rethink the company’s branding and design strategy. We inherited a strong business from my parents, but they were engineers rather than marketers.

“People are snobbish about instant coffee, but it doesn’t have to be poor quality. We just want to diversify people’s tastes a little bit and make coffee more fun.”

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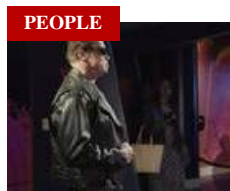
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