



**The less than 1% Club: Mapping net
zero support for small businesses
across England – North East of
England Summary Report**

**A report by the Enterprise Research Centre for
the Federation of Small Businesses**

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The less than 1% Club: Mapping net zero support for small businesses across England – North East of England

Summary Report

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About the ERC

The Enterprise Research Centre is an independent research centre which focusses on SME growth and productivity. The ERC is a partnership between Warwick Business School, Aston Business School, Queen's University School of Management, Leeds University Business School and University College Cork. The Centre is funded by the Economic and Social Research Council (ESRC); Department for Business and Trade (DBT); Innovate UK, the British Business Bank and the Intellectual Property Office. The support of the funders is acknowledged. The views expressed in this report are those of the authors and do not necessarily represent those of the funders. The authors would like to thank Ian Drummond for help with the interviews conducted as part of this research.

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RECOMMENDATIONS

While existing net zero support initiatives have made commendable strides in assisting SMEs on their sustainability path, it is evident that a yawning gap remains between the current level of engagement and the broader imperative of achieving net zero across all sectors of the economy.

To bridge this gap, it will be crucial to accelerate efforts to encourage the widespread adoption of sustainable practices so net zero becomes the norm rather than the exception. This necessitates a comprehensive and coordinated approach involving policy frameworks, financial incentives, and robust support mechanisms that empower businesses of all sizes to embrace the transition to a low-carbon future. This is all the more important given the termination of European Regional Development Fund (ERDF) funded programmes making this stocktake of provision timely. At the same time, this highlights the need for future research to cover the period when the replacement funding from the UK Shared Prosperity Fund is in place.

The specific recommendations from this research are as follows:

- 1. The UK Government should simplify the English business support landscape for net zero, making it easier for businesses of different sizes to navigate, whilst maintaining the connection to local support. This could be achieved by establishing one business support brand across England, e.g., Business England.** More broadly, the Government will play a critical role in providing coordination and stewardship to bring together the many actors involved in net zero support.
- 2. Local authorities should consult with a diverse range of local businesses when designing programmes on net zero to ensure that the needs of all businesses are met and that they are able to see benefit from programmes.** Understanding specific business needs will be important to ensure that all businesses are motivated to participate in programmes and that they are able to make tangible changes to their businesses.
- 3. Local authorities should share more information about net zero support programmes with neighbouring local authorities and allow them to participate. This will ensure that regions are able to provide more comprehensive offerings to businesses.** The termination of EDRF has led to the closure of many programmes and there exists a striking variation in programmes across regions. Council collaboration should help address this, avoid duplication, and create a more level playing field across regions. The latter point is particularly important for businesses based in rural parts of the country, where programme consolidation has occurred inconsistently.

4. **Local authorities should - where possible - offer businesses a combination of an audits and grants.** Audits provide clarity over the required steps which are tailored to specific needs. For most small businesses, lengthy and uncertain return on investment, lack of capital and inability to access affordable finance are major barriers. Evidence demonstrates that grants encourage greater participation and help overcome the financial barrier many businesses face in the transition to net zero.
5. **Programmes – where possible – should aim to offer one-to-one support from an adviser who understands the challenges and constraints of running a small business.** Having one-to-one support constitutes an important component of a programme that can provide an additional level of confidence in firms to transition towards net zero. Advisors can play an important role in providing support when designing an action plan.
6. **The research supports the introduction of a “Help to Green” scheme to boost SME investment in net zero. FSB welcomed news that the Government will pilot a new audit and grant scheme which will enable small businesses to implement measures to become more energy efficient.** The Review of Net Zero endorsed Help to Green. The scheme would include an online hub of practical information on how to reduce energy usage and environmental impact and a voucher/grant scheme, with a value of up to £5,000 a time, which would make a grant contribution to investing in low emission transport solutions, sustainable manufacturing, energy efficiency or microgeneration.
7. **We recommend a separate assessment of past and current net zero initiatives to fully understand their advantages and cost-effectiveness. The evaluation should focus on the actual results achieved by these initiatives, not just their activities.** A thorough analysis will help develop better tailored programmes in the future and allow local authorities to adjust to the changing business landscape. This analysis should be accompanied by an impact statement that outlines the achievements of programmes.

EXECUTIVE SUMMARY

Aims and objectives

The aim of this report is to provide a detailed map of the breadth and depth of net zero business support available for Small and Medium Enterprises (SMEs) in England to enable them to achieve the UK Government target of reaching net zero by 2050.

The focus of the project has been on schemes, initiatives, and organisations offering **specific or targeted initiatives** to support small firms' net zero transition. General business development and growth programmes have been excluded from data collection.

The objectives of the project were to:

1. Compile a **comprehensive directory of net zero support providers** and initiatives for small firms in each local authority area in England.
2. Use this baseline data to **identify a typology of emerging forms of business support** and their geographical coverage, and to **identify gaps or limitations in coverage**.
3. **Identify examples of good practice** within each element of the typology and provide a brief overview of the intervention alongside the directory information.
4. **Develop actionable recommendations** for government that can help more effectively support the net zero transition in smaller firms.

The report was commissioned by the [Federation of Small Businesses \(FSB\)](#), a membership organisation offering a wide range of vital business services to SMEs, including advice, financial expertise, support, and a powerful voice heard in government.

Overview of initiatives

The research identified a total of 282 programmes offering 719 interventions, encompassing various types of support, such as grants, audits, mentoring, and more. The programmes aimed to address the environmental impact of SMEs, recognising their collective contribution to carbon emissions and the need for more sustainable practices.

In terms of the typology and prevalence of intervention types, online tools, grants, audits, events, training, and one-on-one advice were among the most common forms of support found.

The funding landscape for the interventions primarily relies on statutory sources, with local authorities and the European Regional Development Fund (ERDF) playing significant roles.

However, precise investment levels remain elusive. While ERDF funds have contributed significantly, a substantial portion of this funding has concluded, and the future availability of funds, including from the UK Shared Prosperity Fund, may impact the continuation of programmes.

Local authorities emerge as the primary providers of net zero support, often collaborating with other entities. The diverse range of provider types reflects the collaborative efforts and partnerships formed to deliver comprehensive support to SMEs.

Programmes and interventions were designed to be inclusive and open to all SMEs, with a focus on providing tailored support to address sector-specific challenges. The research showed a need for more transparency and accountability through evidence of impact and case studies.

Coverage of initiatives

While comprehensive programmes exist in all regions, there are concerns about the accessibility and reach of these programmes, as the research showed the number of recipients of support comprise less than 1% of the total SME population.

There is also a need to ensure equal opportunities for SMEs across the country to actively participate in achieving net-zero emissions.

The presence of numerous separate programmes reflects a fragmented ecosystem with multiple initiatives operating independently, indicating a lack of centralisation and coordination.

The research identified three types of intervention: Grant-based, comprehensive audit-based, and light-touch audit-based programmes. The **grant-based approach** offers a comprehensive package with grants, environmental audits, face-to-face help, online resources, networking, training, and events. The **comprehensive audit-based** type excludes grants but includes similar support elements. The **light-touch audit-based** approach focuses on environmental audits, personalised assistance, and referrals to relevant resources.

Overall, the research highlights fragmentation within the system that supports small enterprises on their net-zero path. To ensure SMEs receive effective assistance on the scale

required, we conclude that it is crucial to address this fragmentation by centralising and harmonising support programmes and promoting collaboration between delivery and stakeholder organisations.

2. OVERALL FINDINGS

The research found 282 programmes to promote net zero practices within SMEs across England. The overwhelming majority of programmes included more than one intervention (e.g., grants and then one-to-one support). There were 719 interventions overall. We identified 18 different types of interventions within the programmes with these including, for example, grants, environmental audits, and mentoring. The interventions each varied in terms of their level of comprehensiveness.

2.1 Overview

At the start of 2022 there were an estimated 4,814,495 SMEs (businesses with fewer than 250 employees) in England, supporting a workforce of 14,338,000 people.¹

As noted above, the research uncovered 282 programmes and 719 interventions. 186 of the programmes (67%) offered more than one intervention. Table 2 below gives a breakdown of the number of SMEs in each region, and the proportion this makes up of the total in England. It also shows a regional breakdown of programmes and interventions. We can see there is considerable regional variation in provision. For example, the North East has 3.03% of SMEs but 4.85% of programmes and 3.75% of interventions. The West Midlands and South West are considerably over-represented in terms of programmes and interventions compared to their proportion of SMEs.

¹ 2022 figures, Department for Business, Energy & Industrial Strategy, <https://www.gov.uk/government/statistics/business-population-estimates-2022/business-population-estimates-for-the-uk-and-regions-2022-statistical-release-html#composition-of-the-2022-business-population> (Accessed 22.05.2023). The figures are adjusted to exclude businesses with more than 250 employees

Table 1: Regions, SMEs, programmes and interventions

Region	SMEs		Programmes		Interventions	
	Number	%	Number	%	Number	%
North East	154,870	3.22	11	4.85	25	3.75
North West	512,290	10.64	20	8.81	61	10.39
Yorkshire & Humber	385,030	8.00	15	6.61	41	6.98
West Midlands	436,585	9.07	36	15.86	99	16.87
East Midlands	367,460	7.63	15	6.61	38	6.47
East of England	542,220	11.26	19	8.37	43	7.33
South West	536,925	11.15	37	16.30	102	17.38
London	1,036,315	21.52	39	17.18	99	16.87
South East	842,800	17.51	36	15.86	79	13.46
National level			54		132	
England	4,814,495	100				

Overall, the findings highlight the existence of a substantial number of programmes and interventions dedicated to supporting SMEs in England with their net zero journey. However, we can also see that these programmes are not reaching the vast majority of the overall population of businesses. In addition, the presence of a high number of different programmes may also reflect a fragmented net zero support landscape, with many programmes but each having few clients.

3. NORTH EAST

The English regions are far from uniform, with the prevalence of regional inequalities being a key reason that ‘levelling up’ has been developed as a policy to reduce imbalances. If economic imbalances are important, it may be useful to ask the question as to whether all English regions have equal provision for net zero support.

This section examines the provision of net zero support to SMEs in the North East of England. Regions differ in their exposure to different industries suggesting that there may be a case for different approaches across the nine regions. Although the region is a useful unit of analysis, it is also important to note that there may be differences within regions too, creating a ‘postcode lottery’ when it comes to support.

The North East of England summary begins with a presentation of some key facts around the number of LEPs, programmes and support. A chart on the interventions in the region, and tables on funding, providers, the scope of programmes (from local to national), and the coverage by local enterprise partnership areas (LEPs) follow. The North East of England also has an example of an exemplar programme.

Key Facts	
2 LEPs	North East, Tees Valley,
Number of Programmes:	11
Number of Interventions:	25
SME share:	3.22%
Interventions share:	3.75%
Programmes for SMEs ONLY	3
Programmes with >1 intervention:	6
Most extensive programme	The Business Energy Saving Team (BEST) North of Tyne Combined Authority
Published investment	£2.37m (two programmes)
Pricing	10 Programmes = Free to SMEs

This region is covered by two LEPs: North East and Tees Valley. There were 11 programmes in the North East dedicated to supporting SMEs on their net zero journey. These 11 programmes consisted of 25 interventions or initiatives. The North East has approximately 3.22% of the total SME stock in England. The interventions specifically targeted at SMEs made up approximately 3.75% of the total interventions across England, meaning that the North East was offering slightly more net zero interventions compared with its number of SMEs. Among the 11 programmes, three were exclusively focused on SMEs. Of the 11 programmes, six offered more than one intervention, indicating a comprehensive approach to supporting SMEs. The Business Energy Saving Team (BEST) within the North of Tyne Combined Authority was

identified as the most extensive programme. Two programmes within these LEPs have a published investment amounting to £2.37 million. Out of the 11 programmes, 10 were free to SMEs.

Figure 1: Breakdown of intervention types – North East

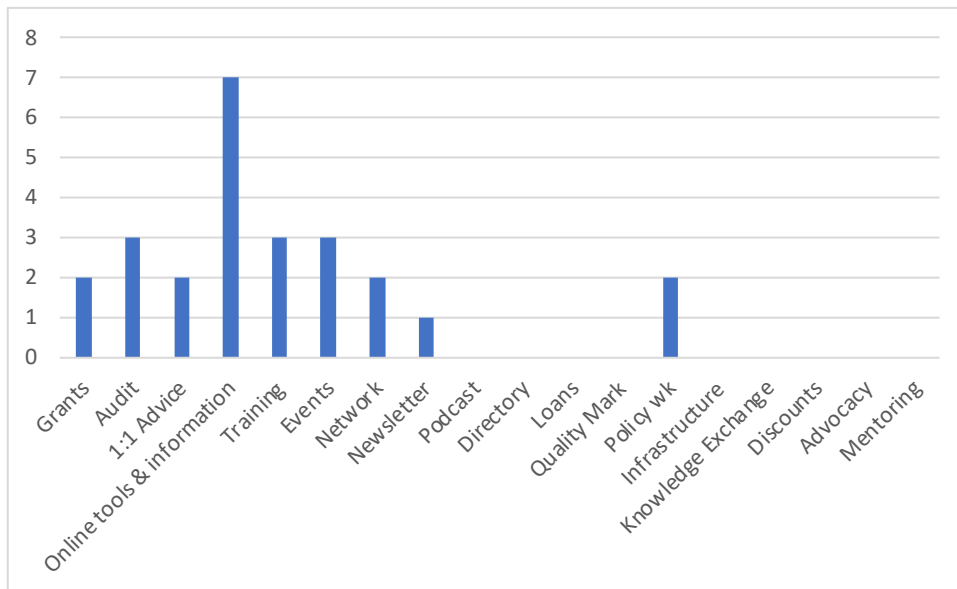


Figure 1 provides a breakdown of the types of interventions in the North East. Two programmes provided grants. Three provided audits. Two provided one-to-one advice. The most popular intervention (provided by seven programmes) was to signpost to online tools and information. Training was part of three programmes and three included events. Two programmes offered networking opportunities. One had a newsletter and two involved policy work. No interventions in the North East of England included podcasts, directory loans, a quality mark, infrastructure support, knowledge exchange or discounts, advocacy and mentoring.

Table 2: Types of provider - North East

	Frequency
Arm's-length body	4
Local authority	4
Private sector	1
Third sector	2

Net zero support providers in the North East include local authorities (four), arm's-length bodies (four), the third sector (two), and one from the private sector. Relative to other areas arm's-length and third sector provision is common in the North East of England.

Table 3: Funders of net zero support - North East

Funder	Frequency
Charity	2
ERDF	3
Local authority	4
LEP	2

Table 3 shows the various funders of net zero support within the North East. Local authorities had the highest frequency (four), followed by ERDF funding (three) the LEPs, (two), and then charities (two). The ERDF was funding over 25% of the programmes in this region.

Table 4: Coverage of net zero support programmes - North East

	Frequency
Local	5
Regional	6

Table 4 illustrates the geographic scope of the North East's net zero support programmes. In contrast to other regions, a regional focus is slightly more dominant here, with six programmes focused at this level, compared to five programmes with a local focus.

Table 5: Programmes by LEP - North East

	Frequency
North East LEP	10
Tees Valley	1

Table 5 highlights the location of support by LEP areas in the region. Ten programmes were based in the North East LEP area, with just one in the Tees Valley. This is a stark difference, although the North East LEP covers a population of 2m which represents at least 70% of the North East region. The North East LEP covers the local authority areas of County Durham,

Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. Consequently, we might expect some imbalance in provision.

Spotlight on The Business Energy Saving Team (BEST) – ERDF funded

<https://www.bestne.co.uk/#:~:text=The%20Business%20Energy%20Saving%20Team,and%20reduce%20your%20carbon%20footprint>

Interventions offered:

- Grants
- Energy Audit
- 1:1 advice
- Events

Offered: Free to businesses in the North East

The BEST programme involves a free energy audit delivered by a Third Party contractor. Businesses are then offered a range of options which might reduce their carbon footprint. This can then be supported by grants from the programme. Essentially the programme aims to enable firms to access support to make significant changes to their operations. It does not develop an ongoing relationship to assist businesses.

The BEST project received £670,000 from the EDRF as part of the 2014-2020 European Structural and Investment Funds Growth Programme. It performed over 200 energy audits for SMEs, assisting them in leveraging approximately £500,000 in matched funds for energy upgrades and reducing greenhouse gas emissions by over 600 tonnes.

Although the main BEST initiative has concluded, but businesses are encouraged to contact best@newcastle.gov.uk for further information on future and alternative help, since the programme has shown impact, it is being considered for future funding when the combined authorities in the North East.

4. CONCLUSION

The regional analysis of net zero support for SMEs highlighted the variation in provision across regions. In general, the proportion of interventions was consistent with the proportion of SMEs in each region. Nonetheless, The South West and West Midlands had more interventions than warranted by the proportions of SMEs they had in the population, as did the North East. The relative importance of manufacturing in the West Midlands may be one reason for the provision profile here. More variation can be seen between LEP areas. For example, several LEP areas were represented by one programme including Tees Valley, Cheshire, Dorset, and others (although this might not necessarily indicate poor provision where there is a well-funded, large programme in place).

There were a variety of exemplar programmes identified which offered a variety of interventions. The exemplars were picked to illustrate the combination of interventions in a programme. The Coventry and Warwickshire programme for example comprised of nine different interventions. The Green Business Support from the West of England Growth Hub had eight.

The regional analysis revealed two significant issues. Firstly, it was observed that **the number of recipients benefiting from the exemplar programmes often accounted for less than 1% of the total SME population**. This finding raises concerns about the reach and accessibility of these programmes, as a vast majority of SMEs are potentially not being adequately supported in their net zero journey.

Secondly, **there is a lack of clarity regarding the design of interventions and a lack of available evidence on their effectiveness**. It is essential to understand how these programmes are structured, the methodologies employed, and the evidence base behind them to ensure that the interventions provided are impactful and yield the desired outcomes. Addressing these issues is crucial to ensuring that net zero support programmes are comprehensive, inclusive, and evidence-based, allowing a broader spectrum of SMEs to actively participate and contribute to the transition towards a sustainable future.

Overall, the North East has slightly more interventions than expected by the numbers of small business. The BEST programme included grants, audits and 1:1 advice which was one of the more comprehensive programmes. The Tees Valley reported one programme but this might be a positive element depending on the reach of the programme. ERDF funding was slightly lower than the average which may signal greater longevity for the programmes in the North East, unfortunately the BEST programme was one of those funded by ERDF.

Appendix1: Methodology

The data collection has been undertaken in two phases. The time frame for data collection was January – May 2023.

A.1 Phase 1 - Survey

A light touch email survey circulated to FSB stakeholders including regional officers. The survey questions were:

1. In your area are you aware of programmes to help small businesses with a transition to net zero (energy efficiency, environmental audits, carbon footprint reduction)? Please list as many as come to mind. They might be offered through LEPs or through local authorities or from charities.
2. Of these programmes are you aware of support programmes that you deem to be successful (in terms of take-up or reputation with business)?
3. Are you aware of programmes which are not focused on net zero but which nevertheless have positive outcomes on aspects such as energy efficiency or will as a by-product reduce the carbon footprint.

Responses from the FSB Development Managers were collected into the dataset and cross referenced against desk-based research findings in Phase 2. Insights drawn from the responses are included in the data findings and analysis.

A.2 Phase 2 – Desk based research

An extensive web-based search exercise for interventions, focused through Local and District Authority areas in England, was undertaken. Additionally, national programmes and on-line only resources were collected, and signposting provided by organisations such as Growth Hubs, LEPs and Universities were followed. Where one intervention offered signposting to further interventions, whether in the same geographical area or not, these were followed up and assessed against the criteria for inclusion.

The data was collected systematically using consistent search terms for web-based research and structured data headings for the collection process.

Using input from the email survey responses, search terms were generated. Search terms and signposted interventions were recorded during the data collection.

A.2.1 Data Collection Headings



Provider & Programme Details	Types of Support/Interventions	Other
Provider	Grants & Value	Target businesses
Name of Programme	Audit	Eligibility Criteria
Funder & Programme Value	1:1 Advice	Date Accessed
Evidence of Success	Online tools & information	Search term
Pricing model	Training & Events	
Application Process	Network	
Type of Provider	Newsletter	
Provider Location	Podcast	
Partner Organisations	Directory	
Scale	Loans	
Geographic Region	Quality Mark	
LEP	Policy	
Start /End	Infrastructure	
Website, Twitter, Contact	Knowledge Exchange	
	Discounts	
	Advocacy	
	Mentoring	

Although the searches were focused through Local Authority geographic levels, the data was mapped to both Net Zero Hub regions and Local Economic Partnerships to give a sense of coverage throughout England.

A.2.2 Search Terms

Coventry City Council small business support for net zero
 EM3 – Hampshire and Surrey Resource / Energy Efficiency Grants
 Email from FSB Regional Officers
 From Email request
 green support for SMEs Midlands
 green support for SMEs south east
<https://zerocarbonbusiness.uk/find-support-and-funding/>
<https://greentechsouth.com/>
 Linked from Sustainability West Midlands
 Low Carbon Business Support Project Doncaster
 Low Carbon Business Support Project Sheffield Council
 Mayor’s Small Business Energy Efficiency Fund
 net zero sme support birmingham
 net zero sme support Blackburn
 net zero SME support Bristol
 net zero SME support Cornwall
 net zero sme support Coventry
 net zero SME support Cumbria
 net zero SME support Devon
 net zero sme support Durham
 net zero SME support Essex
 net zero SME support Gloucester
 net zero sme support Gloucestershire
 net zero sme support Hampshire
 net zero SME support Lancashire
 net zero sme support Leicestershire

net zero sme support Lincolnshire
 net zero sme support Liverpool
 net zero sme support Manchester
 net zero sme support Milton Keynes
 net zero SME support Newcastle
 net zero SME support Norfolk
 net zero SME support north west England
 net zero sme support Northampton
 net zero sme support Northamptonshire
 net zero sme support Nottingham
 net zero sme support Oxfordshire
 net zero sme support Sheffield
 net zero sme support Shropshire
 net zero sme support Somerset
 net zero sme support south Cambridgeshire.
 net zero sme support Staffordshire
 net zero SME support Suffolk
 net zero sme support surrey
 net zero sme support Tees Valley
 net zero sme support west Yorkshire.
 net Zero SME support Wiltshire
 net zero sme support Worcestershire
 net zero sme support Yorkshire
 Royal Borough Kingston net zero business
 Signposted from another provider.

A.2.3 Inclusion and Exclusion Criteria

Incorporating the decision to focus only on specific or targeted interventions, the following general principles were applied:

- Programmes which provided support to more than one type of organisation (e.g., small and large businesses, businesses including SMEs and public sector organisations) were generally included as long as it was explicit that SMEs were an intended beneficiary.
- Programmes must have included at least one dedicated intervention.
- General business support was excluded.
- General business support with a minimal reference to net zero or sustainability was excluded.
- Listings which were very basic signposting repeated in other places were excluded.

Appendix 2: List of Programmes identified in the North East

<https://learnwithnbsl.org.uk/skills-to-create-a-better-business-environment/>
<https://www.beep.uk.net/what-is-beep/>
<https://www.goinggreentogether.org/mission>
<https://teesvalley-ca.gov.uk/business/business-growth-support/sme-energy-efficiency-scheme/>
<https://www.newcastle.gov.uk/our-city/climate-change/net-zero-newcastle/net-zero-business-support/practical-advice-greening-your>
<https://greenstreet.org.uk/join-us/>
<https://www.best-ne.co.uk/>
<https://www.sunderland.gov.uk/Breez>
<https://www.northeastgrowthhub.co.uk/toolkit/net-zero-for-businesses/>
<https://www.bipcnortheast.co.uk/green-agenda/green-business-guide/>
<https://www.netzeronortheastengland.co.uk/>



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Birmingham



Department for
Business & Trade



Intellectual
Property
Office