



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

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

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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 <u>Federation of Small Businesses (FSB)</u>, 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.

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¹ 2022 figures, Department for Business, Energy & Industrial Strategy, <a href="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

	SMEs		Programmes		Interventions	
Region	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 &	385,030	8.00	15	6.61	41	6.98
Humber						
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. SOUTH WEST

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 South West 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 South West 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 South West of England also has an example of an exemplar programme.

Key Facts

6 LEPs Gfirst, West of England, Swindon and Wiltshire, Dorset, Heart of the

South West, Cornwall and Isles of Scilly

Number of Programmes: 37
Number of Interventions: 102
SME share: 11.15%
Interventions share: 17.38%
Programmes for SMEs ONLY 11
Programmes with >1 intervention: 26

Most extensive programme Green Business Support, West of England Growth Hub

Published investment £8.8m (3 interventions)

Pricing 35 Programmes = Free to SMEs

There are six Local Enterprise Partnerships (LEPs) in the South West: Gfirst, West of England, Swindon and Wiltshire, Dorset, Heart of the South West, Cornwall and Isles of Scilly. There were 37 programmes identified in this region, with 102 interventions. The South West hosts 11.15% of England's SMEs but the interventions share was 17.38% suggesting this region is very much over-represented in net zero interventions per SME. Programmes targeted at SMEs amounted to 11, and 26 programmes had more than one intervention. The most complete programme was Green Business Support from the West of England Growth Hub.



There was evidence of £8.8m spending in the region from five programmes reporting figures. There were 35 programmes available to SMEs for free.

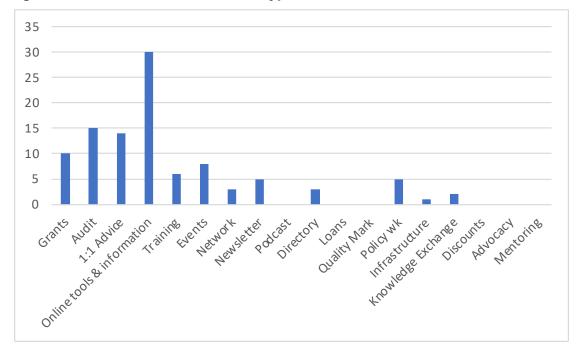


Figure 1: Breakdown of intervention types – South West

Figure 1 provides a breakdown of the types of interventions in the region. Grants were well represented, with ten programmes providing these. Fifteen programmes involved audits, and 14 provided advice. The most popular intervention was signposting to online tools and information (30 programmes). Training was part of six programmes and eight included events. Three programmes offered networking opportunities. Five had a newsletter and three a directory, five included policy work. One included infrastructure support and two included knowledge exchange. No programmes in the South West of England included podcasts, loans, quality marks, or discounts advocacy and mentoring.

Table 2: Funders of net zero support - South West

Funder		Frequency
Chambers	of	
Commerce		2
ERDF		11
Government		2
Local authority		13
University		1
Other		5



Table 2 gives information about the various funders within the region. Local authorities were the most prevalent funders (13 programmes), followed by the ERDF (11 programmes), Chambers of Commerce (two), government organisations (two) and universities (one). There were several various funders classified as other (five).

Table 3: Providers of net zero support - South West

	Frequency
Arm's-length body	3
Charity	1
Chamber of Commerce	2
LEP	2
Local authority	13
Private sector	9
Third sector	3
University	2
Government	1
other	1

Table 3 shows the variety of providers of net zero support in the region. The local authorities were the most prevalent providers (13 programmes) followed by the private sector (nine). Third sector organisations and arm's length bodies provided three programmes each. The Chambers of Commerce, LEPs and universities provided two programmes each. One programme was provided by a government body. Private sector provision is relatively common in the South West of England.

Table 4: Coverage of net zero support - South West

	Frequency
Local	25
Regional	8
National	4

Table 4 provides information about the coverage or geographic scope of programmes in the region. This shows that most programmes (25) have a local focus. Eight programmes had regional level coverage, and four were pitched at national level. Again, the local focus is dominant in this region.

Table 5: Coverage of net zero support by LEP area - South West

	Frequency
Cornwall and Isles of Scilly	6
Dorset	1
GFirst	5



Heart of the South West	12
West of England	7
Swindon and Wiltshire	1

Table 5 shows the coverage of net zero support by LEP area within the region. It shows that the Heart of the South West area has the most programmes, (12), followed by the West of England (seven programmes), and then Cornwall and the Isles of Scilly (six) and GFirst (five). Dorset and Swindon and Wiltshire have one programme each.

Spotlight on Green Business Support from the West of England Growth Hub

https://www.westofengland-ca.gov.uk/growth-hub/green-business-support/

Interventions offered:

Grants

Audits

1:1 advice

Online tools

Networks

Events

Newsletter

Directory

Offered: To SMEs in the West of England Combined Authority

The Green Business Support programme in the West of England aims to take businesses on a step-by-step through a net Zero journey. It takes businesses through an eight-step journey from building a plan at step one through to attending events at step two. In subsequent steps the firm will measure, get support and take action.

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.

The South West had greater provision than other regions in comparison with the small business population. The local authority provision is helpful given the recent changes in government funding of business support. The coverage of the programmes in the South West were predominantly local. There were large differences in the numbers of programmes across different LEP areas.



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

Doncasier

Low Carbon Business Support Project Sheffield Council

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 Kevnes

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 South West

https://www.clean-growth.uk/net-zero-360/

https://www.clean-growth.uk/south-west-hub/

http://www.lowcarbondorset.org.uk/we-offer/

https://www.plymouth.ac.uk/research/sustainability-hub-low-carbon-devon

https://www.plymouth.ac.uk/research/institutes/sustainable-earth/partnerships/future-plymouth-2030

https://www.westofengland-ca.gov.uk/growth-hub/financial-business-support/green-business-grants/

https://travelwest.info/for-businesses/grants-funding#Claim-a-stand

https://www.businesswest.co.uk/trading-to-net-zero

https://www.swenergyhub.org.uk/

https://www.crowncommercial.gov.uk/buy-and-supply/carbon-net-zero/carbon-net-zero-funding-and-grants

https://www.grantsonline.org.uk/news/energy-environment-and-transport/

https://www.heartofswgrowthhub.co.uk/net-zero/

https://www.swmas.co.uk/low-carbon-information-hub / https://www.swmas.co.uk/business-

support/make-it-net-zero

https://devonenergycic.co.uk/our-projects/decarbonise-devon/

https://devonchamber.co.uk/net-zero-directory/

https://www.bcrassociates.co.uk/net-zero-hub

https://www.recrovida.com/sustainability

https://devonclimateemergency.org.uk/resources-for-organisations/

https://www.climatechange.southhams.gov.uk/energy-saving-for-businesses

https://climateconnectionsplymouth.co.uk/

https://www.skillsforfutures.co.uk/cleangrowth

https://www.cornwall-insight.com/sectors/net-zero-corporates-and-environmental-social-and-governance/

https://www.somerset.gov.uk/climate-emergency/climate-emergency-businesses/climate-

summit/resources/#General-support

https://www.sedgemoor.gov.uk/article/6838/Energy-Efficiency-Grant

https://www.somersetwestandtaunton.gov.uk/energy-efficiency-grant

https://www.westofengland-ca.gov.uk/growth-hub/green-business-support/

https://bristolgreencapital.org/

https://www.soglos.com/guide/business/gloucestershire-green-business-guide/16654/

https://www.thegrowthhub.biz/netzero https://cheltenhamzero.org/about-us

https://severnwye.org.uk/project/target-2030/

https://innorthsomerset.co.uk/ukspf/year-2/net-zerobusiness-grants-programme/

https://www.southsomersetenvironment.co.uk/resources

https://www.cornwall.gov.uk/environment/climate-emergency/organisation/

https://growthhub.swlep.co.uk/news/all-news/journey-to-net-zero-the-future-of-your-workplace

https://target2030.co.uk/ https://tevi.co.uk/about-tevi/



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