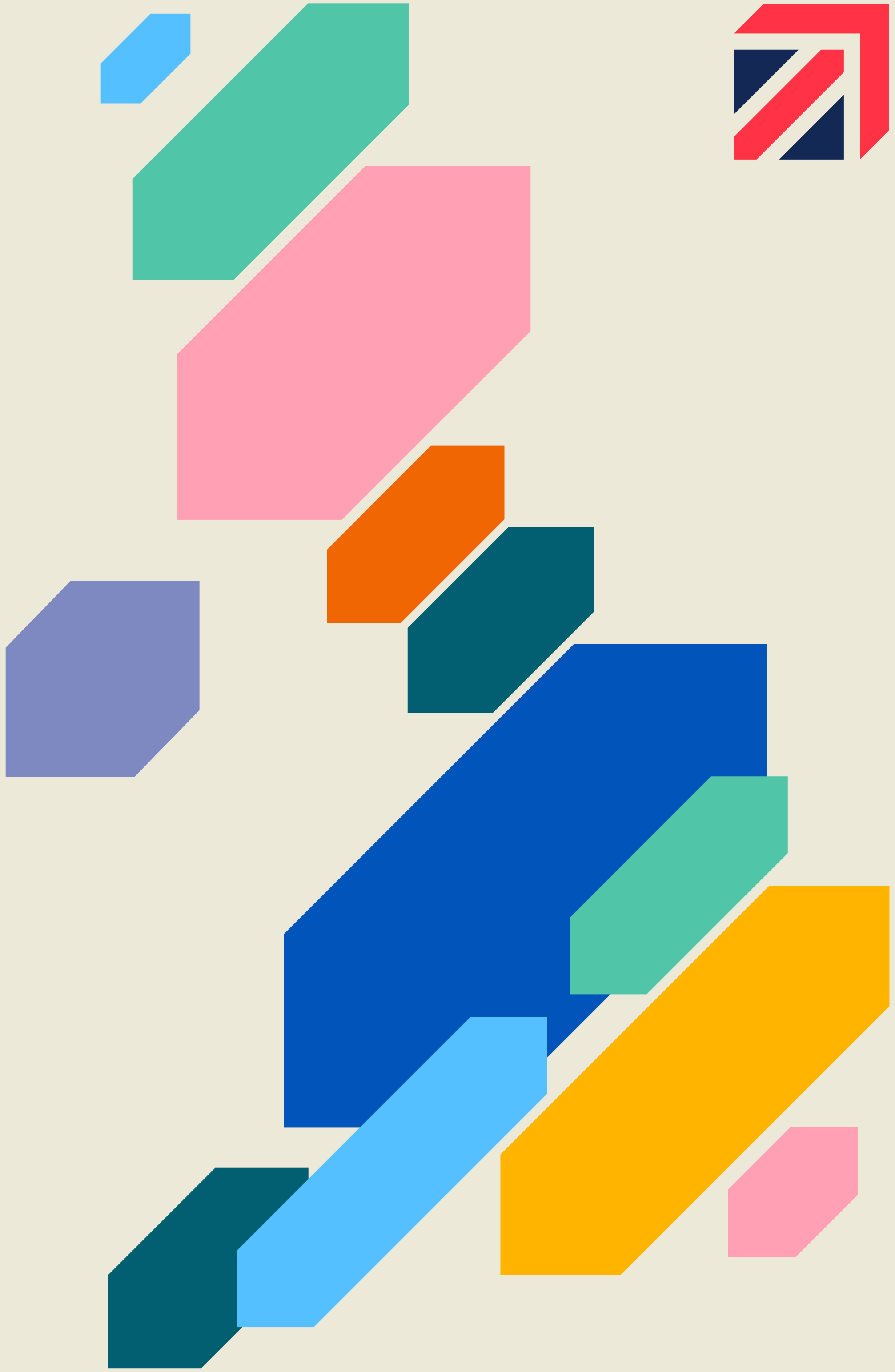
Regions and Nations Tracker: Small Business Finance Markets 2021



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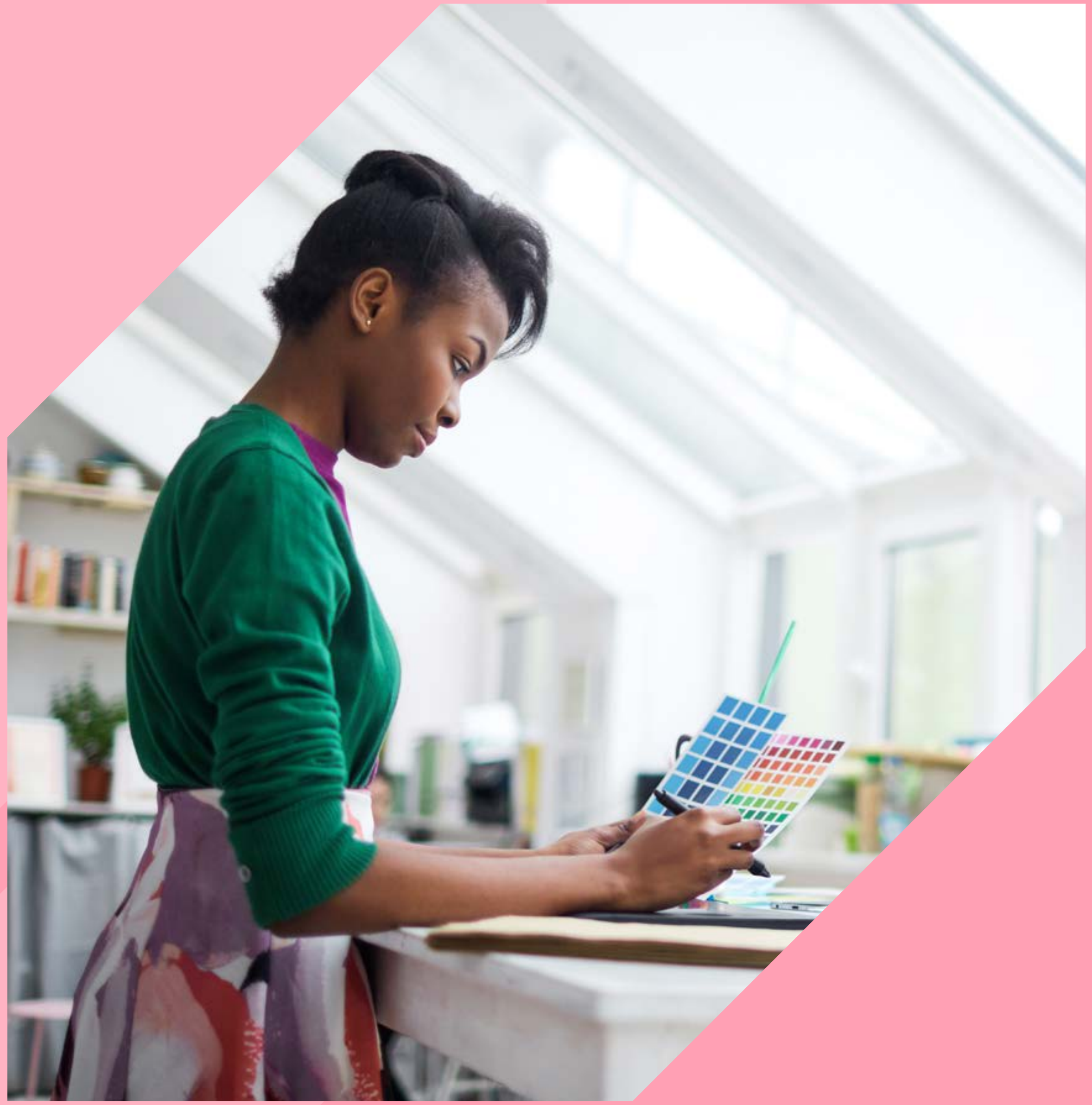


Foreword

For businesses and entrepreneurs of all backgrounds and ambitions, securing the right type of external finance can be the difference between success and failure. From finance that helps to get ideas off the ground, to later-stage investment that unlocks rapid growth, such funding is a vital ingredient for the continued success of UK businesses and the wider economy.

Businesses in all parts of the UK should be able to tap into this essential resource equally, but this is not always the case. Lower flows of finance in certain regions and nations mean that their populations of entrepreneurs and businesses operate with fewer choices.

This report, our first Regions and Nations Tracker, sets out to analyse smaller business finance markets across the UK, shedding light on how they work and where they might not be working so well. Tackling regional imbalances is a long-term priority for the British Business Bank and the government, forming a key part of delivering the economic recovery for the whole country.

One of the primary findings of the report is that important forms of growth finance, such as private debt and external equity investment, are unevenly distributed. This holds true both between regions of the UK and within them, right down to a local level. At local authority level there is a striking degree of concentration in equity activity, for example, with the top 20 local authorities accounting for 58% of all deals since 2011.

Geography also remains a key determinant in influencing equity investor activity, with the investor and the investee company within a radius of two hours travelling distance of each other in more than 80 percent of equity stakes. Although Covid-19 has driven an increase in remote working, this has not yet changed investors' preferences for proximity to the companies they invest in. The presence of local investors is therefore critical to the success of UK equity ecosystems, with a clear positive correlation between equity deals per high-growth business and the strength of the local investor base.

The report groups the UK's regions and Nations into three main categories: those that are self-contained, with a strong local investor base; those that are heavily reliant on London-based investors; and mixed geographies with some local investor strength but still reliant on investors outside the region or Nation. Ultimately, the majority of equity activity takes place in the first 'self-contained' category, with London the driving force for this. This is something that the Bank has recognised through our Regional Funds and Regional Angels Programme. Our Regional Funds bring new fund managers into parts of the UK to invest where finance is lacking, while our Regional Angels Programme invests alongside established angel syndicates to boost them and the businesses they support. 86% of businesses supported by our core programmes – 81,000 businesses – are based outside of London, while our Regional Funds saw record deployment this year, providing a combined £357m flow of finance into regional finance markets.

As well as bringing equity and other forms of growth finance to under-served areas through our role as a market participant, we aim to spur activity through data and research. In recent years we have collaborated with private debt funds to gather data on this important form of finance and have published the most comprehensive analysis of UK venture capital returns available. The latter found stronger returns from funds located outside the 'Golden Triangle' of London, Cambridge and Oxford, highlighting the opportunities available outside traditional equity hotspots.

Beyond equity, this report highlights how core debt products such as overdrafts and loans are most often smaller businesses' choice to meet their finance needs, which vary from business to business and from place to place. This is particularly illustrated by the different patterns of finance use for rural businesses and their urban counterparts. A greater proportion of rural businesses than urban businesses used external finance in 2020, for example, and a greater share of rural business owners also injected personal funds into their business because they felt they had no other choice.

Understanding these patterns and needs is vital to delivering the British Business Bank's mission which is to drive sustainable growth and prosperity across the UK, and to enable the transition to a net zero economy, by supporting access to finance for smaller businesses. We know, however, that we will only reach this understanding with the help of others. Consequently, we hope this yearly report will stimulate thought and feedback from businesses, the finance community and all those with a stake in the UK economy. We remain committed to the important objective of tackling regional imbalances so that together we can create greater demand and more opportunities to access finance in every region and Nation of the UK.

Catherine Lewis La Torre
CEO, British Business Bank

Executive summary

External finance can be an important tool for businesses at all stages of development. Whether borrowing funds to start up, securing investment to expand or establishing working capital facilities to manage the uncertainties of trading, external finance can give entrepreneurs and businesses options they wouldn't otherwise have.

External finance is an important tool for businesses, but it is not evenly spread across the UK

More than four in 10 SMEs were using external finance in early 2021. Core debt products, such as overdrafts, loans and credit cards, are the most used form of external business finance in all regions and nations of the UK. Even though core debt products are the most widely used, less common forms of finance such as equity and private debt matter too. These can make outsized contributions to economic growth through supporting companies with the potential for rapid growth.

It is these rarer forms of finance that are the most unevenly spread. Since 2017 there has been more than £6bn of equity investment into UK SMEs every year, reaching a record of £8.8bn invested in 2020. This activity, however, is strongest in London reflecting longstanding trends that mean UK equity investment is substantially more regionally concentrated than the underlying business population.

The largest four regions within the UK, London, the South East, the East of England and the North West, host 55% of the business population but take in 86% of equity investment. These areas also outperform on private debt, attracting 69% of investment.

The imbalances in these important forms of growth finance are not just between regions and nations but within them too. Since 2011, Westminster has had more than 1,000 SME equity deals while 50% of the UK's 374 local authorities have had fewer than 10 during this period and 70% fewer than 20.

Gaps in finance lead to wasted economic potential, so we need to understand the geographic factors behind them

Although London, the South East, the East of England and the North West outperform the rest of the UK in attracting important forms of growth finance, their share of high growth businesses is unremarkable. 55% of high growth businesses were in these four regions between 2018 and 2019, a share that exactly matches the proportion of the general business population to be found.

This is important because it means that the UK's uneven patterns of growth finance are not driven by certain parts of the UK being dead zones for ambitious businesses that achieve rapid and sustained growth. Given that business quality does not appear to be the prime driver for imbalances in growth finance, understanding which factors do play a role is vital.

This is because, through the Bank's programmes and beyond, we have evidence that external finance, and particularly growth finance, can help companies achieve their potential, generating prosperity for owners and employees alike. In parts of the UK where this finance is lacking, there are populations of entrepreneurs and businesses operating with fewer choices that undoubtedly hold them back.

Distance matters, even in a business world that has embraced remote working

In aiming to understand the factors that do play a role in the UK's geographic imbalances in finance, we have undertaken some new analysis of distances between equity investors and the companies they invest in. Our analysis draws on more than 14,500 equity investments since 2011 and finds that in 82% of instances, the investor has an office within two hours travel time of the company they are backing. In 61% of instances, the proximity is even closer and the two parties can travel between their premises in one hour or less.

Despite the dominance of relatively short-distance deals, there are strong investment links between different parts of the UK. As may be expected, London-based investors are the biggest source of external capital so proximity to London matters for the rest of the UK regions and nations. Proximity to London, however, is important to varying degrees as certain parts of the UK are much less London-reliant than others and boast of thriving local investing communities.

One such example is the North East where we find that two thirds of the domestic investors in North East businesses are also based in the North East. Newcastle in particular is a key location for the North East ecosystem hosting 42% of the domestic investors into North East businesses.

At the other end of the scale, the East Midlands is one of the most London-reliant parts of the UK. Our analysis finds that 50% of the UK-based backers of East Midlands companies operate from the capital with fewer than two in 10 actually in the East Midlands.

Drawing investment from investors based elsewhere is certainly not a bad thing and indeed we may expect that over the period covered by this analysis, distant deals have become more prevalent through the opportunities for remote communication afforded by technology. This, however, is not the case, even in 2020 when lockdowns enforced remote working for sustained periods. Instead, the average travel time between investors and investees has shortened since 2011 and stood at just 70 minutes in 2020.

With investment becoming somewhat more local over the last ten years, it is not surprising that regions and nations with comparatively strong local investor bases tend to have more equity activity relative to their economic scale than elsewhere. For example, in the North East, where the investor base is relatively strong there are 16 equity deals for every 100 high growth businesses. Conversely in the East Midlands where local investors are involved in a much lower share of deals there are only four deals per 100 high growth businesses.

Rurality matters too, with rural businesses seemingly more pressed into injecting personal funds

Distance isn't the only geographic factor that can help explain patterns of finance use, whether a business operates in a rural or urban location also appears to play a role. This is not a fringe issue because rural businesses make up a sizeable proportion of the business stock in each of the UK nations.

In each nation of the UK, rural firms are important. In England and Scotland, 23% of registered businesses are based in rural locations while the proportions sit at 45% and 58% for Wales and Northern Ireland respectively.

These rural businesses were using external finance in greater proportions than urban businesses in 2020. Around 39% of rural firms were currently using a form of external finance compared to just 36% of urban businesses, a pattern that appears to hold for businesses across the size spectrum and across most broad sectoral groups.

There are several forms of finance that rural firms used in greater proportions than their urban counterparts in 2020. The biggest gaps were seen for overdrafts, leasing and hire purchase and credit cards. One of the big driving factors in this pattern is the agriculture, hunting, forestry and fishing sector which is understandably more prevalent in rural than urban settings and has patterns of finance usage that differ from other businessess.

Despite higher external finance use, 2020 also saw a greater share of rural business owners injecting personal funds than their urban counterparts. The Bank's Business Finance Survey found that 37% of rural-based business owners had injected personal funds into their business in the last 12 months compared to 32% of their urban counterparts. The majority in both groups stated that this was something they felt they had no choice about and had to do, but again this proportion was higher among rural business owners.

The fact that 2020 saw rural businesses using external finance and injecting their own personal funds in greater proportions than urban firms highlights just how difficult the year was for them. Now that the UK's successful vaccine rollout has led to the removal of most restrictions on economic activity, the period ahead should allow many more rural and urban businesses to progress towards their ambitions, something the Bank hopes to contribute to.

Further understanding and addressing imbalances in access to finance remains a core part of the Bank's mission

With more and more businesses moving from survival mode into recovery and expansion, the Bank's mission to drive sustainable growth and prosperity across the UK and enable the transition to a net zero economy by improving access to finance for smaller businesses will come to the fore. In order to deliver against this mission we are committed to both performing further analysis to build our understanding of the drivers behind the geographic imbalances in UK business finance use and ensuring our programmes play a continued role in alleviating these imbalances.

Introduction

This is the Bank's first annual Regions and Nations Tracker, designed to complement our flagship Small Business Finance Markets report with analysis that illuminates the geographic patterns seen in UK small business finance.

Our understanding of small business finance markets across the UK draws on both the latest available data and the intelligence we obtain through our UK Network and as an active participant in finance markets. This knowledge base is central to delivering on our objective to be the centre of expertise on smaller business finance markets for government. It is also used to shape our business plan and in the design of our programmes and products, particularly those that aim to reduce imbalances in access to finance for smaller businesses across the UK.

Structure of the report

The report is divided into two sections. Part A begins with an overview of finance markets in the regions and nations of the UK that sets the scene for the remainder of the report. The overview explains which forms of finance are most commonly used across the UK and delves into some of the geographic imbalances in usage we see.

The next two components of part A provide in-depth analysis on topics we will change each year. In this year's edition we have undertaken detailed analysis of equity investor networks that sheds light on the importance of distance between investors and investee companies. We have also, for our second piece of thematic analysis, investigated finance use in rural firms and how this differs to usage among firms in urban locations.

The final element of part A explains how the Bank's programmes support businesses across the UK. This short section places particular focus on the Bank's regionally-targeted programmes: the Regional Funds and the Regional Angels Programme.

Part B of the report sets out for each region and nation in the UK the datapoints needed to understand finance markets in that location. Alongside data covering flows of finance, attitudes to finance and finance ecosystems, readers will find a selection of short case studies that should help show just how important external finance can be for businesses of all characteristics in all locations.

Part A - 1.1

Regions and nations market overview

- More than four in 10 SMEs were using external finance in early 2021
- Core debt products are the most used form of external finance in all regions and nations of the UK
- Equity finance is rarer but is particularly suited to businesses with the potential for rapid growth
- There are regional and sub-regional variations in finance availability which are most pronounced for specialist debt products and equity
- The British Business Bank has a mission to improve access to finance for businesses across the UK

External finance can be an important tool for businesses at all stages of development. Whether borrowing funds to start up, securing investment to expand or establishing working capital facilities to manage the uncertainties of trading, external finance can give entrepreneurs and businesses options they wouldn't otherwise have.

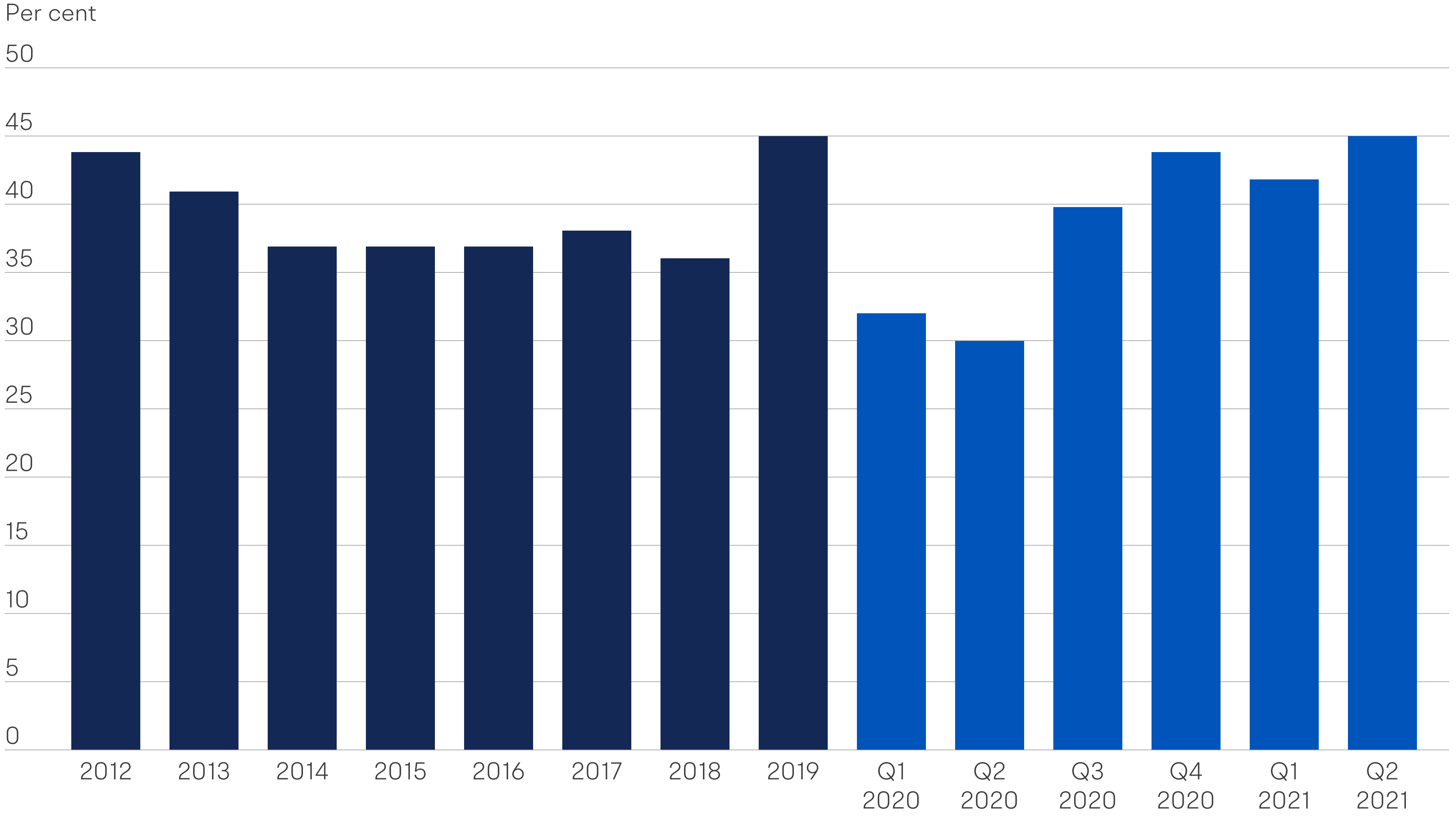
More than four in 10 SMEs were using external finance in early 2021

At the end of quarter two this year, 45% of SMEs were using some form of external finance according to the SME Finance Monitor. That level of usage is 13 percentage points up on the first quarter of 2020 and is among the highest rates of usage seen across the last 10 years (figure 1.1). Usage would likely have been even higher over this period were it not for the availability of other forms of support not classed as external finance such as the Coronavirus Job Retention Scheme.

Fig 1.1

Proportion of SMEs currently using external finance

Source: BVA BDRC SME Finance Monitor



The sharp increase in finance usage in the second half of 2020 and beyond was driven by the impacts of the pandemic with cash flow-related motivations rising to become the dominant driver of funding needs. Data from the SME Finance Monitor suggested that more than eight in 10 funding requirements in 2020 were at least partly related to cash flow, up from around five in 10 in 2019.

Unsurprisingly, business development activities such as funding expansion plans or investing in new equipment became much less common as a driver for funding needs, falling from being mentioned for 58% of funding needs to just 24% over the same period.

The intense working capital pressures businesses faced in the wake of the pandemic led to the creation of the Bank's Coronavirus Business Interruption Loan Schemes; the Bounce Back Loan Scheme (BBLS), the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS). These schemes were used in great number by the business population contributing to a record 16% of businesses reporting that they were using bank loans at the end of 2020, higher than the proportions utilising credit cards or overdrafts[1].

Core debt products are the most used form of external finance in all regions and nations of the UK

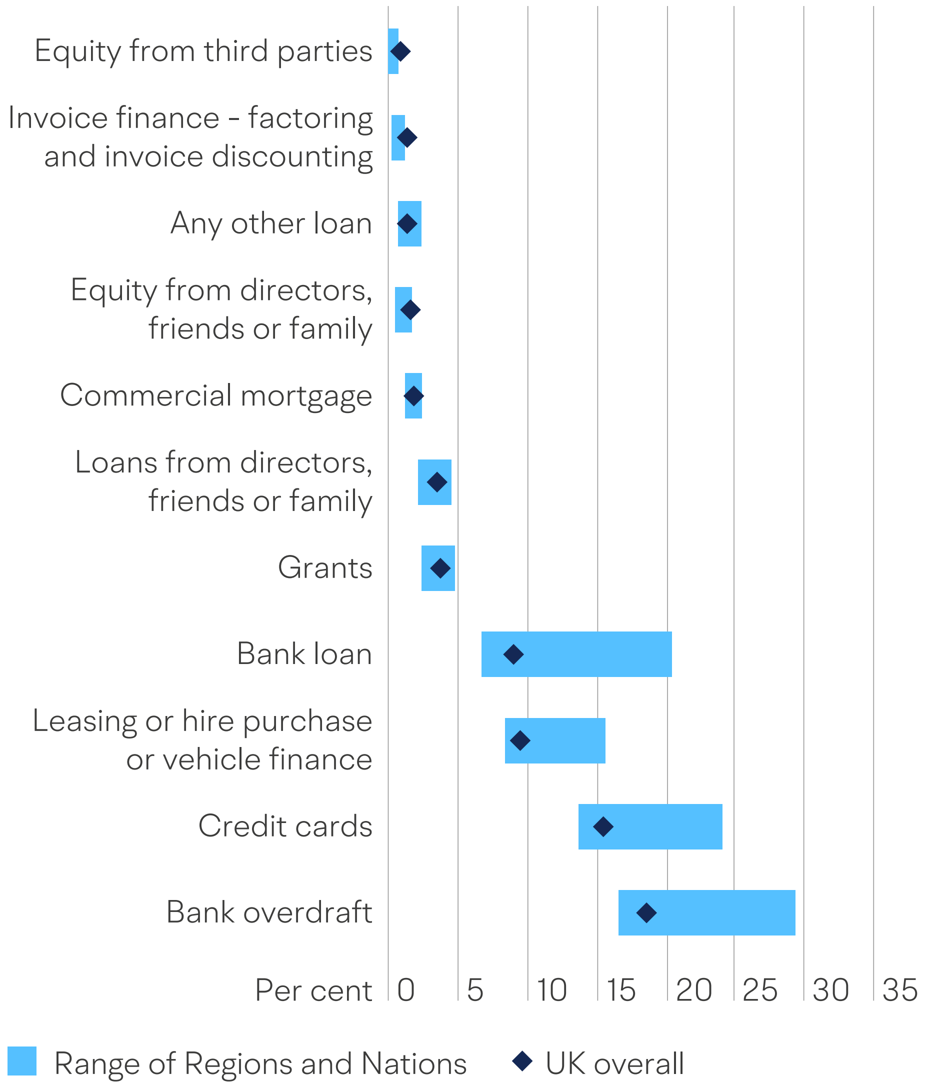
Looking over a slightly longer period covering the 10 quarters running to the end of 2020, debt products remain the most widely used although overdrafts and credit cards have typically been more popular than bank loans (figure 1.2)[2].

This pattern of core debt as the most commonly used finance category holds for all parts of the UK though there is some variation in rates of usage for some specific product types. Northern Ireland is at the top of the range for all four of the most common finance types with the East of England (overdrafts, credit cards and bank loans) and South East (leasing) sitting at the bottom during the period covered.

Fig 1.2

Use of external finance by type

Source: BVA BDRC SME Finance Monitor, Q3 2018 - Q4 2020



Equity finance is rarer but is particularly suited to businesses with the potential for rapid growth

As shown in figure 1.2, equity finance from third parties such as business angels, venture capital funds and equity crowdfunding platforms is considerably rarer than core debt products. Despite its relative rarity, equity finance makes an outsized contribution to the economy through supporting companies with the potential for rapid growth.

Companies looking to expand into, or even to create, new markets as well as those looking to fuel rapid growth may be unable to secure debt finance due to their risk profile, lack of collateral or variable cash flows. For these companies, equity investments that do not come with the need for regular repayments can create a runway to deliver on growth plans.

In 2020, there were a record 2,044 publicly announced equity investments[3] for UK SMEs amounting to £8.8bn of investment.[4] The strength of activity in part reflects the Bank's Future Fund scheme which was designed to support equity-backed companies through the pandemic, but also reflects the growing maturity of the UK's funding landscape.

Another important component of this landscape comes from private debt providers. Private debt providers specialise in providing flexible and bespoke funding structures for borrowers whose needs may not be met by standardised bank lending products. Private debt deals can incorporate features such as rolled-up interest or bullet repayment and can therefore be well suited to companies looking to implement step-change growth plans without selling equity.

Historically there has been little data on private debt activity at the lower end of the company-size spectrum but with the support of 37 fund managers, the Bank was able to compile data on market activity in 2018 and 2019[5]. The participating fund managers were responsible for £9.0bn worth of funding in 2018 and £9.4bn in 2019. Around half of this is estimated to have gone to SMEs demonstrating that private debt is of comparable scale to SME equity investment.

There are regional and sub-regional variations in finance availability which are most pronounced for specialist debt products and equity

Although core debt products are comfortably the most widely used, the scope for companies backed by equity and specialist debt products to make outsized economic contributions means that geographic variations in all finance forms matter. The benefits from diverse finance markets, which can include widening access and improving the matching of finance forms to business needs[6], add to the imperative to understand the geographic spread of all finance forms, whether mass market or highly specialised.

A simple measure that adds up the shares of the four largest units, in this case regions and nations, is a useful tool for analysing concentration. As we might expect, bank lending is relatively evenly spread across the UK as its concentration level, measured by the CR4 ratio described above, fairly closely mirrors that of the underling business population (figure 1.3). This was true prior to the pandemic and data on the Bank's BBLS, CBILS and CLBILS schemes showed that this pattern continued in 2020[7].

Although bank lending has a similar degree of concentration to the business population, this does not mean that there is a perfectly even spread. For example, the East, East Midlands, South East, West Midlands and Yorkshire and the Humber all had shares of business term lending at least one percentage point below their shares of the business population in 2018 to 2019. These deviations are meaningful given the status of bank loans as one of the most widely relevant finance products.

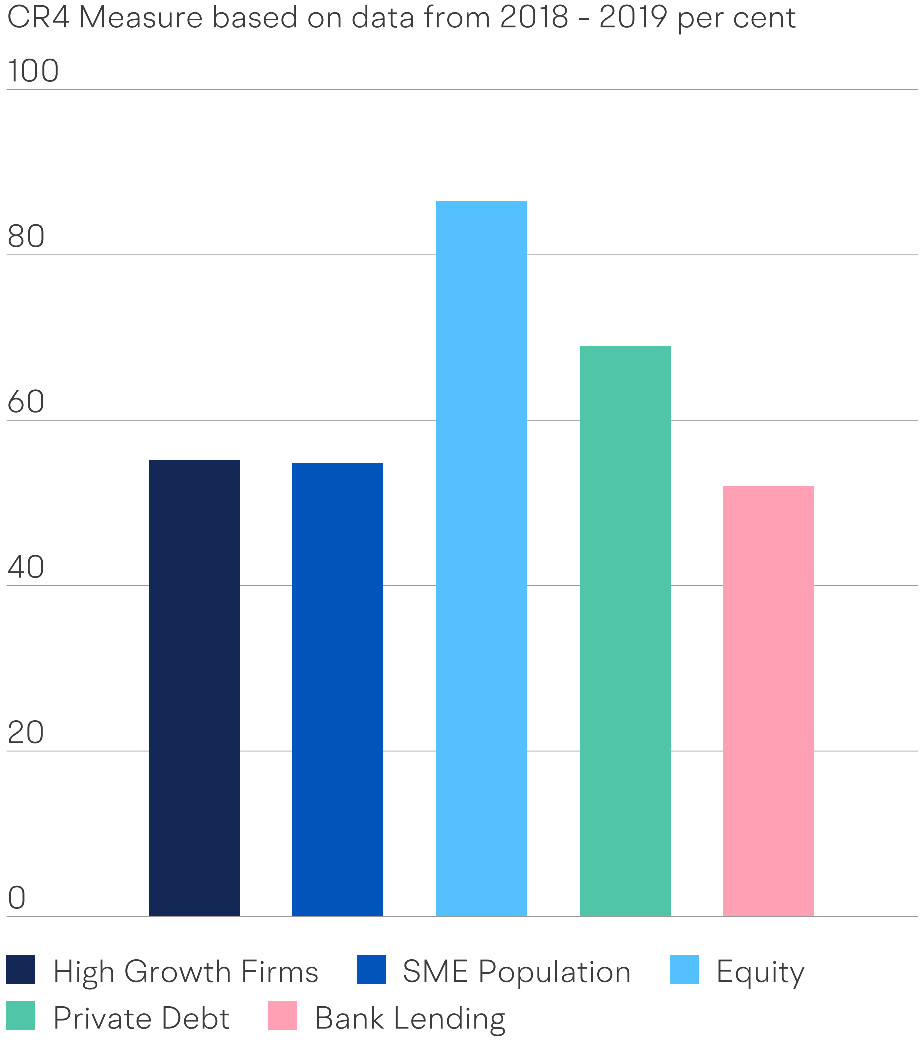
The deviations seen in the distribution of private debt and equity finance are, however, much wider (figure 1.3). Between 2018 and 2019, 69% of the value of private debt facilities and 86% of the value of equity investment was concentrated in the four regions with the largest shares: London, the South East, the East of England and the North West. Both these concentration levels are notably greater than the concentration level of the SME population in the UK.

For private debt, only London and the South East had a greater share of activity than their share of SMEs while for equity only London meets this threshold. This concentration can leave other regions looking severely underweight. For example, Yorkshire and the Humber accounted for just 4.9% of private debt activity and 1.5% of equity activity in the period covered despite hosting 7.2% of the SME population.

Fig 1.3

Concentration ratios by finance forms

Source: Beauhurst, ONS data, UK Finance and British Business Bank UK Private Debt Research Project



Regional imbalances are not the end of the story, however, as there are also wide imbalances at lower geographies too. Using more granular data at the local authority level we can see a striking degree of concentration in equity activity. Westminster, the top local authority in the distribution, has had more than 1,000 SME equity deals since 2011 while 50% of local authorities have had fewer than 10 during this period and 70% fewer than 20 (figure 1.4).

Westminster is not the only star location, there are six other local authorities that have had more than 500 deals since the Beauhurst dataset began in 2011: the City of London, Islington, Hackney, Camden, the City of Edinburgh and Southwark. Taken together, the top 20 local authorities, which also include a number of non-London hotspots such as Manchester, South Cambridgeshire, Glasgow City, Cambridge, Bristol, Cardiff, Oxford, Newcastle upon Tyne, Leeds and Birmingham, account for 58% of all deals since 2011.

Our private debt dataset covers a much shorter period but shows a similar pattern of sub-regional variation. More than half of the local authority districts in the UK have no deals in the dataset while Westminster, again the top location, accounts for 5% of those recorded.

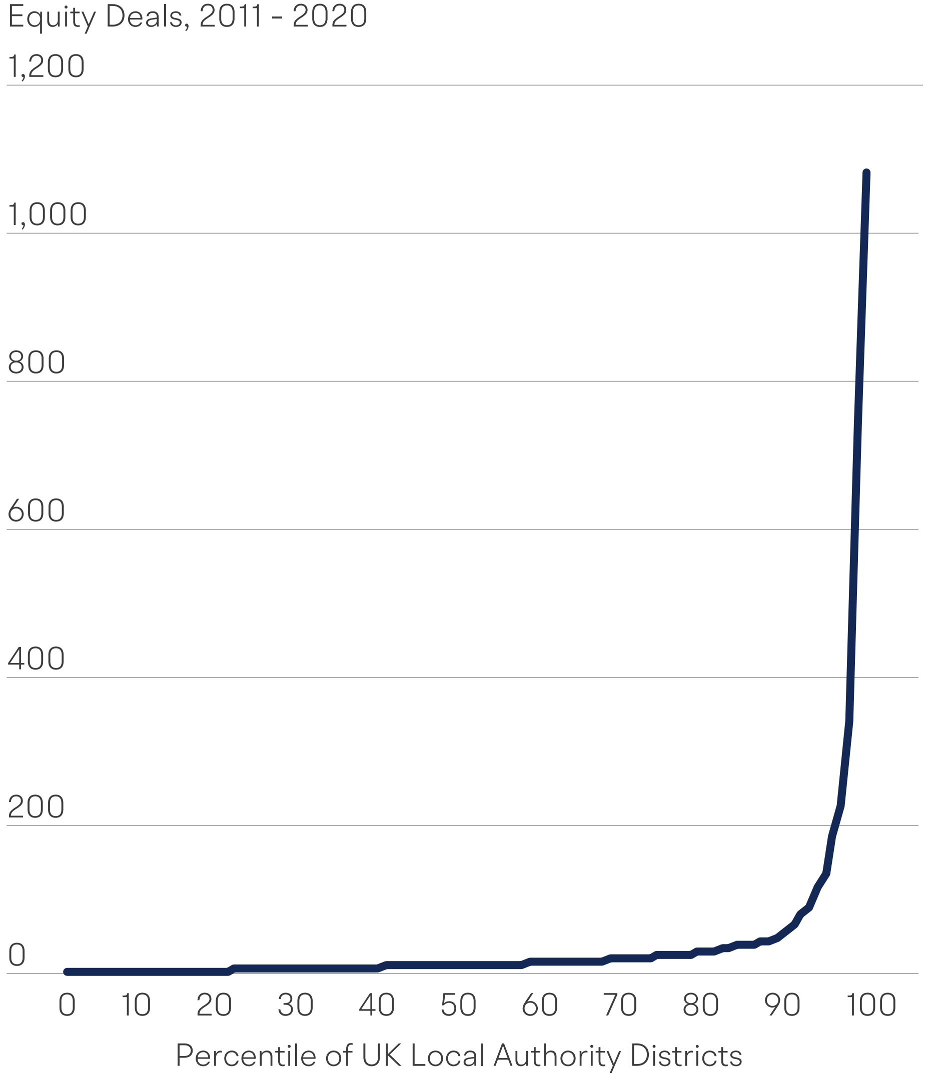
The fact that Westminster and some of the other top local authorities are popular locations for business headquarters may play a role in the patterns we see. If finance use is recorded against headquarters where little economic activity takes place this could exaggerate observed regional imbalances. We believe this so-called headquarter effect has some relevance but given 98% of registered businesses operate from only one site[8] the stark concentration in finance use described above should not be ignored.

This is particularly the case because the concentration of equity and private debt that we see at both regional and sub-regional level does not reflect a dearth of high-quality companies in areas with lower finance flows. The latest ONS data on high growth businesses records that 45% are based outside London, the South East, the East of England and the North West, a share exactly matching the business population split (figure 1.3).

Fig 1.4

Equity activity distribution at local authority level

Source: Beauhurst



Instead, the lower flows of finance in certain regions and sub-regions reflect a population of entrepreneurs and businesses operating with fewer choices. Over time, the compromises entailed by a lower choice environment have undoubtedly held back large numbers of businesses, but this is something the Bank remains committed to changing.

The British Business Bank has a mission to improve access to finance for businesses across the UK

Since our formation in 2014, improving opportunities for UK entrepreneurs and businesses has been at the heart of our mission. This has led us to develop products with a specific aim of improving financial imbalances, in addition to the efforts we make to achieve regional impact from our national products.

Our three Regional Funds, the Northern Powerhouse Investment Fund, the Midlands Engine Investment Fund and the Cornwall and Isles of Scilly Investment Fund, have already made demonstrable impacts on business outcomes like employment and turnover for a generation of businesses in previously under-served areas. Our Regional Angel Programme is much newer but is helping do the same through sizeable commitments to eight delivery partners who in turn have already made more than 250 investments.

Alongside our efforts as a market participant, we are keen to use our position as a centre of expertise for UK business finance markets to expand and share the evidence base on geographic dimensions to finance. This new publication series will give us a further outlet to engage with others who share our commitment to making every part of the UK a great place to do business.

Part A - 1.2

Investor networks

- For lots of equity investments, the relationship formed is as important as the capital provided
- More than eight in 10 equity investment relationships meet the two-hour travel time rule
- Despite the dominance of relatively short distance deals, there are strong investment links between different parts of the UK
- The massive increase in home working prompted by the pandemic does not yet appear to have shifted distance patterns in equity investment
- Investors with a local presence are critical to the success of UK equity ecosystems

Since 2011 there have been almost 15,000 publicly announced private external equity deals for small and medium sized businesses in the UK. These deals bring together entrepreneurial and investing talent with the aim of unlocking rapid company growth.

For lots of equity investments, the relationship formed is as important as the capital provided

Equity investors don't just select companies, the matching is two-sided and the entrepreneurs must also be happy to work with the investors[9]. This mutual agreement to form a relationship happens over time, driven by face-to-face meetings to support funding decisions and pre-investment diligence that often involves on-site visits.

The relationship doesn't end at the point of investment. Post-investment there are ongoing flows of information and advice as well as formal monitoring processes, often involving the investor sitting on the company board. This need to build a trusting relationship, coupled with other features of investing in private companies such as a lack of regulatory requirements to disclose detailed financials and the reliance on personal networks to source deals, can create strong incentives for investors to make equity investments in businesses within close proximity.

Investors and entrepreneurs may also find that being within close proximity means they have familiar codes of practice and behaviours. This can have a psychological effect and draw upon our preferences to invest in the familiar, a phenomenon seen in public markets too[10,11].

In equity investment, these forces have resulted in the so-called 'one-hour' or 'two-hour' rules, which suggest investors are unlikely to invest further than a one- or two-hour drive from their location.[12] Previous research undertaken by BEIS found evidence supporting the spatial proximity hypothesis in UK private external equity markets, whereby the number of equity investments undertaken decreases with the distance from the head or branch office of the investor.[13] This chapter aims to take this one step further, and explicitly test the travel time hypotheses mentioned above.

Our methodology utilises data from Beauhurst and the Google Directions API to test the one and two-hour hypotheses for the UK. Beauhurst record equity deals made by the full range of investors, from large multi-million growth deals in established businesses by private equity funds to smaller deals in early stage companies by angel investors and equity crowdfunding platforms.

Between 2011 and 2020 Beauhurst captured 14,574 announced SME equity deals involving 3,912 unique investors. Fundraisings can involve multiple investors and where this is the case such fundraisings result in multiple pairings in our dataset. For example, a deal with three investors will result in three pairings: recipient to investor A, recipient to investor B and recipient to investor C. Deals with multiple investors are common so our 14,574 deals yield 21,579 investor-investee relationships. These 'pairings' are the focus of this chapter and cannot be viewed as 'deals' given, as explained above, a single deal may have multiple pairings.

Only pairings involving UK-based investors were within scope, meaning 16,778 of the 21,579 overall pairings made it into the final sample. Many investors have multiple offices, so the analysis uses the postcode for the closest investor office to each recipient company in all cases to calculate the fastest travel time between the pair. Both car and public transport times are calculated with the faster option used.

More than eight in ten equity investment relationships meet the two-hour travel time rule

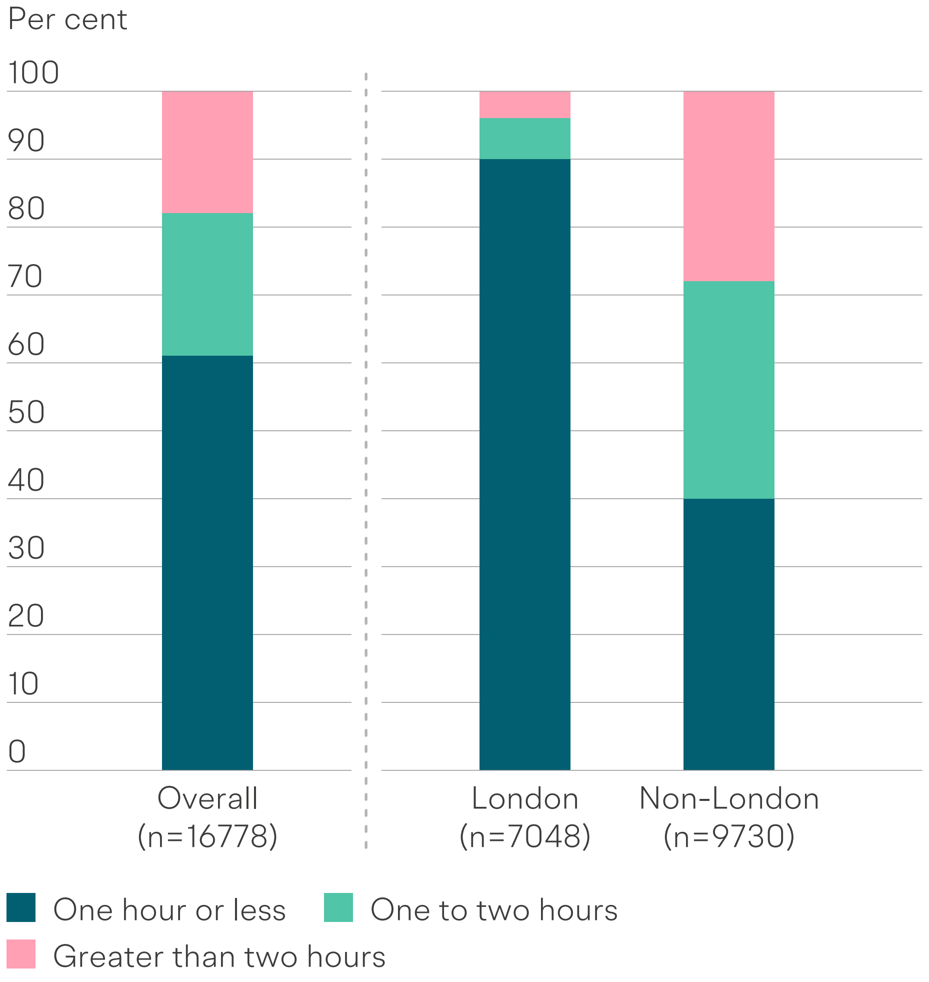
The 'one-hour' or 'two-hour' rules in VC are supported by evidence from the UK, especially the 'two-hour' rule. Figure 2.1 shows that for 61% of investor-investee pairings in UK private external equity investments undertaken between 2011 and 2020 the investor had an office within an hour of the recipient company's headquarters, and 82% within two hours.

It's a slightly more complex picture when you consider that a key driver of this trend is investment in London-based businesses, which represent 42% of pairings in the sample. For investments in London-based businesses, 90% of pairings were located within an hour, and 96% within two hours. The two rules of thumb, especially the 'one-hour' rule, are not reflected quite as strongly in the non-London data, with only 46% of investor-investee pairings having an office within an hour. However, the proportion of pairings within two hours remains high for recipients outside of London at 72%.

Fig 2.1

Proportion of investor-investee pairings involving an investor with an office within one or two hours of the recipient business, by recipient location

Source: Beauhurst, 2011 - 2020



Although for these high-level geographic groups the hypotheses around travel time seem to hold, the picture is more nuanced once this is broken down into specific regions and nations. As outlined in figure 2.2, the proportion of pairings within a two-hour travel time ranges from 96% in London to just 37% in the South West.

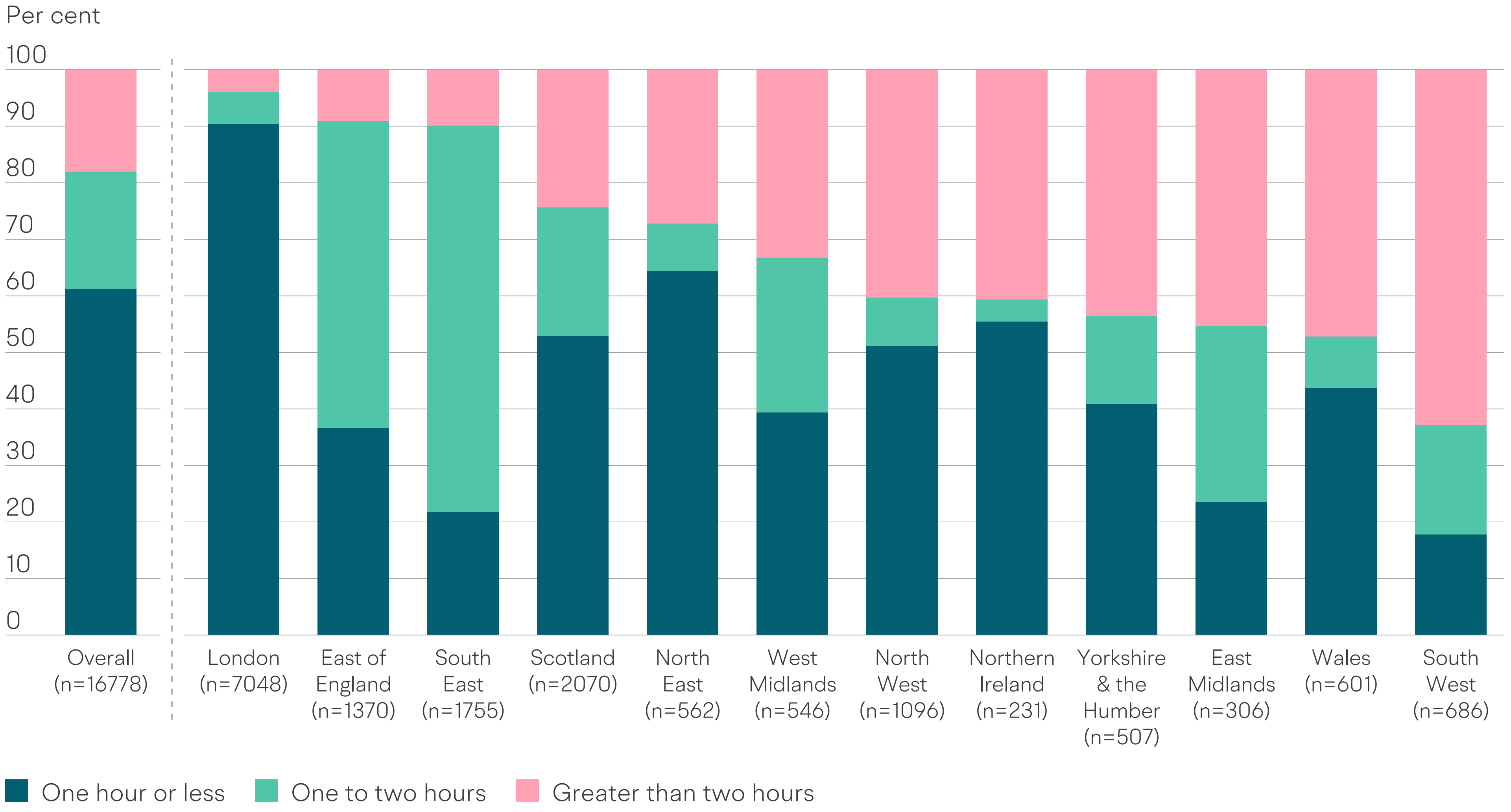
Despite the dominance of relatively short distance deals, there are strong investment links between different parts of the UK

The key driver of the trend in travel times between investors and recipients in a region or nation is the extent to which the geography has an active local equity investor base. As may be expected, London-based investors are the dominant source of external capital across the UK, hence proximity to London for regions without strong local investor bases drives travel time trends.

Fig 2.2

Proportion of investor-investee pairings involving an investor with an office within one or two hours of the recipient business, by recipient UK region or nation

Source: Beauhurst, 2011 - 2020



The level of reliance of individual regions and nations on London-based investors varies widely across the UK, as outlined in figure 2.3, and each region and nation can be categorised into three broad groups:

1. **Self-contained:** For at least two thirds of pairings in a region or nation the closest office of the investor was in the same region or nation
2. **Mixed geographies:** Pairings in which the closest office of the investor was in the same region or nation as the recipient were the most common result, however the closest investor was external for at least 40% of pairings
3. **London-reliant:** For the majority of pairings involving a company within these regions or nations the closest office of the investor is in London.

Fig 2.3

Comparison of geographic location of investor-investee pairings, by UK region or nation

Source: Beauhurst, 2011 - 2020

The majority of equity activity takes place in the self-contained regions and nations

As shown in figure 2.4, almost six in 10 of the 16,778 pairings in the analysis fall into the 'self-contained' regions and nations, which is unsurprising given London falls into this category. The second most populous category is the 'London-reliant' regions at 25%, followed by 'mixed' regions and nations with 18% of pairings.

Self-contained geographies

Three regions and nations fall into this bracket, London, Scotland and the North East. As outlined in figure 2.5, 87% of pairings involving companies in these geographies are with an investor in the same region or nation. London has the highest share on this metric, with 90% of pairings within-region, followed by Scotland at 81% and the North East with 66%.

Due to the strong contribution of within-region investors to deal volumes, 90% of pairings within the self-contained geographies meet the two-hour rule as outlined in figure 2.6. The strength of both Scotland and the North East on this metric is testament to their local investor bases, given all transactions involving London investors fall outside of the two-hour rule for both geographies.

Fig 2.4

Split of overall pairing population by recipient business geography classification

Source: Beauhurst, 2011-2020

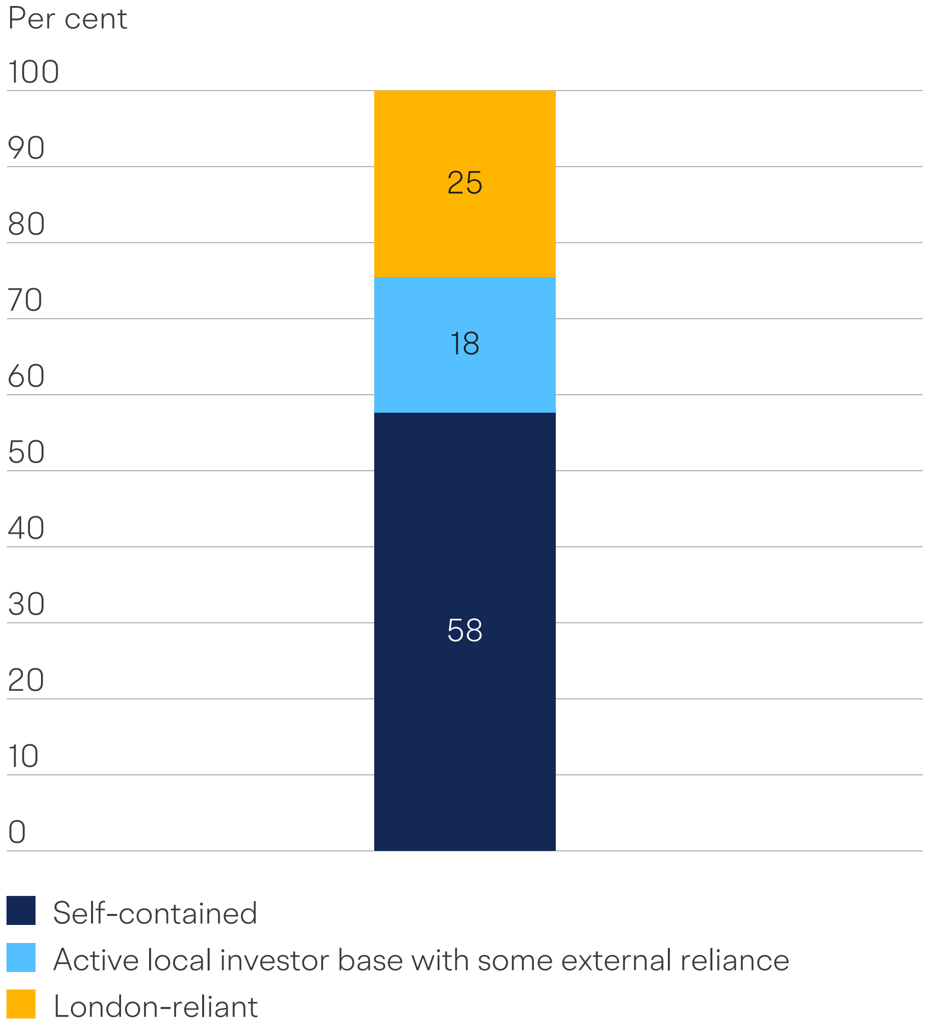


Fig 2.5

Comparison of geographic location of investor-investee pairings by region or nation of recipient- Self-contained geographies

Source: Beauhurst, 2011 - 2020

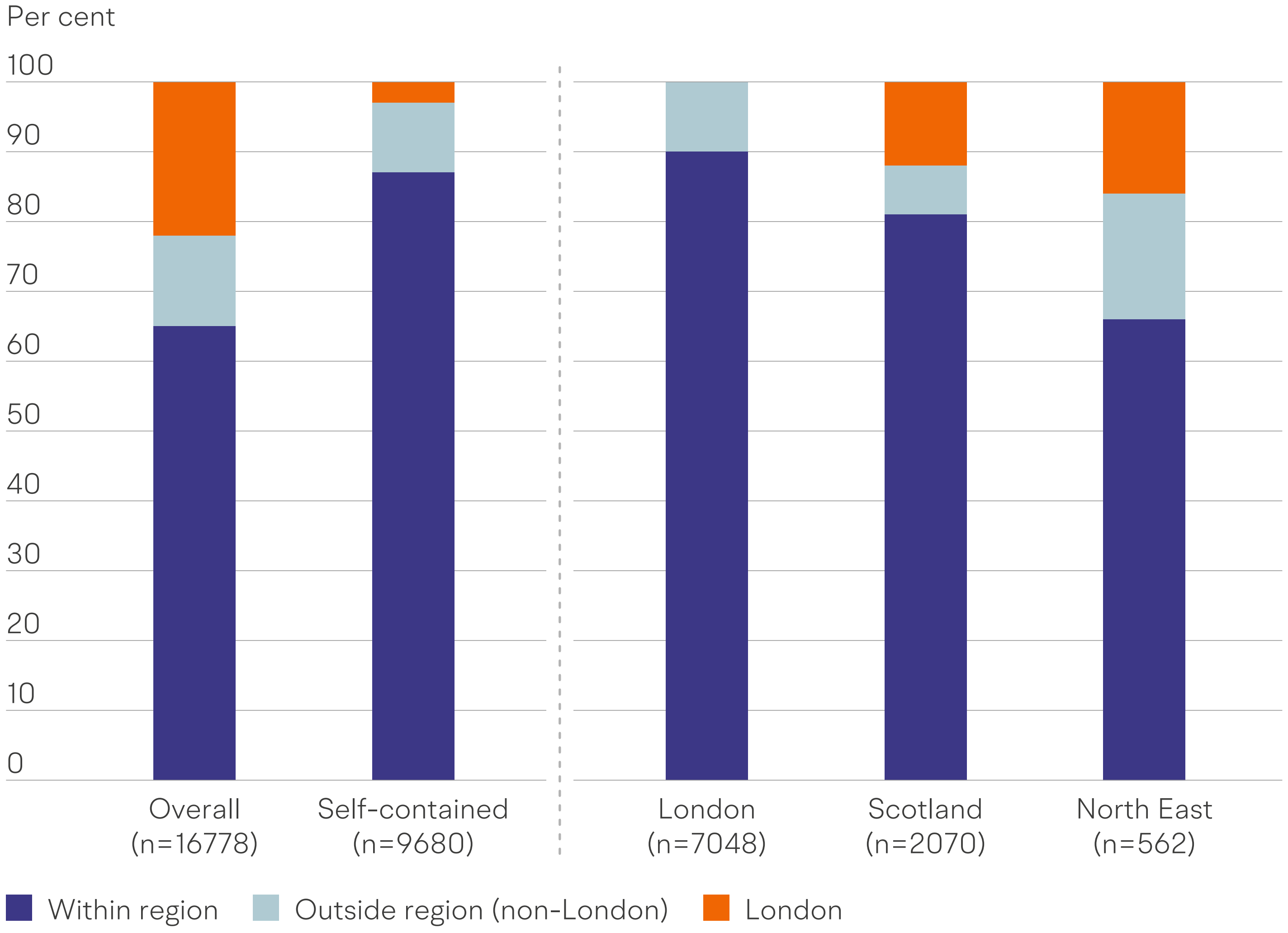
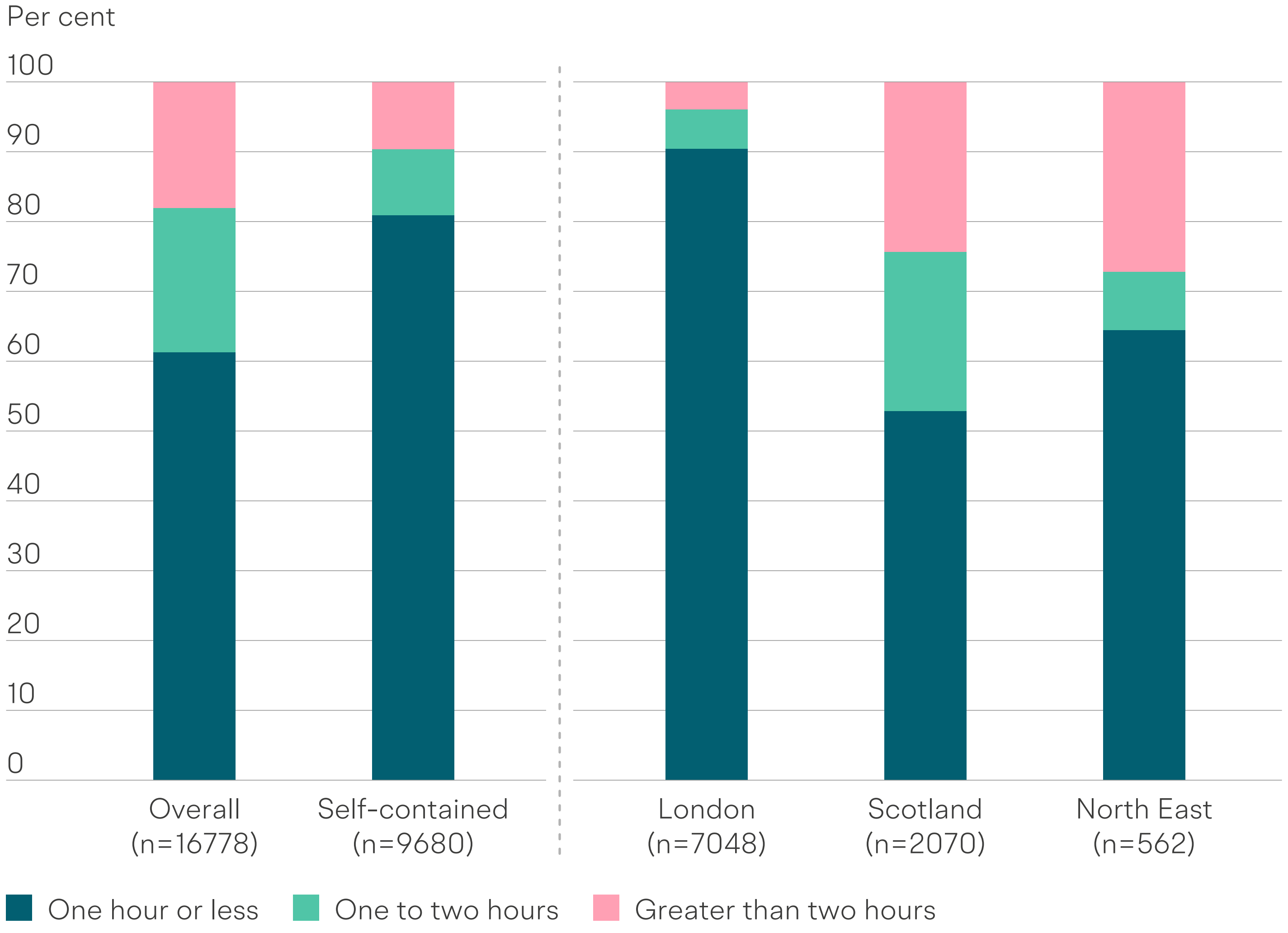


Fig 2.6

Proportion of investor-investee pairings in which the investor had an office within two hours of the recipient, by region or nation of recipient- Self-contained geographies

Source: Beauhurst, 2011 - 2020

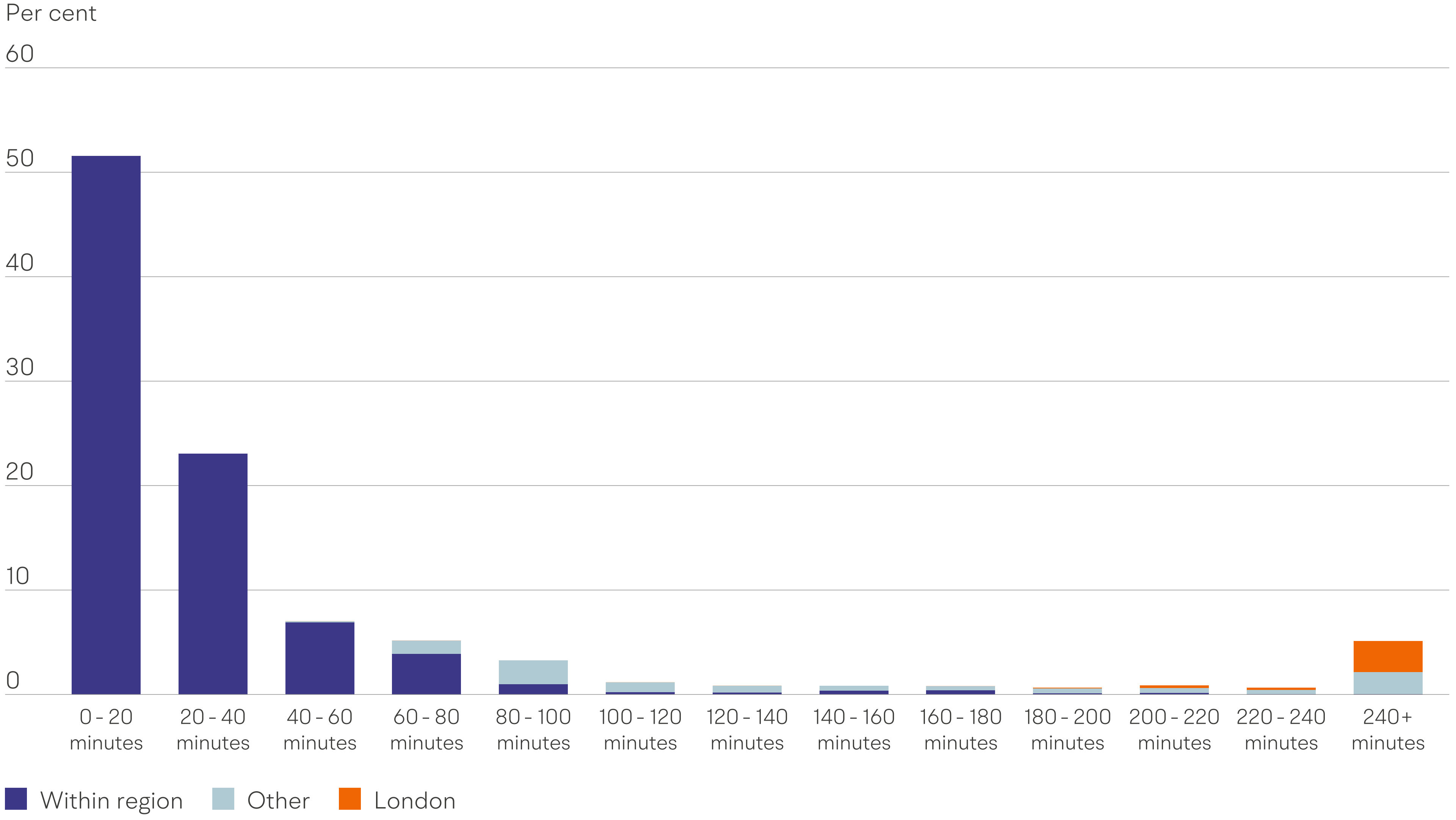


The distribution of pairing travel times within the 'self-contained' geographies resembles a power-law distribution as across most of the range, doubling the travel time roughly halves the share of pairings. For example, in 51% of pairings the investor had an office within 20 minutes of the recipient business with 23% in the 20-40 minute bracket. The investment ecosystems in these 'self-contained' geographies are therefore extremely localised, supporting the hypothesis that investors have a local bias when making investment decisions where there is a strong local investment ecosystem.

Fig 2.7

Distribution of travel time between company and investor, investor-investee pairings in 'self-contained' geographies

Source: Beauhurst, 2011 – 2020



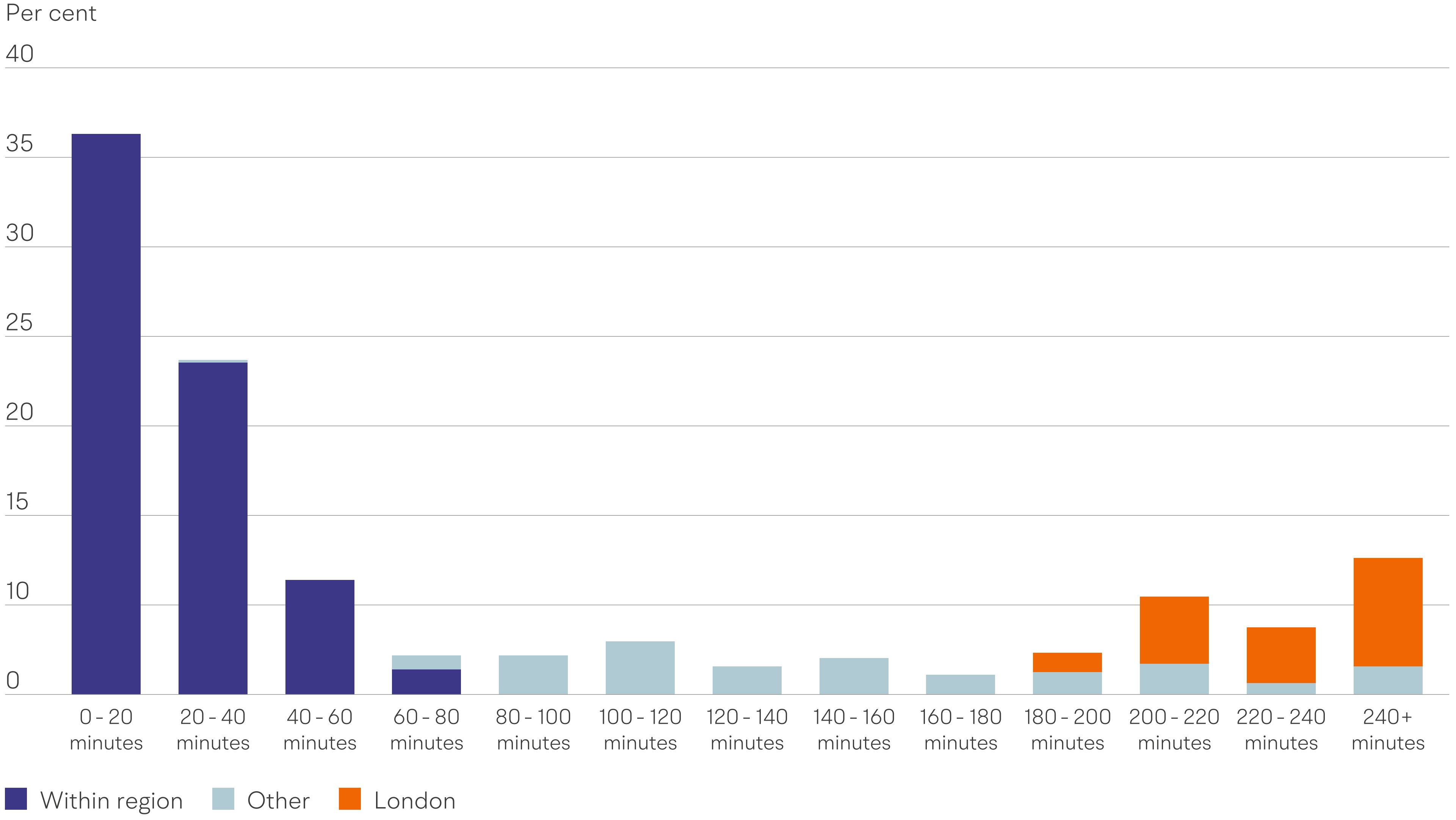
Spotlight on… The North East

Figure 2.8 shows the distribution of travel times for pairings involving businesses in the North East, one of the areas in the self-contained category. For 73% of pairings, the investor had an office within two hours of the businesses' headquarters, slightly lower than the national average but higher than many surrounding regions. The distribution in the North East is much closer to the overall UK distribution than other regions in the North and Midlands, and the North East also has the third highest proportion of within-region investment of all UK regions and nations, at 66% of pairings, behind only Scotland and London. This strong local investor base is reflected in travel time patterns as 64% of pairings are within 60 minutes, the second highest of any UK region or nation.

Fig 2.8

Distribution of travel time between company and investor, investor-investee pairings in the North East

Source: Beauhurst, 2011 – 2020



As mentioned above, the North East has a relatively strong local investor ecosystem centred around Newcastle and driven by the European Regional Development Fund and European Investment Bank-backed North East Fund's investment programme. As a result, 42% of pairings involving North East companies include investors with an office in the Newcastle upon Tyne Local Authority District (LAD), one of the highest concentrations of investors in a single LAD in any UK region or nation.

Investors with an office in Leeds also had a reasonable presence within the North East. As may be expected the largest proportion of pairings in the North East were in Newcastle-based companies, at 31%. This means recipients are slightly less concentrated than investors within the region. The surrounding areas represent strong clusters of activity, with 20% of pairings in the County Durham LAD, 9% in Sunderland and 8% in Gateshead. Overall, equity pairings are relatively well distributed throughout the region.

Fig 2.9

Distribution of investors involved in North East investor-investee pairings, by NUTS 2

Source: Beauhurst, 2011 – 2020

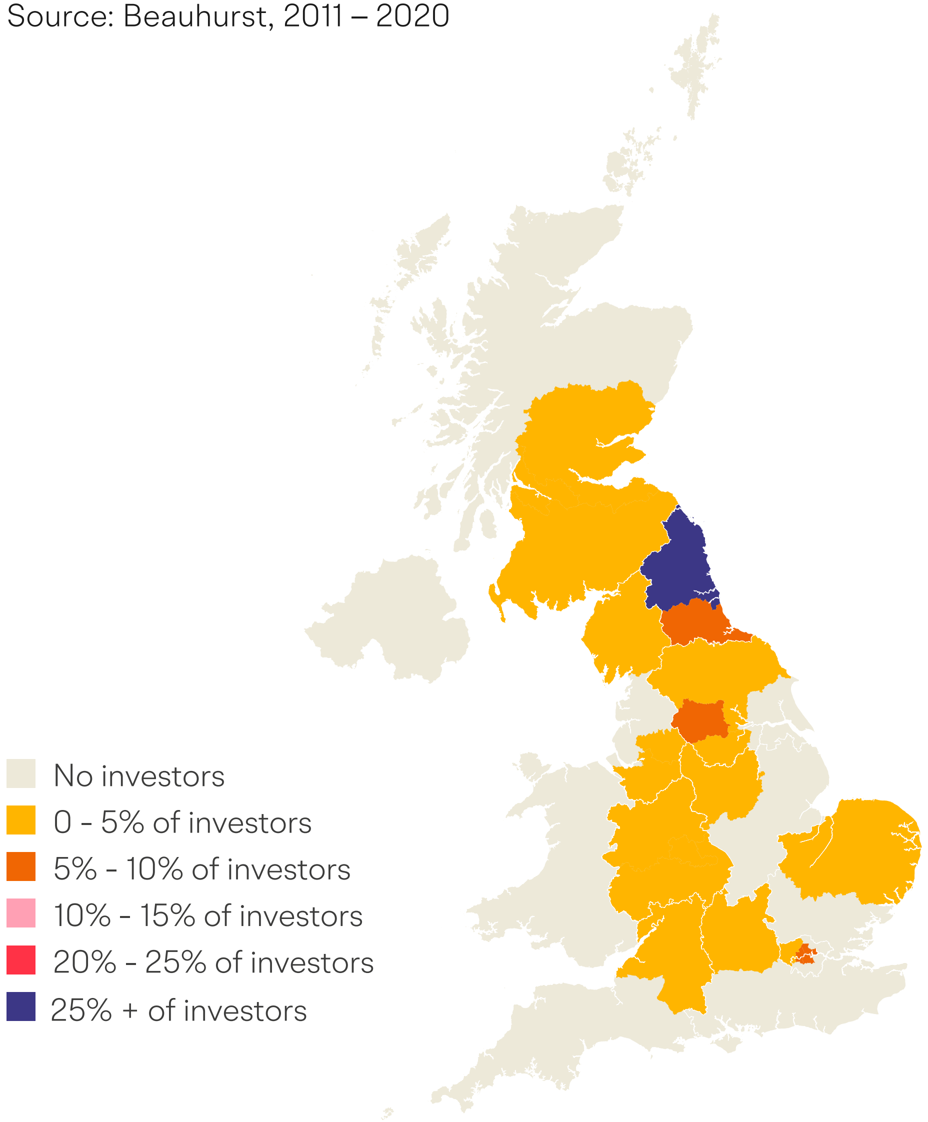
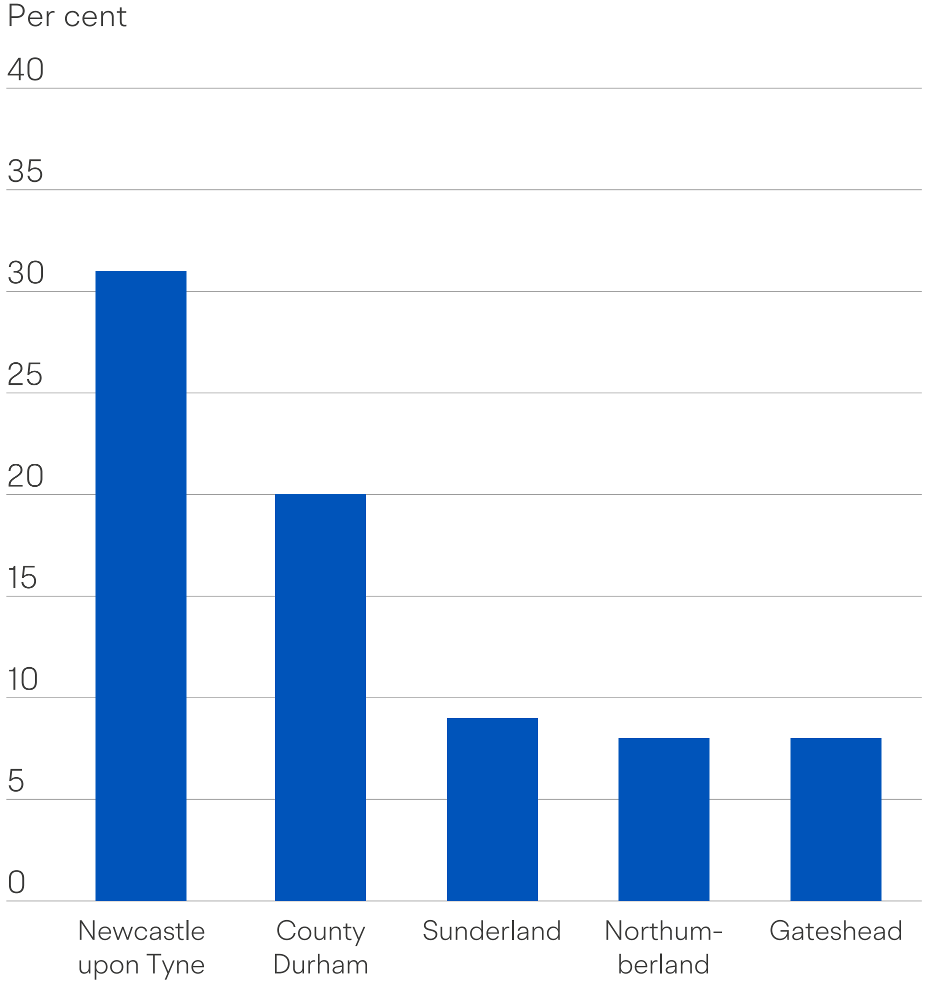


Fig 2.10

Top five Local Authority Districts in the North East by proportion of North East investor-investee pairings

Source: Beauhurst, 2011 – 2020



Case study

Nova Pangaea Technologies

Programme: Northern Powerhouse Investment Fund, Future Fund

Nova Pangaea, a Teesside-based clean tech company, has experienced rapid growth with the help of three funding rounds with the Northern Powerhouse Investment Fund (NPIF), including an increase of over 45% in staff numbers since January 2020.

The company, which has developed a new way to generate fuel and chemicals from waste biomass, has invested in a number of senior recruits since this investment, taking its total full-time members of staff to 17. It has also secured a string of plant trials with large forestry, agriculture and oil and gas multinationals.

Established in 2009, Nova Pangaea received an initial investment of £2.3 million in 2019 as part of a funding round led by NPIF – Mercia Equity finance, which is managed by Mercia and is part of the Northern Powerhouse Investment Fund. This was in addition to funding from existing investors, including UK-based Cambridge Angels and Par Equity, located in Edinburgh. This injection was used to develop Nova Pangaea's first-of-its-kind technology process.

In 2021, the clean tech firm received a further £1.1m investment from NPIF – Mercia Equity Finance, the UK Government's Future Fund and existing shareholders. The funding was used to scale the business significantly, which has since led to the business raising a further £2.4 million in a Series A funding round led by Par Equity alongside NPIF and Cambridge Angels, as well as several existing private investors.

The Northern Powerhouse Investment Fund project is supported financially by the European Union using funding from the European Regional Development Fund (ERDF) as part of the European Structural and Investment Funds Growth Programme 2014-2020 and the European Investment Bank.

Local investors are important but not dominant in the Mixed geographies

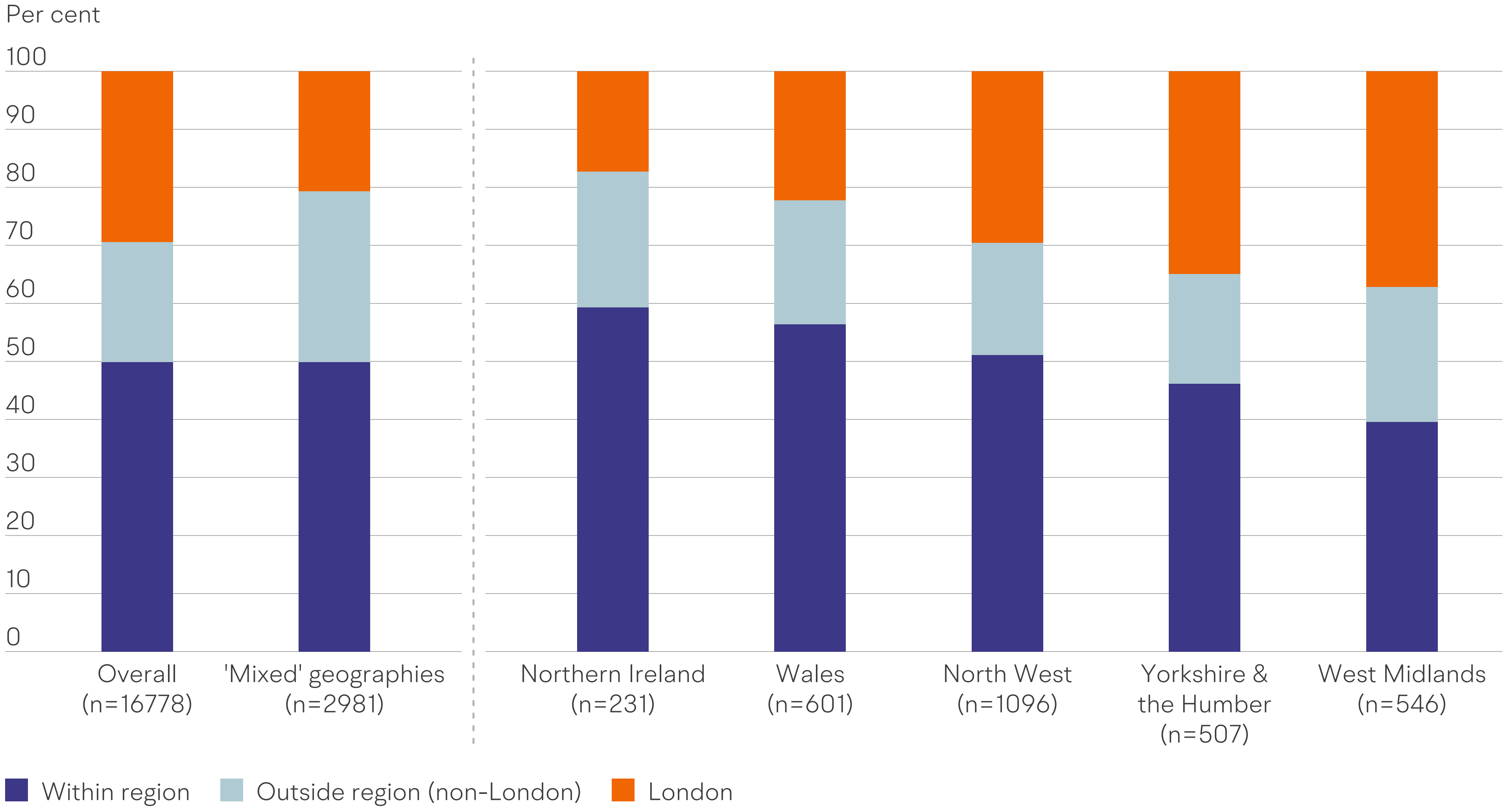
Five regions and nations fall into this bracket, Northern Ireland, Wales, the North West, Yorkshire and the Humber and the West Midlands. As outlined in figure 2.11, when pooled together, 50% of pairings involving companies within these geographies, also involve an investor in the same region or nation.

The regions and nations in this category do, however, vary in terms of the prevalence of local investors. At the upper end of this category is Northern Ireland where 59% of pairings are within region and at the lower end is the West Midlands where the share is 40%. Despite this variation, within-region investors are the largest group of investors in all regions in this category. Non-London external investors account for around 20% of pairings across the category meaning the London share of pairings is higher for regions with a less developed and active local investor base.

Fig 2.11

Comparison of geographic location of investor-investee pairings by region or nation of recipient - 'Mixed' geographies

Source: Beauhurst, 2011 – 2020

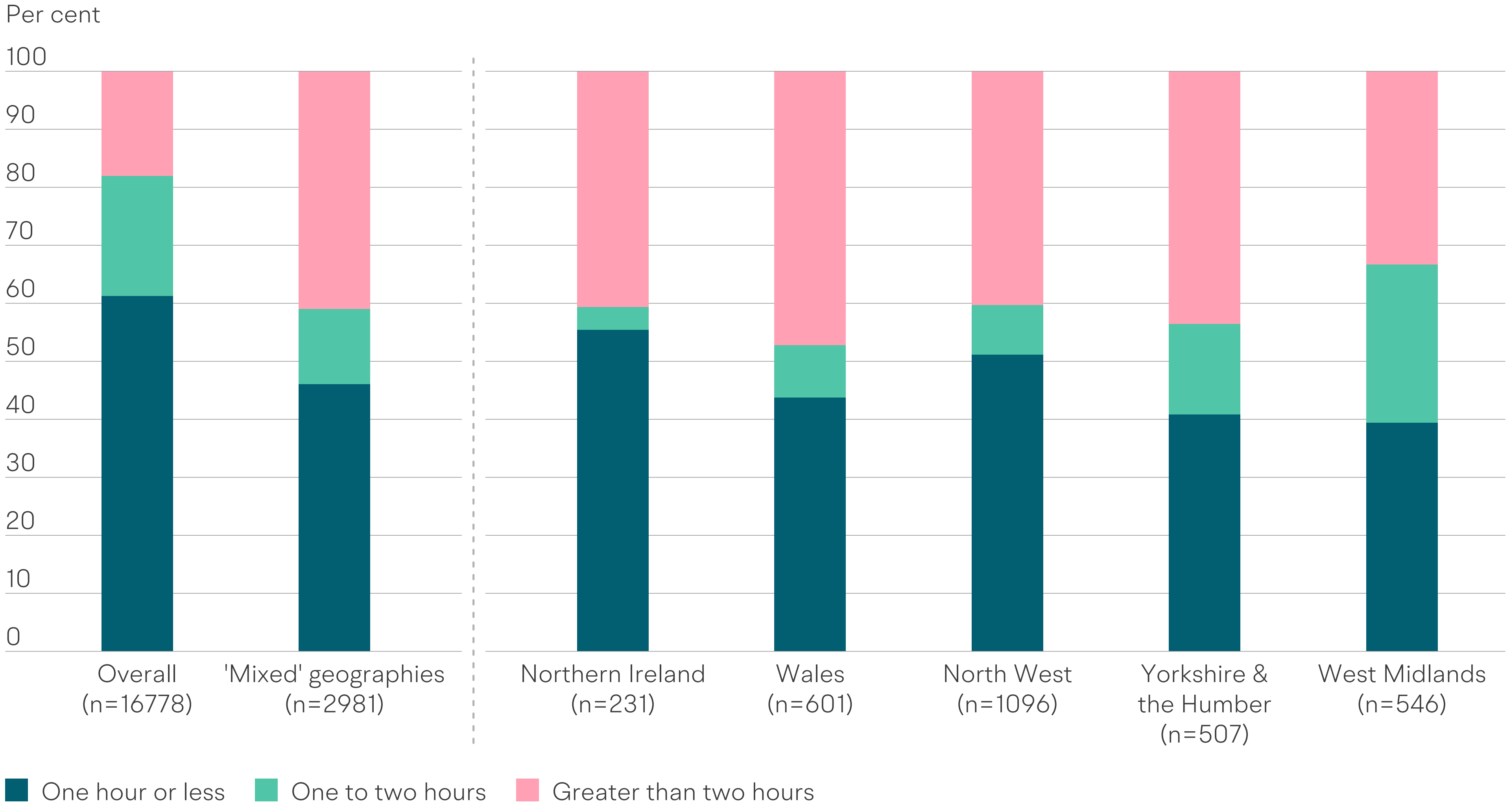


Despite the balance between local and London-based investors varying somewhat between geographies in this category, the proportion of pairings in each region or nation for which the 'two-hour' rule holds is relatively consistent at around 60%. This reflects that, whilst regions such as the West Midlands are substantially more London-reliant than somewhere like Northern Ireland, much closer proximity to London and established transport links mean that London-based investors can get to many areas in the West Midlands within two hours. The West Midlands therefore has the highest proportion of pairings involving an investor within two hours of the recipient of any geography in this category.

Fig 2.12

Proportion of investor-investee pairings in which the investor had an office within one or two hours of the recipient, by region or nation of recipient - 'Mixed' geographies

Source: Beauhurst, 2011 – 2020

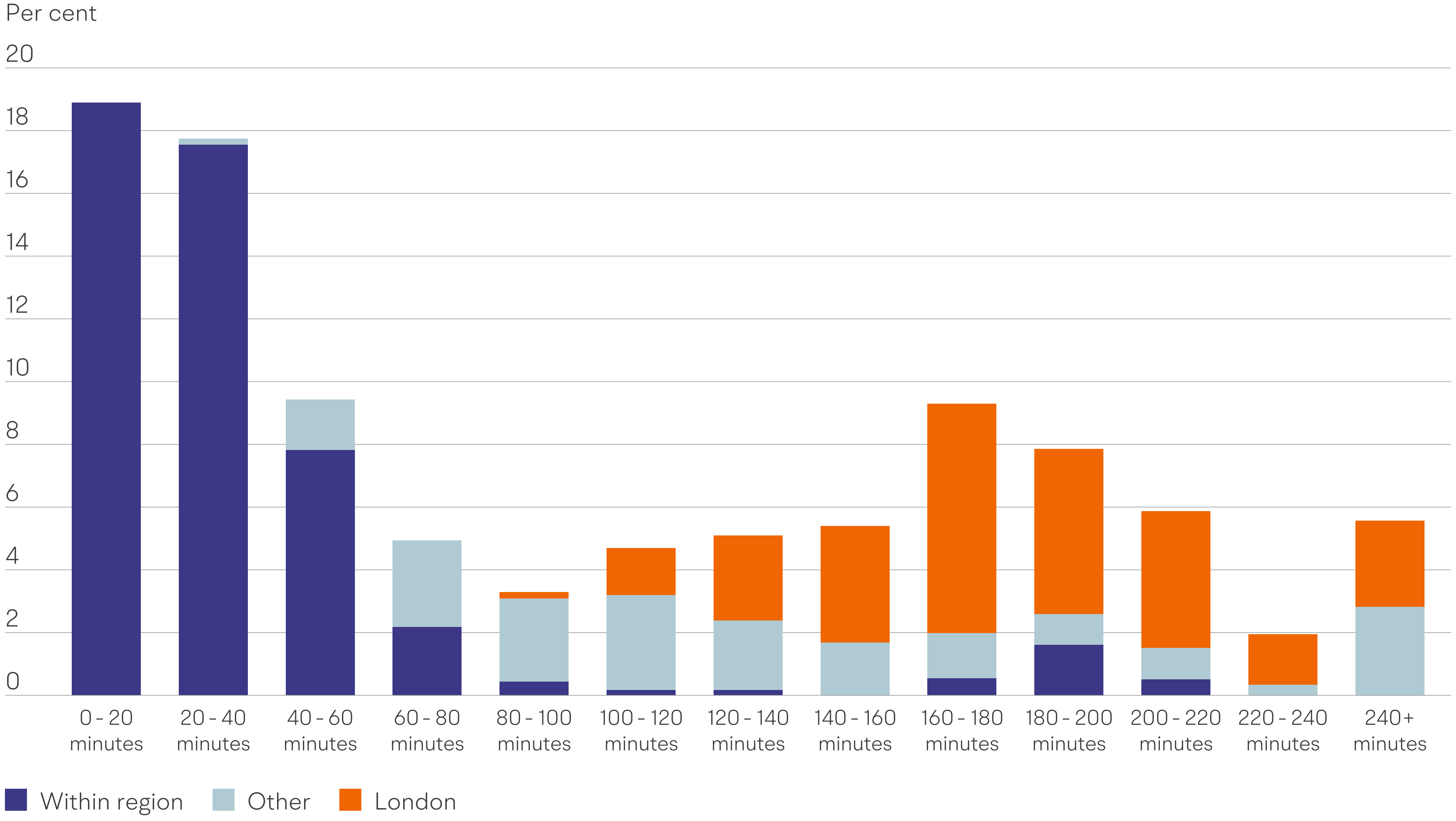


The distribution of travel times for pairings involving recipients located within the 'mixed' geographies differs somewhat to that of the overall UK distribution and to the 'self-contained' geographies. Although the most common travel time remains at 0-20 minutes, the distribution does not follow a power law with a second peak at 160-180 minutes. The position of this second peak is driven by travel times between the mixed geographies and London which tend to be more than two hours, with the exception of certain parts of the West Midlands as noted above.

Fig 2.13

Distribution of travel time between company and investor, investor-investee pairings in 'mixed' geographies

Source: Beauhurst, 2011 – 2020



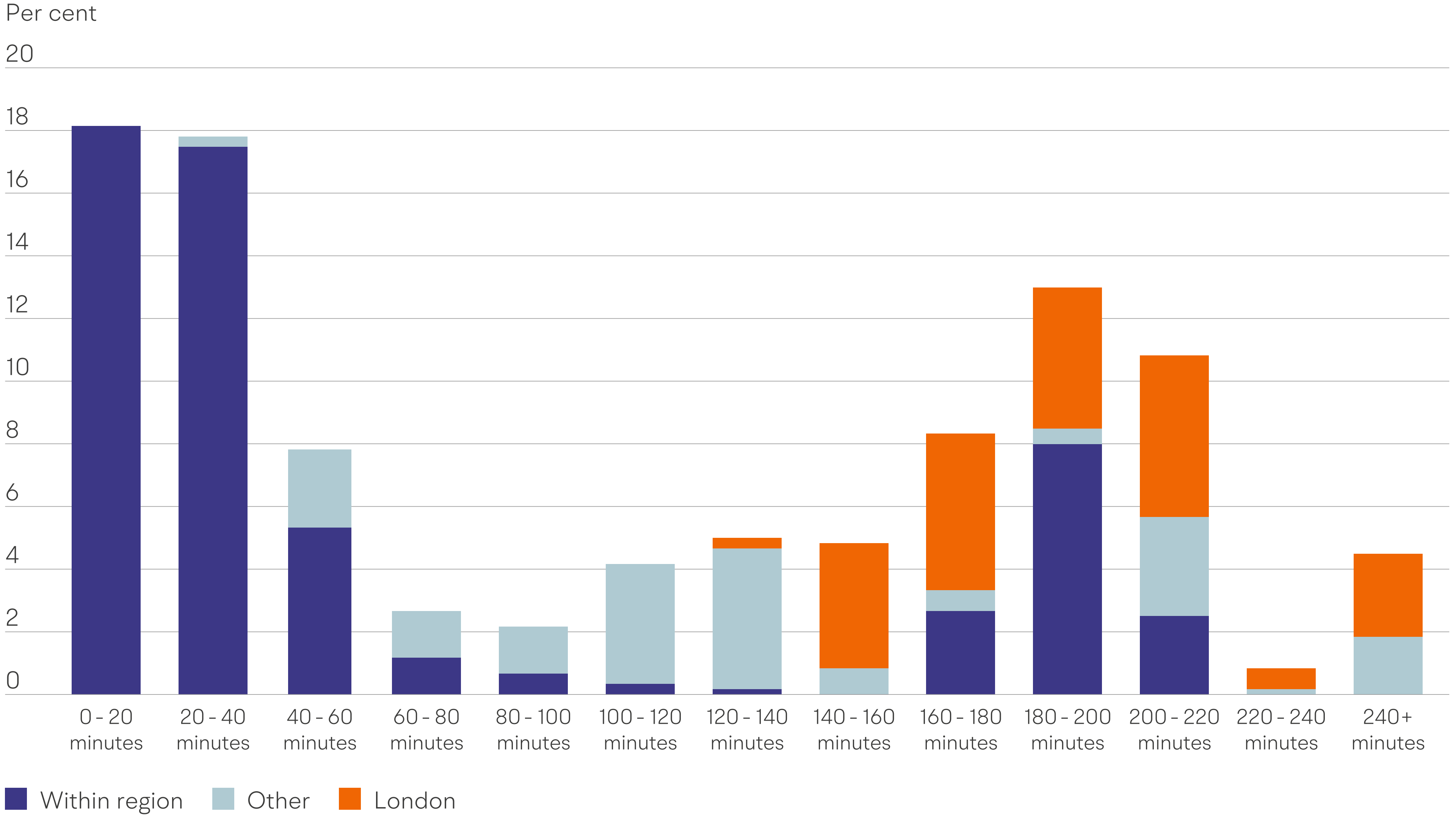
Spotlight on... Wales

As shown by figure 2.14 the distribution of travel times between businesses in Wales receiving private external equity investment and the office of the closest investor is somewhat similar to that of the overall 'mixed geographies' sample. There is an initial peak at the 0-20 and 20-40-minute categories driven by local investment, followed by a second peak further along. However, a key distinction, and a feature fairly unique to Wales, is that this second peak is primarily driven by the activity of local rather than London-based investors. The distance between key clusters of investors in North Wales and recipients in the South of Wales is the driver of this trend and explored further below.

Fig 2.14

Distribution of travel time between company and investor, investor-investee pairings in Wales

Source: Beauhurst, 2011 – 2020



The majority of equity deals in Wales were in businesses located in the South of the country. As you can see from the table several clusters exist here, with Cardiff as the focal point. Recipients in Cardiff, Swansea, Newport and Bridgend represent 37%, 10%, 7% and 5% of pairings respectively. Investors are similarly clustered in Cardiff, with Cardiff-based investors representing 33% of pairings involving Welsh businesses. However, the second largest is Wrexham with 15% of investors despite businesses in the area only featuring in 2% of pairings. This is driven by the location of the Development Bank of Wales, and heavily influences the distribution chart above due to Wrexham's distant location relative to the equity clusters in the South of Wales.

Fig 2.15

Distribution of investors involved in Wales investor-investee pairings, by NUTS 2

Source: Beauhurst, 2011 – 2020

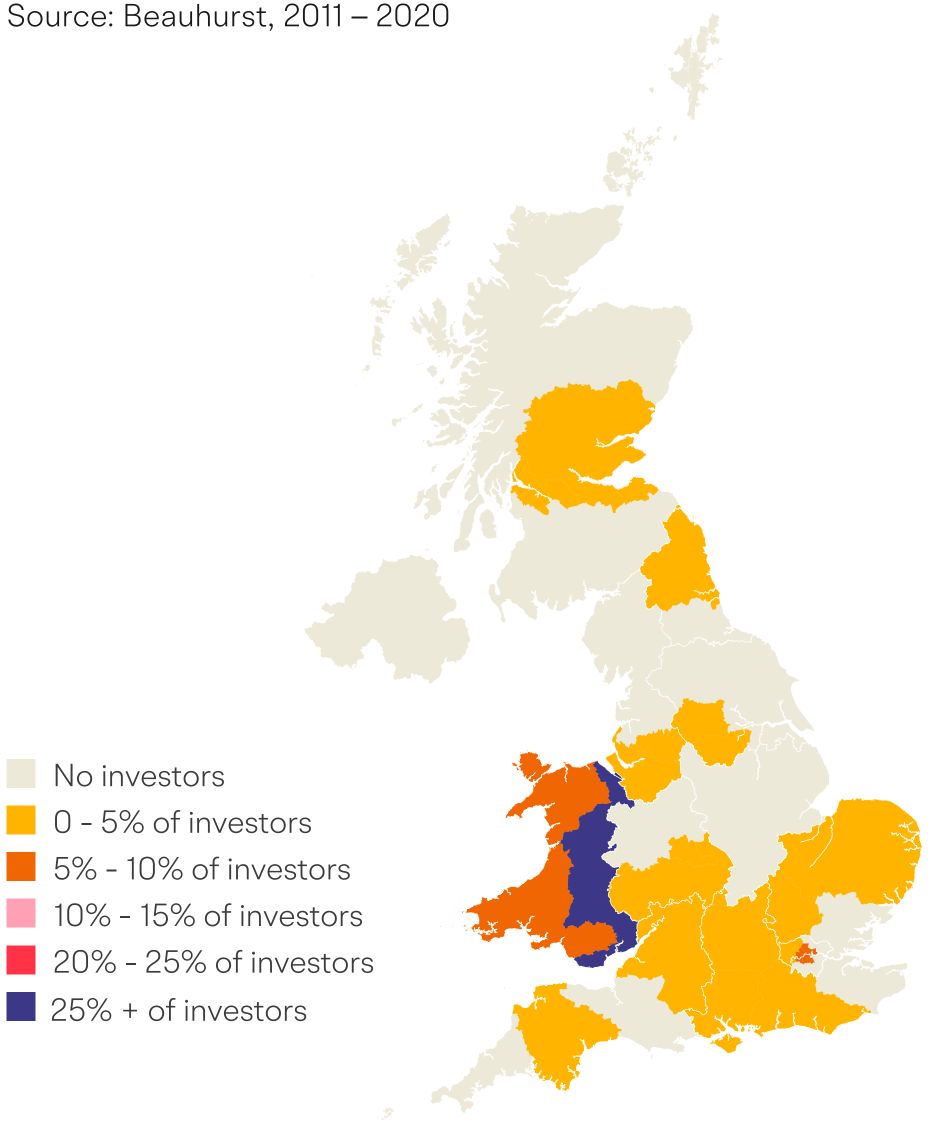
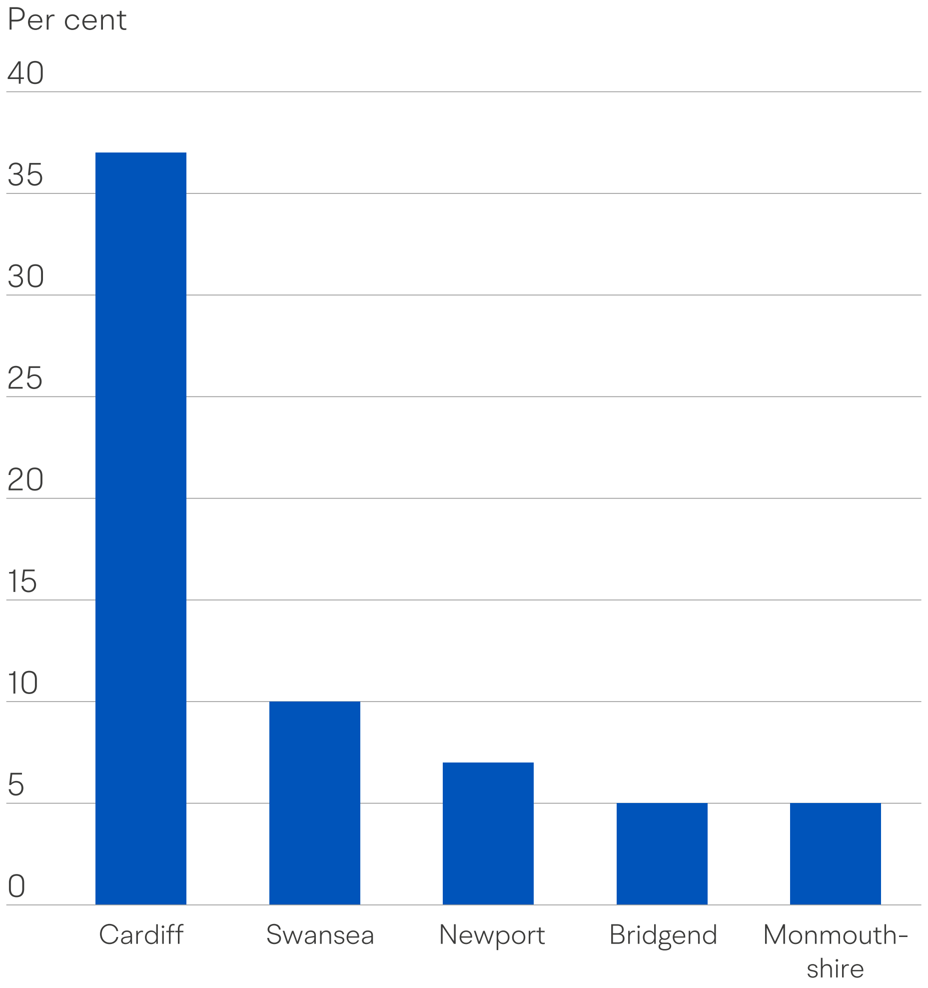


Fig 2.16

Top five Local Authority Districts in Wales by proportion of Wales investor-investee pairings

Source: Beauhurst, 2011 – 2020



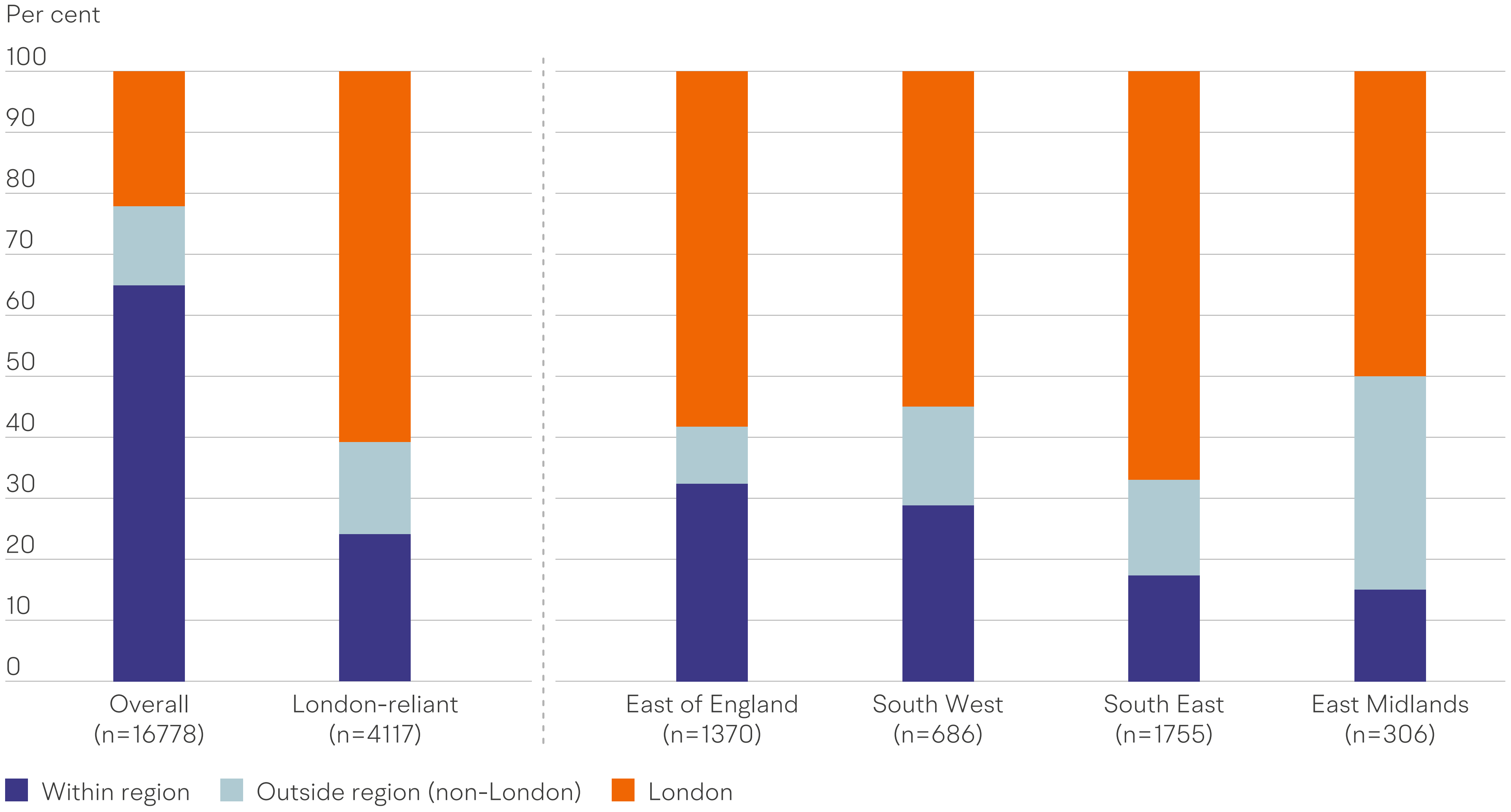
The East of England, South East, East Midlands and South West are strongly reliant on London

Four regions fall into the London-reliant bracket, the East of England, the South East, the East Midlands and the South West. These regions have been grouped together as London-based investors are involved in the majority of pairings for companies in these regions. The level of London reliance is similar within each region, at roughly 60% of pairings, however the regions in this category differ in their balance between local and external investors. For instance, the East Midlands was the region with the lowest level of London reliance in this category, at 50% of pairings, however, it also has the lowest proportion of pairings involving within-region investors of any UK region or nation. External non-London investors therefore play a vital role in the East Midlands equity ecosystem, explored in more detail in the spotlight section further into this report.

Fig 2.17

Comparison of geographic location of investor-investee pairings by region or nation of recipient - 'London-reliant' geographies

Source: Beauhurst, 2011 – 2020



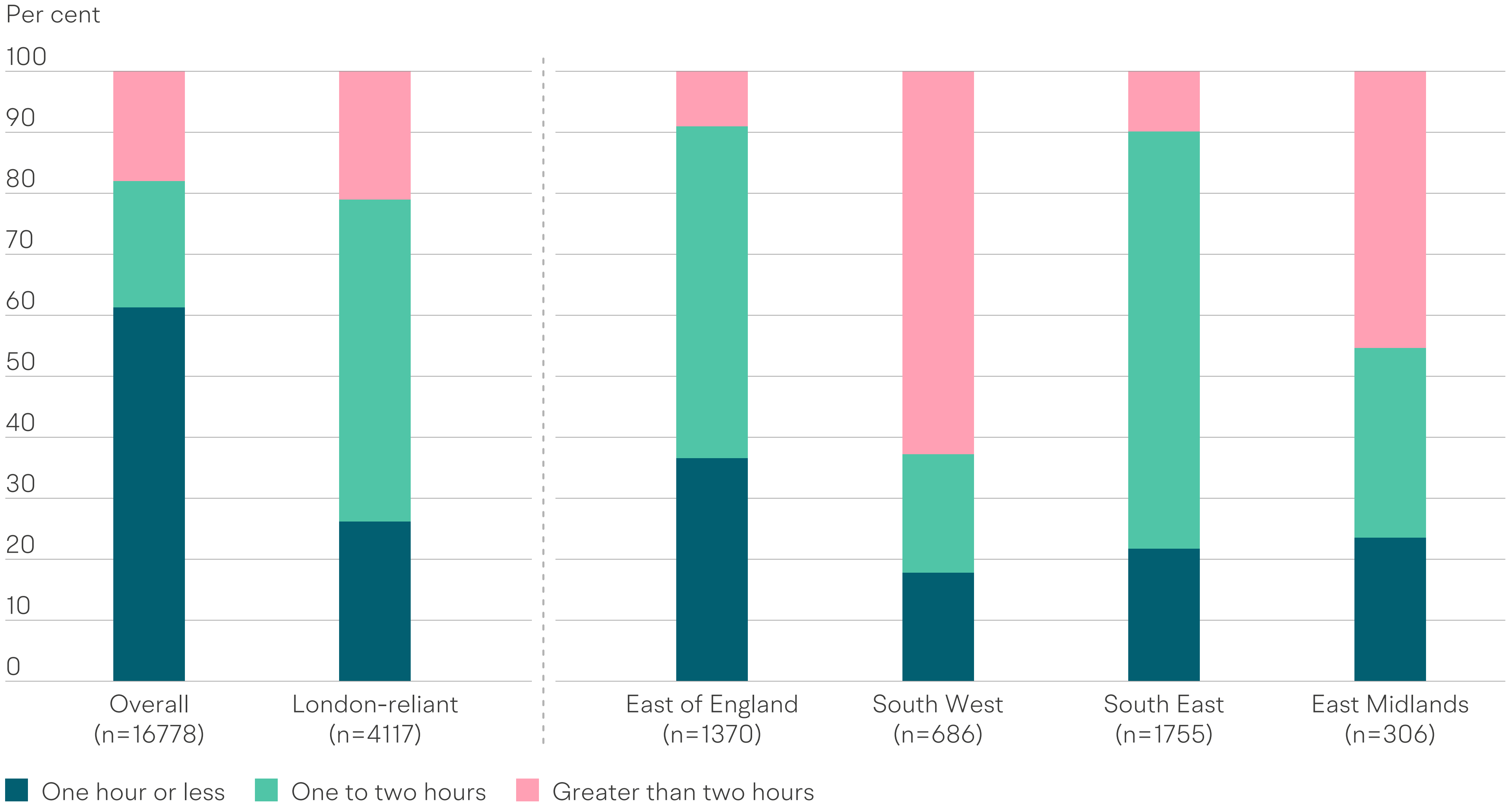
There are two key groups in this category, both with widely different proportions of deals for which the 'two-hour' rule holds true. Firstly, there are the East of England and South East which, because they heavily rely on London-based investors, have the second and third highest proportion of investor-investee pairings with a travel time under two hours, at 91% and 90% respectively.

This differs from the other two regions in this category, the East Midlands and the South West which, despite having similar levels of reliance on external investors, are two of the bottom three regions for the proportion of pairings meeting the two-hour rule. This discrepancy is almost solely down to the relative proximity of the South East and East of England to London compared to the East Midlands and South West.

Fig 2.18

Proportion of investor-investee pairings in which the investor had an office within one or two hours of the recipient, by region or nation of recipient - 'London-reliant' geographies

Source: Beauhurst, 2011 – 2020

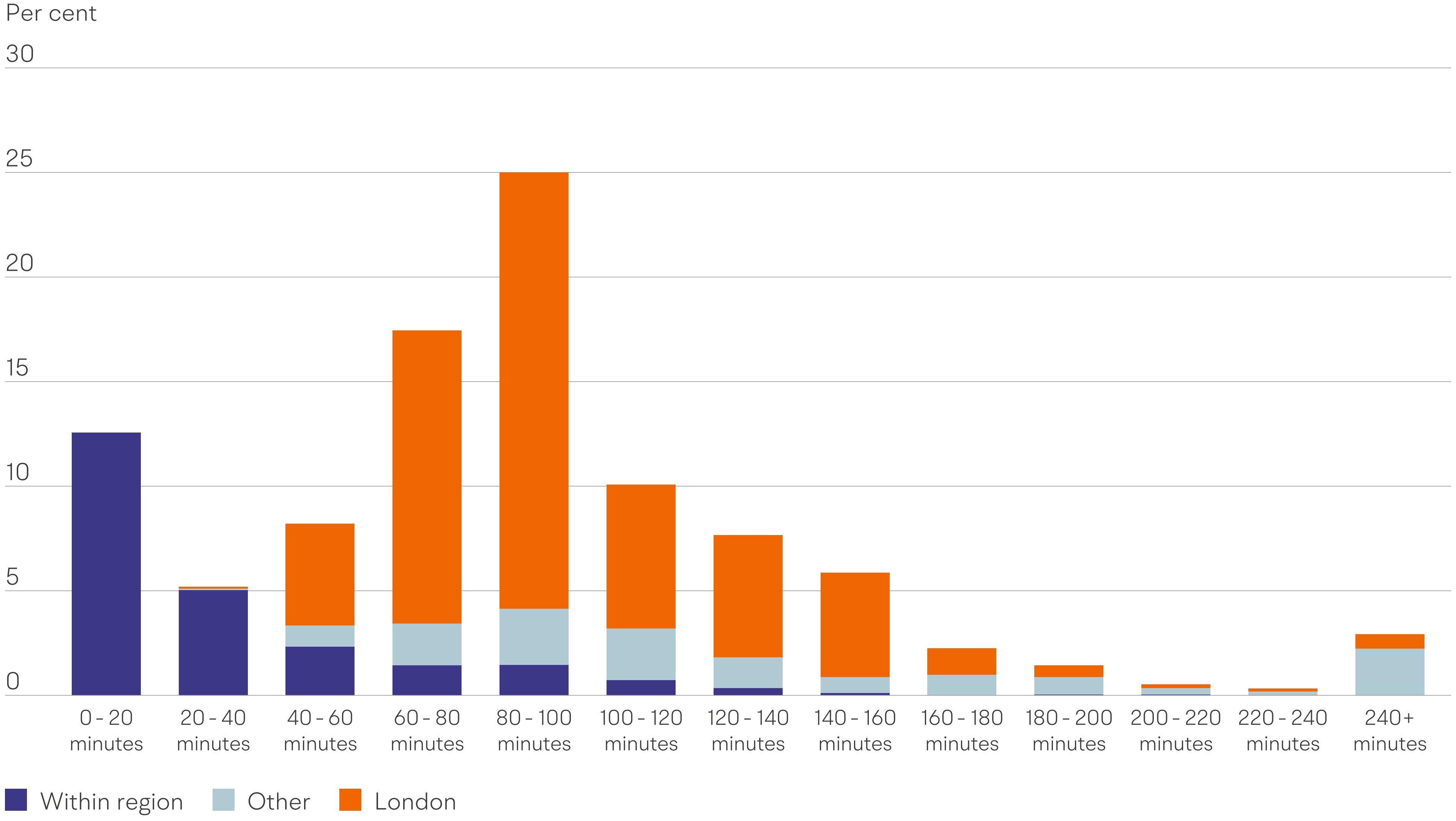


The distribution of travel times for pairings involving recipients located within the 'London-reliant' geographies differs widely to that of the overall sample. Unlike both the 'self-contained' and 'mixed' geographies, the most common travel time bracket for the 'London-reliant' geographies is not 0-20 minutes, but rather 80-100 minutes. Pairings are heavily clustered in the 40–160-minute travel time range, driven, as flagged above, by the prevalence of London-based investors in these regions.

Fig 2.19

Distribution of travel time between company and investor, investor-investee pairings in 'London-reliant' geographies

Source: Beauhurst, 2011 – 2020



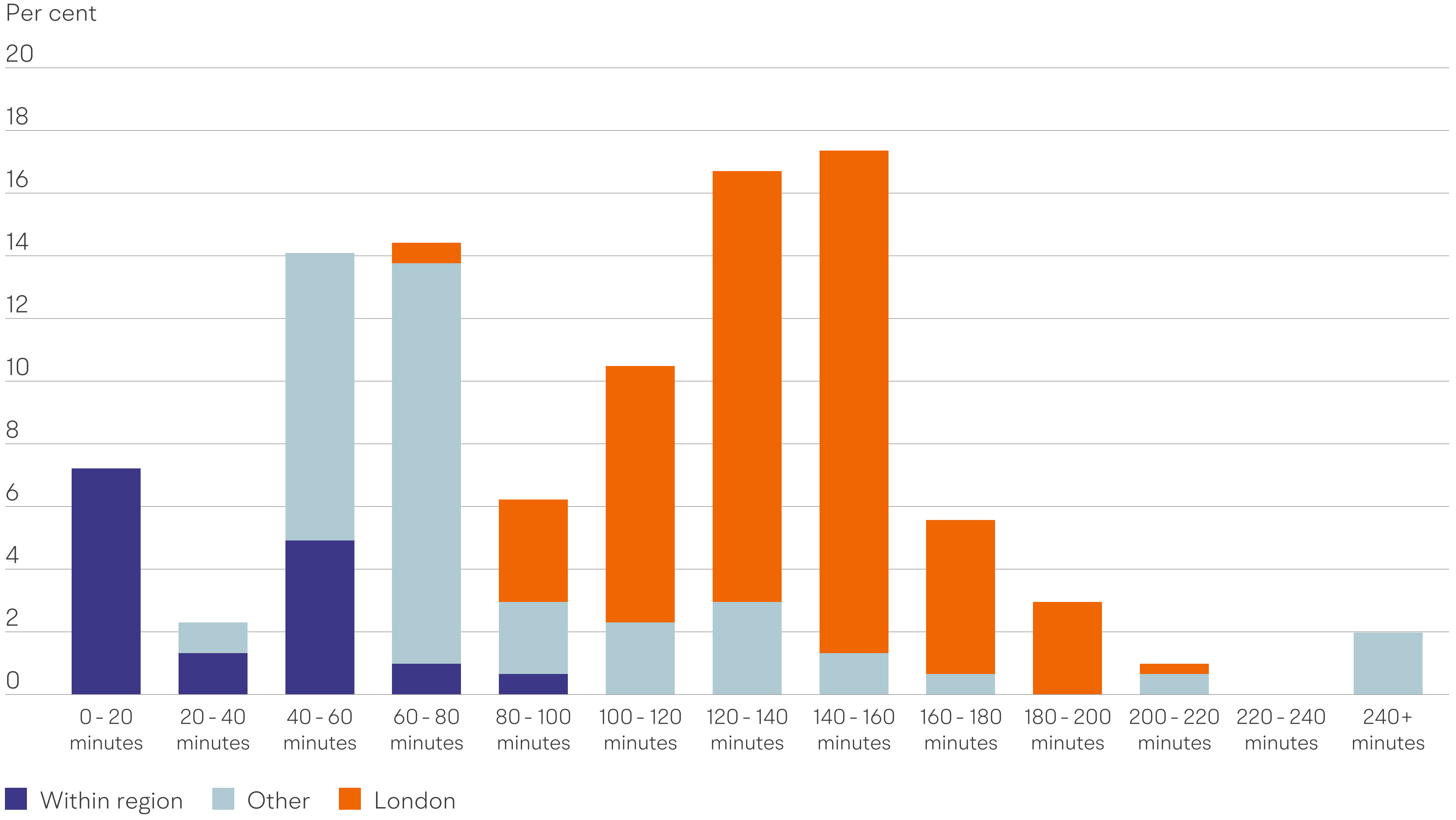
Spotlight on... The East Midlands

Figure 2.20 shows the distribution of travel times for pairings involving East Midlands businesses. The distribution is somewhat similar to that of the 'London-reliant' geographies as a whole, however with some differences. There is a pronounced initial peak at the 40-60 and 60-80-minute travel time categories primarily driven by investors based outside of both the East Midlands and London. This nuance is explored in more detail below.

Fig 2.20

Distribution of travel time between company and investor, East Midlands investor-investee pairings

Source: Beauhurst, 2011 – 2020



As you can see in figure 2.21, the trend outlined above is driven by a strong cluster of investments coming from the West Midlands, specifically Birmingham. Investors with an office in Birmingham were involved in 17% of all pairings with East Midlands businesses. This highlights a key intra-Midlands ecosystem, where the East Midlands is relatively unique in terms of the proportion of investments coming from investors based outside of the region and outside of London. In terms of the location of recipient businesses in the East Midlands, companies in Nottingham were involved in the most pairings with 20% within the Nottingham Local Authority District. There are a few other deal clusters centred around Northampton and Leicester, however both are substantially smaller than the Nottingham cluster.

Fig 2.21

Distribution of investors involved in East Midlands investor-investee pairings, by NUTS 2

Source: Beauhurst, 2011 – 2020

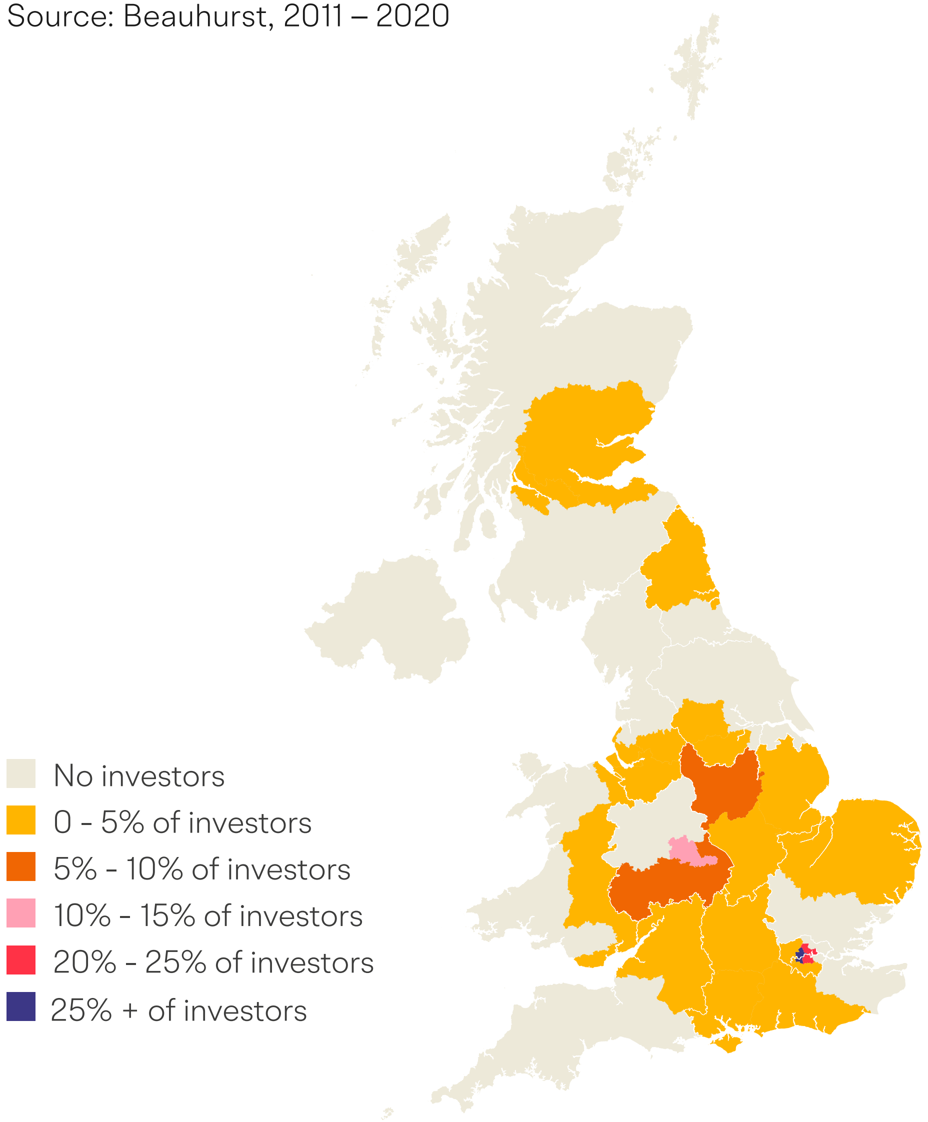
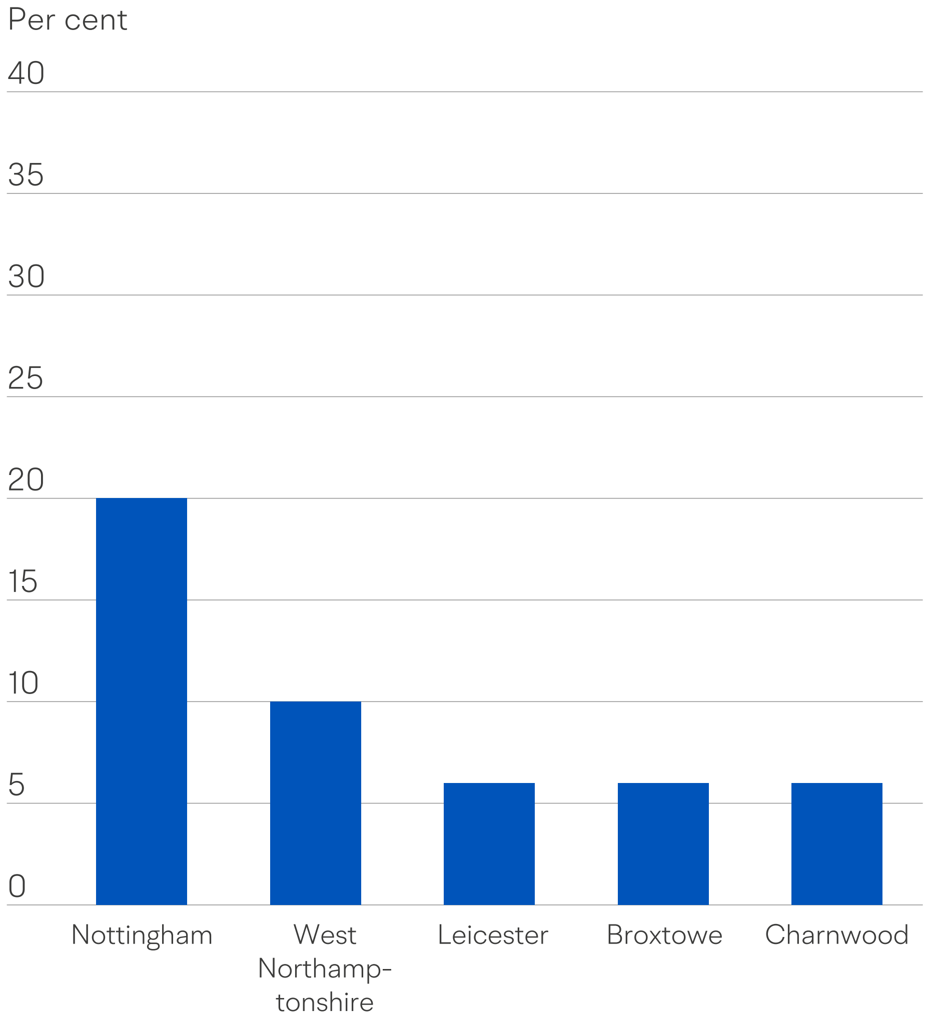


Fig 2.22

Top five Local Authority Districts in the East Midlands by proportion of East Midlands investor-investee pairings

Source: Beauhurst, 2011 – 2020



Case study

4D Biomaterials

Programme: Midlands Engine Investment Fund

4D Biomaterials is a Nottingham-based company which has developed a new biomaterial used for 3D printing medical implants. It completed a £1.6m funding round in 2021.

The investment into 4D Biomaterials was led by DSW Ventures and backed by the MEIF Proof of Concept & Early Stage Fund, which is managed by Mercia and part of the Midlands Engine Investment Fund, Mercia's own funds, and existing investor SFC Capital. The funding will be used to develop a range of products through partnerships with medical device companies and expand its team with the creation of five new jobs at its premises in MediCity.

4D Biomaterials' product 4Degra can be printed to the exact shape required in the form of an open cell honeycomb structure and used to improve patient outcomes in a range of applications including tumour removal in breast cancer patients. As natural tissue grows back through the voids, the structure gradually erodes and is expelled harmlessly by the body. 4Degra could also help patients recovering from other types of surgery and trauma, such as that caused by road traffic accidents.

4Degra – which is the only 3D printed material of its type that is also biodegradable - was developed for over 15 years in Professor Andrew Dove's research group at the University of Warwick and University of Birmingham. Having spun out of the universities last year, the company appointed Phil Smith - an entrepreneur with a track record in biotech spin-outs – as its CEO.

The Midlands Engine Investment Fund project is supported financially by the European Union using funding from the European Regional Development Fund (ERDF) as part of the European Structural and Investment Funds Growth Programme 2014-2020 and the European Investment Bank.

Smaller investors and crowd funders appear slightly less bound by the two-hour rule

Previous research on this topic has considered whether investor characteristics affect an investor's level of local bias. For instance, a 2013 study[14] considers whether the reputation and experience of a Venture Capital (VC) investor makes them more or less likely to exhibit local bias in their investment decisions. The researchers hypothesise that more reputable and experienced VCs are more likely to overcome informational asymmetries, and therefore distance will be less of a barrier in their investment decisions. The evidence appears to support this hypothesis based on the researchers' sample drawn from US VC deals between 1990 and 2009.

Our dataset lacks many of the standard proxies for investor reputation, such as historic returns, total amount of private sector capital raised, and success in taking companies public. Therefore, an alternative proxy for investor experience has been used. Beauhurst has data on the total amount invested by each investor in its dataset. This is relatively closely related to the amount of capital raised so should be a suitable, albeit less commonly used, proxy for experience and reputation.

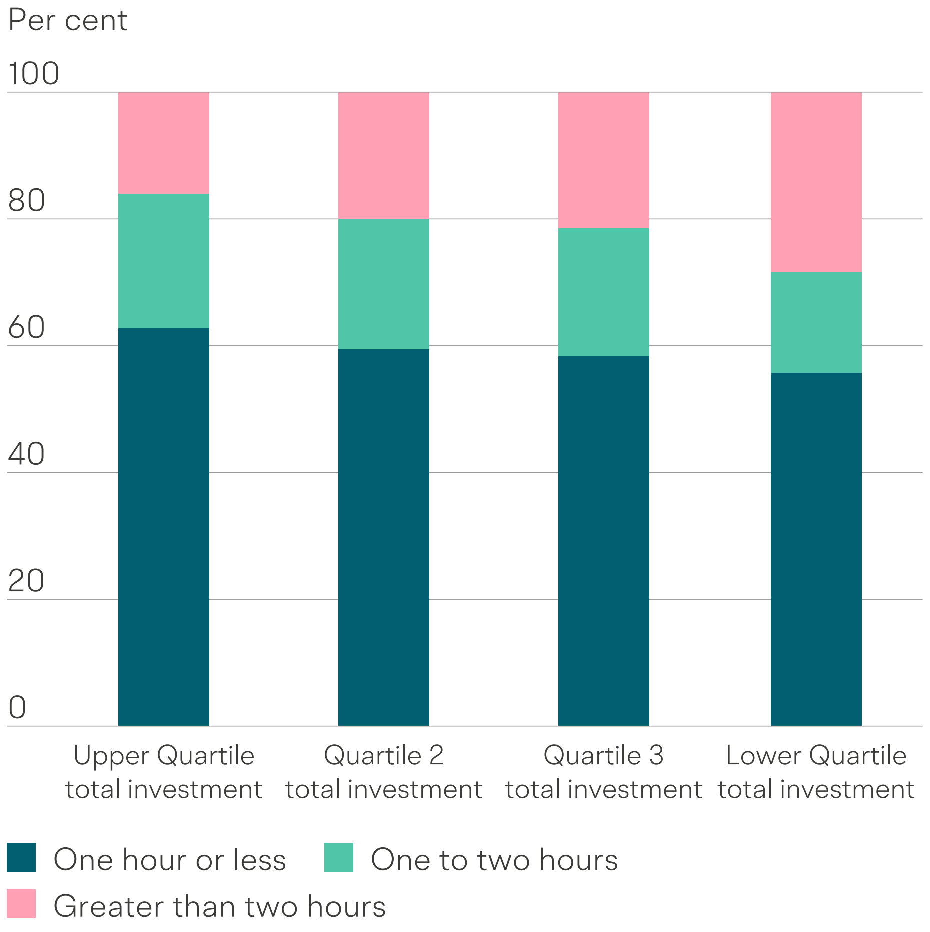
Figure 2.23 splits the overall sample of investor-investee pairings into four buckets using this data. The top quartile bucket has all pairings involving the 25% of investors that have invested the most capital. The next three buckets step down to plot pairings involving three more quartiles of the investor sample with the bottom quartile bucket plotting data for the 25% that have invested the least.

We find that based on this measure of investor experience, less experienced investors actually display less local bias, contrary to expectations and the US evidence cited above. In 84% of the pairings involving investors in the upper quartile of experience by this metric, the investor's closest office was within two hours of the recipient business. This compares to 72% for investors in the lower quartile of experience by this metric.

Fig 2.23

Proportion of investor-investee pairings in which the investor had an office within one or two hours of the recipient, by quartile of investor in terms of total invested

Source: Beauhurst, 2011-2020



A recent development in smaller business equity markets has been the rise of crowdfunding platforms, which have been one of the fastest growing investor types over recent years. Crowdfunding platforms are particularly interesting in the context of local bias in equity investment, since in theory networks become superfluous with investor and investee being brought together via third-party internet platforms.[15]

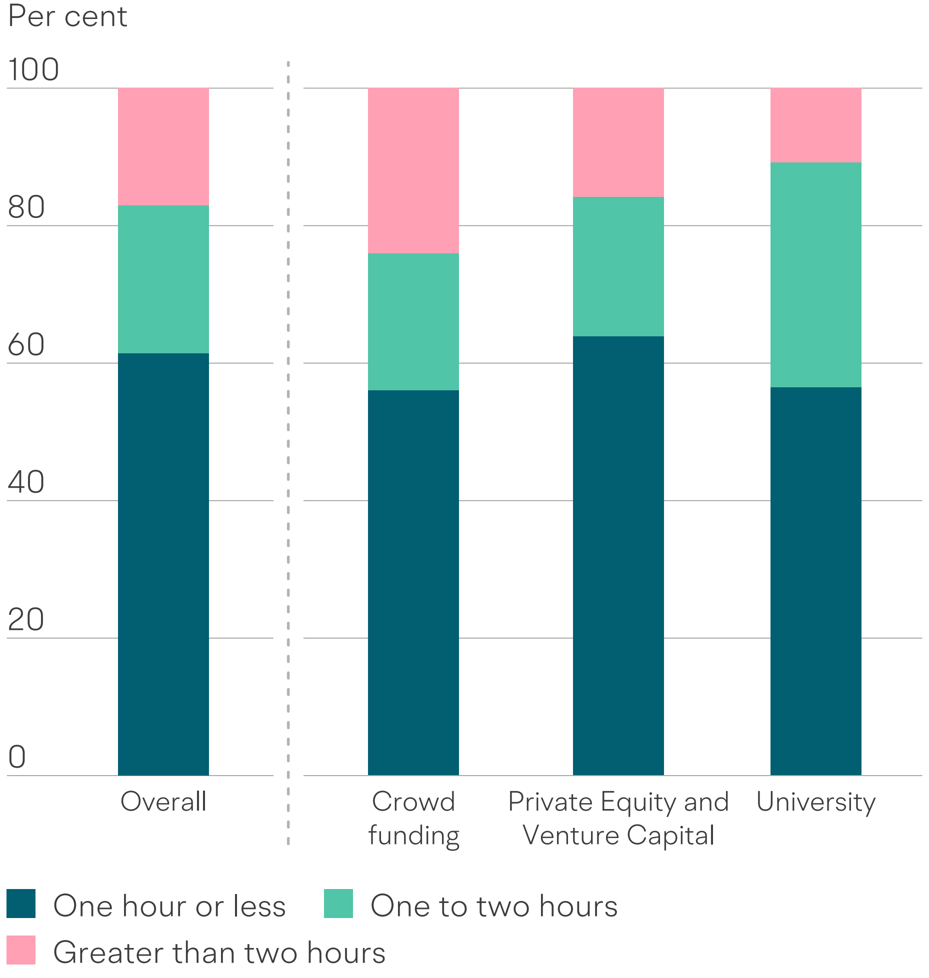
Crowdfunding has been described by some as 'disintermediation of the finance market'[16], with some studies highlighting the large distances between crowdfunded ventures and those who fund them.[17] It should be noted that we only have data relating to the location of the crowdfunding platform's offices, and therefore figure 2.24 relates to the travel time between recipient business and the location of the crowdfunding platform's closest office, as opposed the location of individuals investing through the platform.

Figure 2.24 plots the distance distribution of pairings involving crowdfunders with that of other investor types. As may be expected, a greater proportion of crowdfunded pairings exceed the two-hour rule than for other investor types. Travel times were greater than two hours for 24% of pairings involving crowdfunding compared to just 17% for the overall sample. This supports the hypothesis that crowdfunding overcomes some of the key drivers of local investment bias. Conversely, and as may be expected, university investors are much more localised in their investment activity and have only 11% of their pairings with companies further than two hours away.

Fig 2.24

Proportion of investor-investee pairings in which the investor had an office within one or two hours of the recipient, by investor type

Source: Beauhurst, 2011-2020



The massive increase in home working prompted by the pandemic does not yet appear to have shifted distance patterns in equity investment

Over recent years, and especially in 2020 with the onset of the Covid-19 pandemic and accompanying restrictions limiting the amount of face-to-face contact allowed, an increasing amount of communication takes place online rather than in person. With the proliferation of Microsoft Teams and Zoom-based meetings, it could be expected that some of the factors that drive investors' local bias could begin to become less important. For instance, if board and due diligence meetings that previously took place in person have moved online, investing further afield could be more attractive.

Figure 2.25 therefore looks at the mean and median distances between investor and recipient for pairings occurring in each year. Contrary to what may be expected, between 2011 and 2016 the average time between investor and investee actually trended downwards, suggesting a further shift towards short-distance deals. However, it is likely that this is a result of the strong development of the London equity ecosystem during this time. Since 2016, median travel times have stayed relatively flat whilst the mean has trended upwards slightly. Again, this may partly reflect wider geographic trends in terms of the proportion of overall UK SME equity flows going to London-based firms.

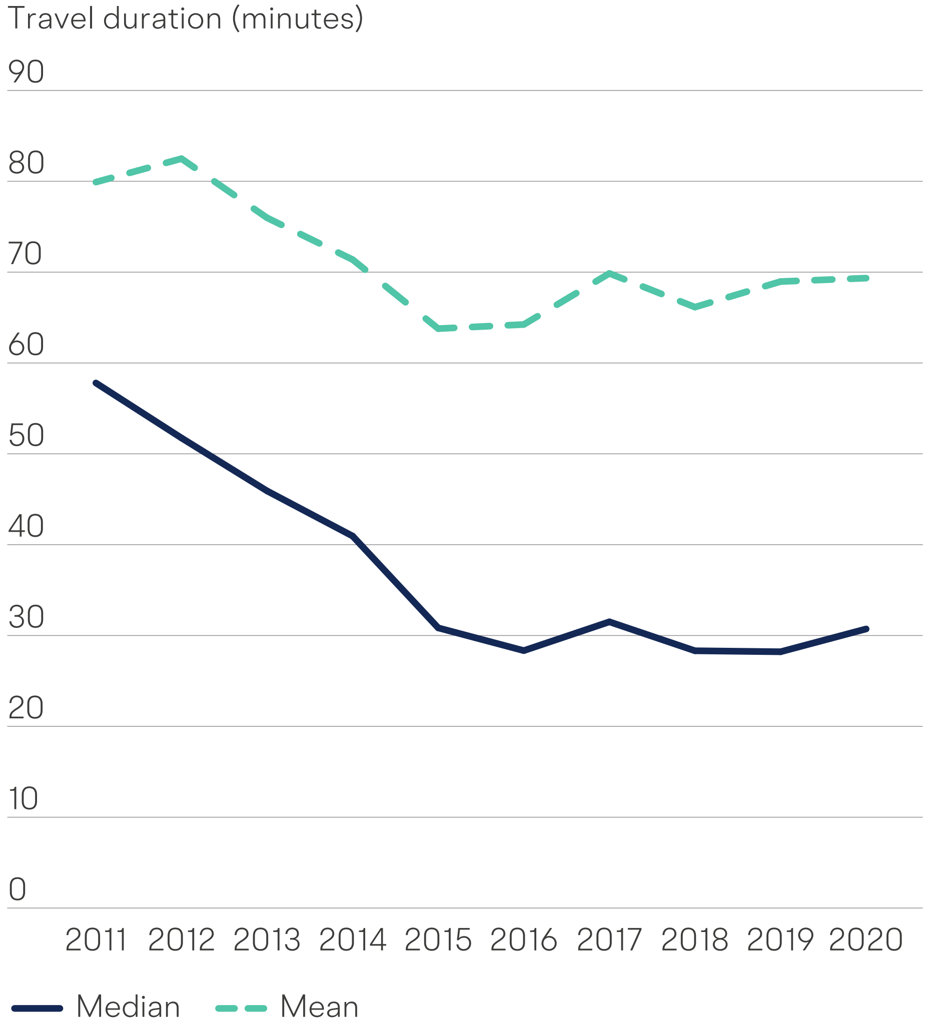
There is a slight uptick in on both the mean and median in 2020, however it is not statistically significant when controlling for other characteristics. It is perhaps unsurprising, and any effect may take some time to become evident in the data.

It is also true that 2020 was an atypical year. Due to the uncertainty created by the Covid-19 pandemic and the disruption caused by associated public health measures, many investors were focussed on supporting their existing portfolios in 2020. This came at the cost of sourcing new investment opportunities, due to high levels of uncertainty. Any attitudinal changes to geographic bias in investment decision-making may therefore have been masked by these cyclical forces.

Fig 2.25

Mean and Median travel time between investor and investee, by year

Source: Beauhurst, 2011-2020



Investors with a local presence are critical to the success of UK equity ecosystems

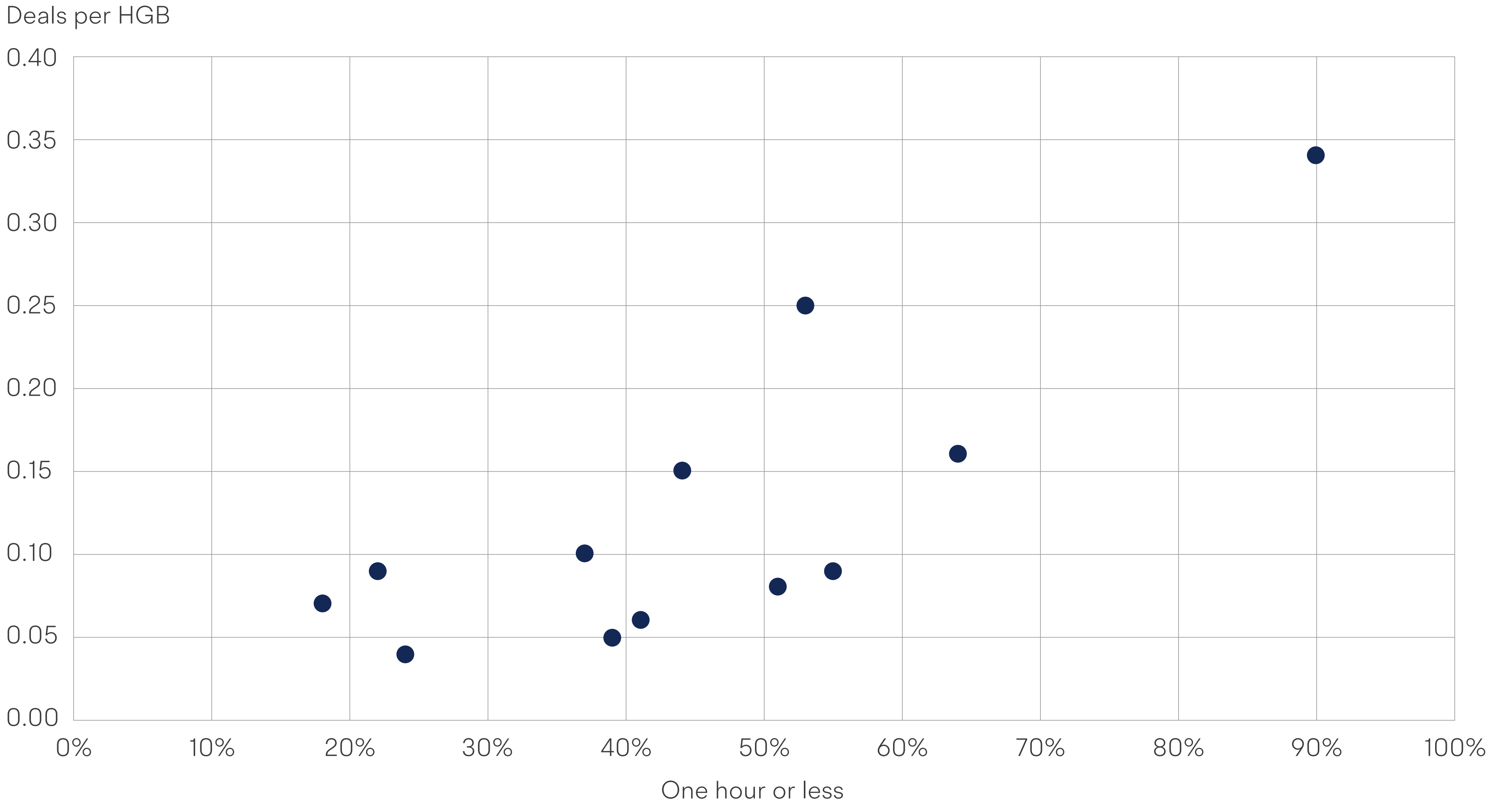
This research has demonstrated that equity investors in the UK display a clear local bias when making investment decisions, in part driven by structural market failures related to asymmetric information. In addition, place-based interactions with market failures and agglomeration forces contribute to equity investors and other ecosystem participants clustering in established ecosystems. Consequently, many areas of the UK lack a strong local equity investor base, meaning businesses in these areas are reliant on investors from other UK geographies.

Figure 2.26 compares the strength of the SME equity ecosystem within each UK region and nation. The chart plots the average annual number of external equity deals per high-growth business between 2018 and 2020, with the proportion of equity pairings involving an investor with an office within an hour of the company location. There is a clear positive correlation between equity deals per high-growth business, and the strength of the local investor base. This highlights the importance of the Bank's regional funds in driving investors to locate and invest in underfunded equity ecosystems.

Fig 2.26

Comparison of equity deals per High Growth Business (HGB) in each UK region and nation with the proportion of equity pairings involving an investor with an office within an hour

Source: Beauhurst, 2011-2020



Finance for rural businesses

- Rural businesses make up a sizeable proportion of the business stock in each of the UK nations
- Attitudes to finance are similar among rural and urban firms but urban firms are more likely to have a trained financial decision-maker
- A greater share of rural businesses used external finance in 2020 than urban businesses
- Despite higher external finance use, 2020 also saw a greater share of rural business owners injecting personal funds than their urban counterparts
- The British Business Bank's programmes already support large numbers of rural businesses and will continue to do so as the UK economy recovers

As section 1.1 has outlined, flows of finance vary both between the constituent parts of the UK and within them. Understanding how attitudes to, and use of, finance may vary by geography can help us better understand some of the within-region variation we see. Whether a business operates in a dense conurbation or a sparse rural location, external finance can be a useful option for them. This section aims to shed light on patterns of finance use for businesses at different ends of that spectrum.

Rural businesses make up a sizeable proportion of the business stock in each of the UK nations

Precise definitions of rurality vary between the different nations of the UK but in each nation, rural firms are important. In England and Scotland, 23% of registered businesses are based in rural locations while the proportions sit at 45% and 58% for Wales and Northern Ireland respectively.

Not only do rural areas host a significant share of businesses, they also host more businesses per head than urban areas. This is true in every UK Nation. However, rural businesses tend to be smaller, employing fewer people on average than their urban counterparts.

Fig 3.1

Rural and urban business characteristics: weighted average of all four UK Nations

Source: Analysis of data from ONS and IBRD

Registered businesses per 10,000 people (2019)	Rural	574
	Urban	401
Employees per registered enterprise	Rural	6.7
	Urban	13.0

There are also some significant differences in the sector split, with the prominence of agriculture standing out as the biggest. Agriculture, forestry and fishing accounts for 1% to 2% of businesses in urban areas compared to 15% in rural areas in England, 26% in Wales, 29% in Scotland and 41% in Northern Ireland. Businesses in urban areas, on the other hand, are generally more diverse, with no sector accounting for more than 20% of registered businesses across combined urban areas in each of the UK nations (figure 3.1).

A higher dependence on sectors with lower productivity, such as agriculture and tourism, and a higher proportion of smaller businesses can in part help explain lower productivity in some rural areas. Areas classed as predominantly rural account for a disproportionately small share of England's gross value added (GVA)[18] and have productivity, measured by GVA per workforce job, that is just 83% of the average for England. This is lower than predominately urban areas (excluding London) where productivity is 93% of the England average, urban with significant rural areas where it is 95%, and London which sits at 137% of the England average.

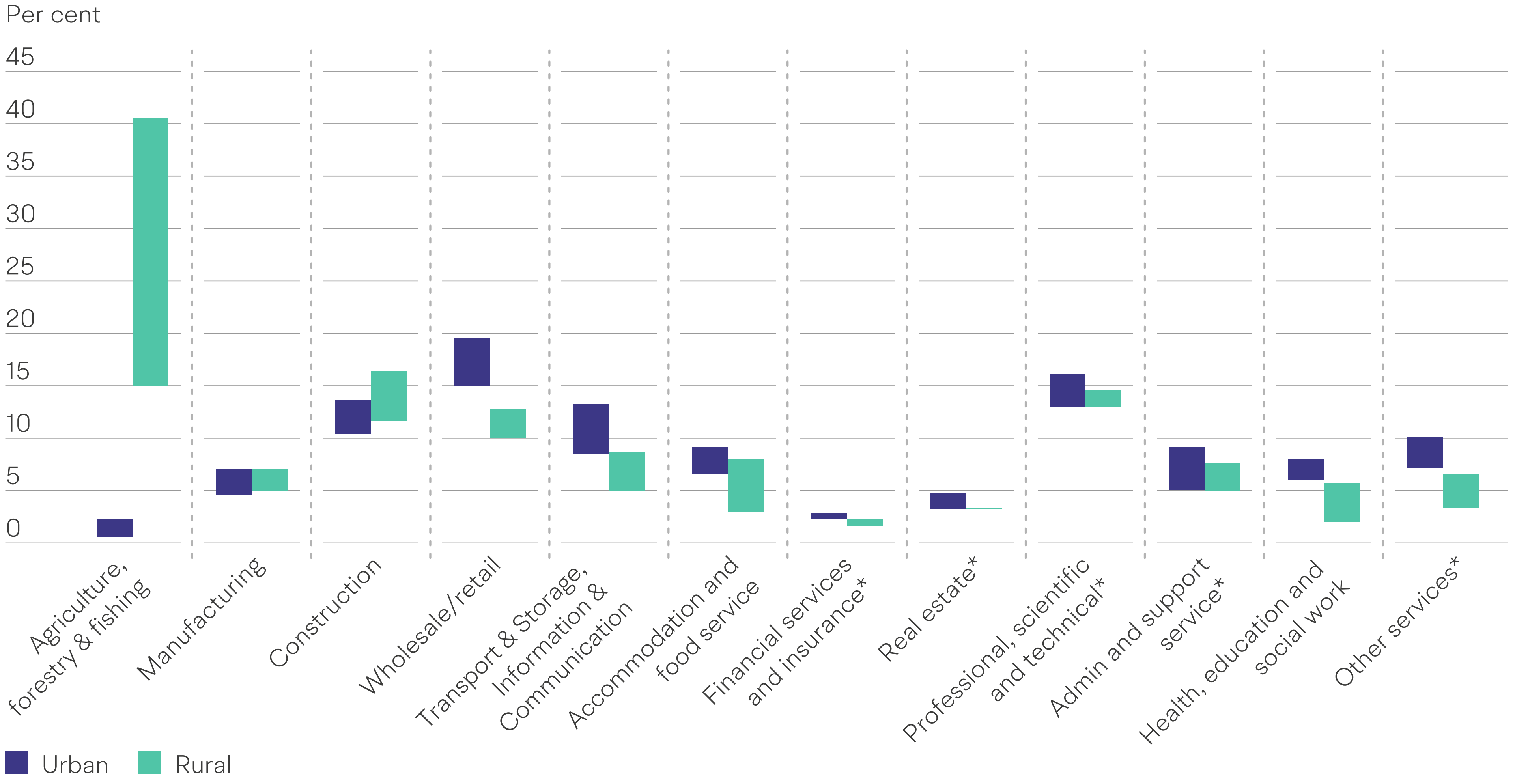
Productivity differences between rural and urban areas are therefore a likely factor in explaining productivity differences and inequalities both across and within the regions and nations of the UK. Closing the productivity gap between rural and urban businesses could therefore make a meaningful impact toward addressing both within and between-region inequality at the same time.

Rural businesses do not just differ from their urban counterparts in their size, productivity and sectoral mix, they also vary slightly in their attitudes towards the environment. A 2021 survey by the National Innovation Centre for Rural Enterprise (NICRE) found that 45% of rural business always consider the environmental implications of decisions and 36% agree that businesses' environmental impact should be part of their bottom line. For urban firms, the proportions are lower at 37% and 29% respectively.[19]

Fig 3.2

Registered businesses by sector (%) - range across UK nations (2019)

Source: Defra, Scottish Government, NISRA and ONS



*The figure for Scotland is not included as in the source data these sectors are all rolled into one (called 'Financial & other activities') which accounts for 40% of urban businesses and 28% of rural businesses.

For the agricultural sector, which is heavily reliant on the environment, and sensitive to a variety of environmental factors, it is partly self-preservation that has necessitated taking a leading approach on climate change.

The National Farming Union (NFU) which has 55,000 members across England and Wales has committed to achieving a carbon negative agricultural sector by 2040. This will make a significant contribution to achieving the UK's net zero target by 2050, as UK farms currently account for around 10% of annual greenhouse gas (GHG) emissions in the UK. As further explained in the 2019 report 'Achieving Net Zero: Farming's 2040 Goal'[20] the land-based economy is, however, uniquely positioned to be part of the solution, helping to capture GHGs in the air, and turn them into food, fibres and fuel.

Given rural businesses will be a key part of addressing the UK's productivity and environmental challenges, understanding both their attitudes towards finance and their use of finance is vital to the Bank.

Attitudes to finance are similar among rural and urban firms but urban firms are more likely to have a trained financial decision-maker

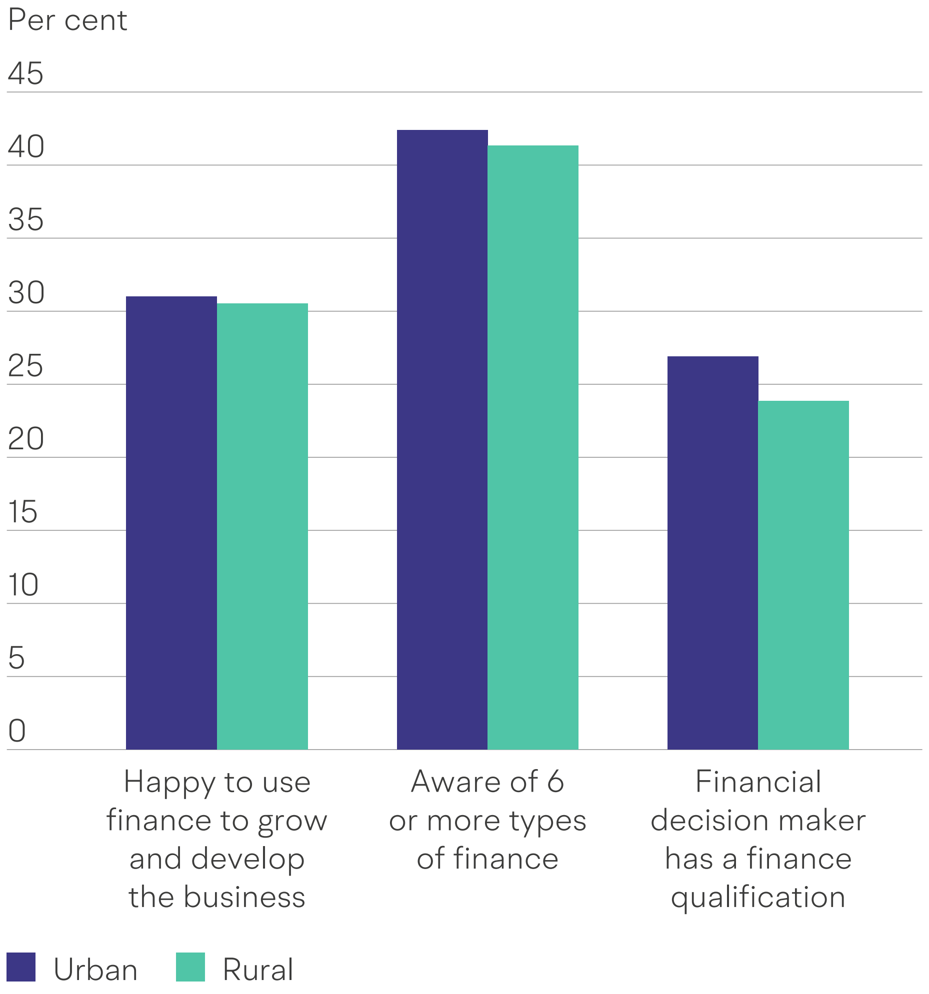
Business owners in rural and urban areas have similar attitudes towards external finance. In both groups around three in 10 are happy to use external finance to help their business grow and develop. Awareness levels of different finance types are similar. When respondents were asked which types of external finance they were aware of, the mean number of types mentioned was 5.5 for rural firms and 5.6 for urban while the proportion that were not aware of any was the same at 5%.

A slightly higher proportion of urban businesses mentioned six or more different finance types compared to rural (43% vs 41%). This might be because a higher share of urban firms have financially trained or qualified financial decision makers. This is true for zero employee, micro (1-9 employee), and small (10-50 employee) businesses, but there is no difference among medium (51-250 employee) businesses. Overall, around 27% of urban firms have financial expertise in their business compared to 24% of rural firms (figure 3.3), but this rises to 70% for medium-sized businesses.

Fig 3.3

Attitudes to finance, awareness levels and presence of qualified financial decision makers

Source: BVA/BDRC SME Finance Monitor to Q4 2020, British Business Bank Finance Survey (2020)



Although rural and urban firms are relatively similar in their attitudes towards finance, their usage of finance has shown different patterns in 2020.

A greater share of rural businesses were using external finance in 2020 than urban businesses

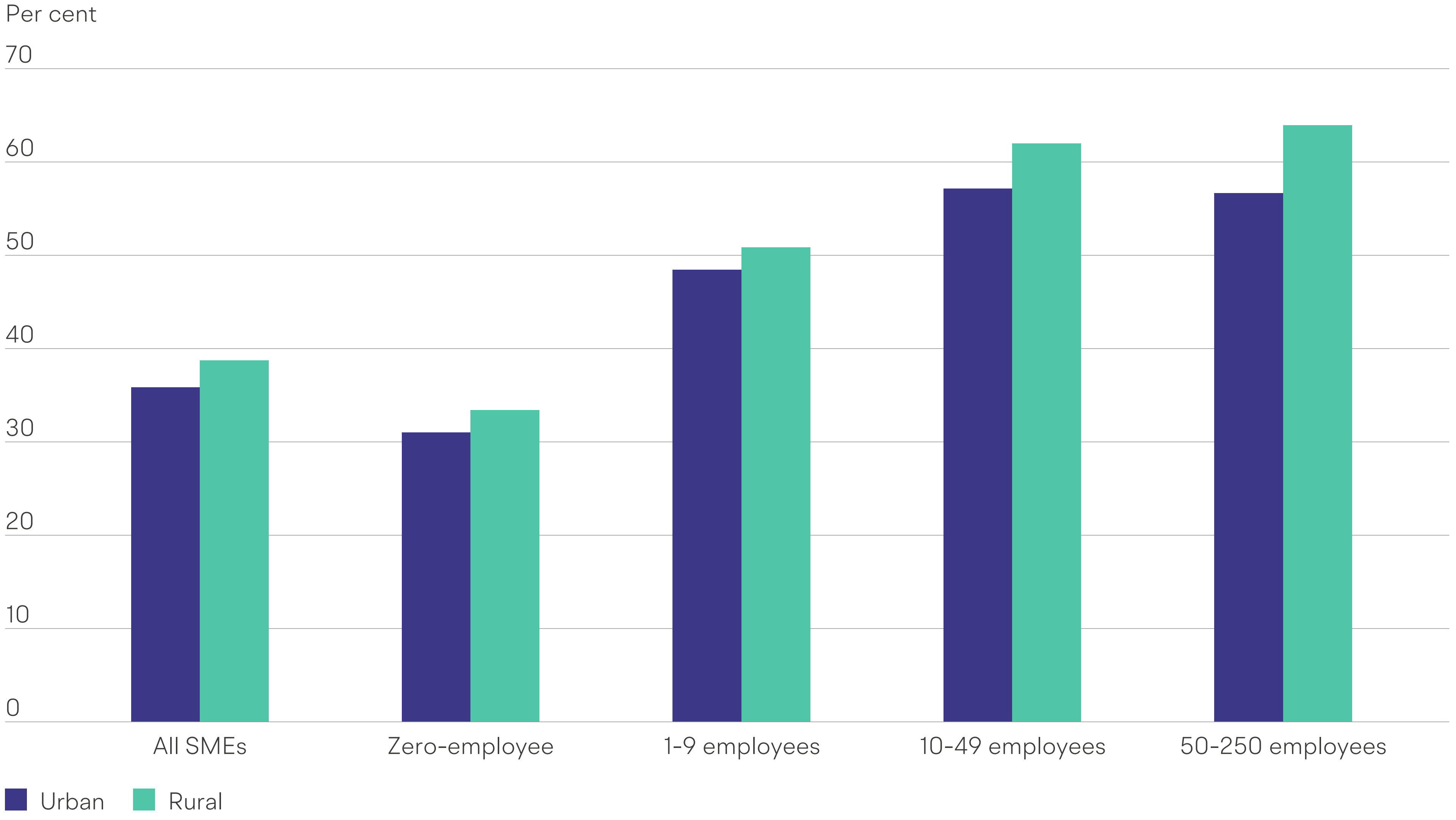
Evidence from the BVA/BDRC SME Finance Monitor suggests that rural firms were more likely to be using some form of external finance than urban firms in 2020. Around 39% of rural firms were currently using a form of external finance compared to just 36% of urban businesses (figure 3.4). This pattern appears to hold for businesses across the size spectrum and across most broad sectoral groups (figure 3.4 and figure 3.5).

The gap in use of external finance is largest for businesses with 51-250 employees, at six percentage points for businesses with a comparable credit score in the same quarter. As the proportion of businesses in this size band with a financially qualified decision maker is the same in urban and rural areas, it is unlikely that awareness of different options, or readiness for finance, are the explanation. The drivers of this gap are use of leasing and hire purchase and, to a lesser extent, credit card finance.

Fig 3.4

Proportion currently using any external finance, by business size (2020)

Source: BVA/BDRC SME Finance Monitor to Q4 2020



Use of leasing and hire purchase is five percentage points higher in rural businesses with 51-250 employees than urban businesses of the same size with the same credit score, while credit card use is three percentage points higher.

This may indicate some difficulties in accessing finance for medium-sized businesses in rural areas that their smaller counterparts do not face. As highlighted in research based on a survey of financial intermediaries done for the Bank by Ipsos Mori[21], rural areas have financial ecosystems that are "naturally less dense", leaving businesses in those areas less able to access referral networks. The research also identified "a tendency among lenders to prioritise building relationships with businesses in urban areas". The SME Finance Monitor provides some indication that this may happen, particularly at the larger end of the scale, leaving rural businesses more likely to use credit card and leasing or hire purchase finance to cover asset purchases, working capital requirements, and any shortfalls in cashflow than urban businesses of the same size.

Nevertheless, this is unlikely to explain any differences that are seen in the overall business population, as businesses of this size make up less than 1% of the UK smaller business population. This gap is more likely to be

Fig 3.5

Proportion currently using any external finance, by sector (2020)

Source: BVA/BDRC SME Finance Monitor to Q4 2020

driven by sector demographics, where larger businesses in rural areas are more likely to operate in sectors that make greater use of external finance.

One such sector is agriculture, hunting and forestry, fishing, which is likely driving some of the differences seen between urban and rural businesses. This is one of the largest sectors by number of registered businesses in rural areas, but is the smallest in urban areas. It is also the greatest user of external finance in rural areas. Although it also exhibits the largest gap between rural and urban businesses using external finance, given the small number of urban firms in the sample, estimates of this gap are not reliable. Fortunately, this is not particularly important in explaining the bigger picture, as there are very few firms in this sector operating in urban areas.

The sample of rural firms is larger, which ensures that estimates drawn from these responses are more reliable and can be comfortably compared with the rest of the rural business population. As a considerable proportion of businesses in rural areas are in this sector, this is important for explaining what is seen when comparing urban and rural businesses overall.

Fig 3.6

Proportion of rural and urban businesses using external finance by finance type

Source: BVA/BDRC SME Finance Monitor to Q4 2020

There are several forms of finance that rural firms used in greater proportions than their urban counterparts in 2020. The biggest gaps were seen for overdrafts, leasing and hire purchase and credit cards, with smaller gaps in the usage rates of bank loans and local or central government grants (figure 3.6). Generally, the gap between businesses in the agriculture and related sector and others is larger than the gap between rural and urban businesses.

The proportion of businesses currently using some form of external finance fell in 2020 relative to 2019, in both rural and urban areas. Given the challenges of the year, this likely reflects both the success that non-debt government schemes such as furlough, tax deferrals and the self-employment income support scheme (SEISS) have had in supporting businesses, as well as the reduced appetite for investment in the face of a highly uncertain economic outlook. While 45% of rural and urban businesses were using some form of external finance in 2019, this fell to 39% of rural businesses and 36% of urban businesses in 2020. Usage in 2020 is as high as 48% for rural firms in the agriculture, hunting and forestry, fishing sector (down from 58% in 2019), while it falls to 38% for other rural businesses when it is excluded.

Agriculture, hunting and forestry, fishing made the greatest use of bank loans and bank overdrafts by sector in rural areas in 2020. 16% of firms in this sector in rural areas had a bank loan in 2020, compared to 11% of all other businesses in rural areas and 10% of urban ones. The gap for overdrafts is larger: 26% of rural businesses in the agriculture, hunting and forestry, fishing sector were using an overdraft in 2020, compared to 15% of all other rural firms, and 12% of urban ones. This sector also made the second-greatest use of leasing and hire purchase in rural areas in 2020. 16% of rural firms in the agriculture, hunting and forestry, fishing sector were using leasing and hire purchase in 2020, compared to 11% of all other firms in rural areas, and 8% of urban ones. Although the use of finance by rural businesses more closely resembles that of urban businesses when the agriculture and related sector is excluded, some differences remain suggesting that factors other than sector mix are also making an impact.

The fall in the proportion of businesses using external finance in 2020 was driven by a reduction in businesses using an overdraft, credit card, and leasing or hire purchase agreement. Overdraft and leasing and hire purchase use fell more in urban areas, causing a gap to open between the proportion of rural and urban businesses using external finance.

As these types of finance are generally used either for working capital or linked to the purchase of an asset, this may be driven by businesses in rural areas being less impacted by lockdown restrictions and continuing to do business as usual to a greater extent. GDP data[22] confirms this was the case for the agriculture, forestry and fishing sector, located almost entirely in rural areas, which saw a relatively modest decline in output from Q1 to Q2 of 2020 at 13.6%. Rates of decline were much steeper in other sectors including services where output fell by 18.0% over the same period, manufacturing which shrank by 20.9%, and construction where the contraction was 33.7%.

The data shows that although 67% of both rural and urban firms seeking finance facilities between Q2 and Q4 of 2020 were doing so for cash flow reasons, one in five urban firms specifically mentioned the impact of the pandemic, compared to one in seven among rural firms.

Despite an overall reduction in finance usage in 2020, there was an increase in the proportion of businesses currently using bank loans and central or local government grants. This was seen in both rural and urban areas to a similar extent, reflecting the widespread availability and take-up of measures put in place by the government to support the economy through the shock of the pandemic. These included non-repayable grants, as well as the covid loan schemes which in most cases gave borrowers an interest-free window before repayments were due. It's likely that in some cases these schemes were used to pay off pre-existing debt and as a substitute for other forms of finance, as well as by previous non-borrowers to mitigate the unprecedented shocks of 2020, which explains some of the trends seen in Figure 3.6.[23]

Despite the wide range of measures available to support all businesses in 2020, almost as many reported injecting personal funds in the last 12 months as currently using some form of external finance.

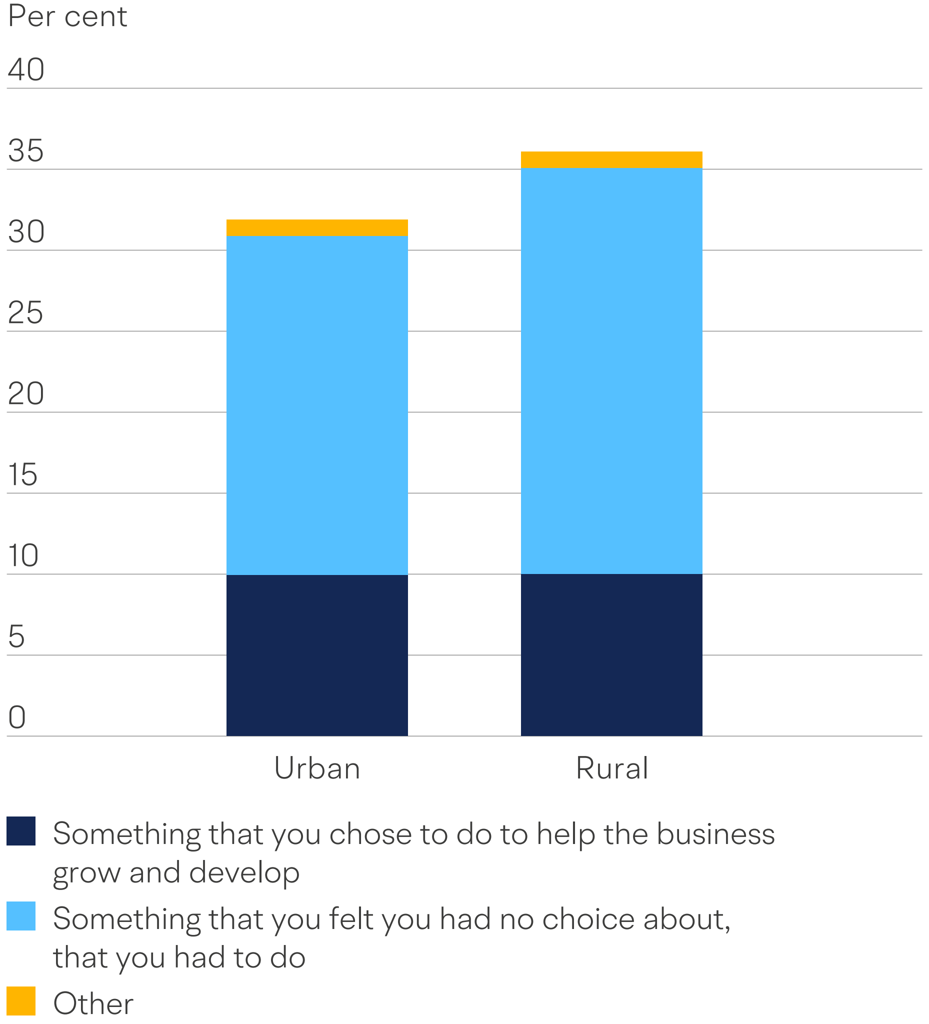
Despite higher external finance use, 2020 also saw a greater share of rural business owners injecting personal funds than their urban counterparts

The Bank's own 2020 Business Finance Survey found that 37% of rural-based business owners had injected personal funds into their business in the last 12 months compared to 32% of their urban counterparts. The majority in both groups stated that this was something they felt they had no choice about and had to do, but again this proportion was higher among rural business owners (figure 3.7).

Fig 3.7

Proportion of business owners injecting personal funds in the last 12 months by reason

Source: British Business Bank Finance Survey (2020)



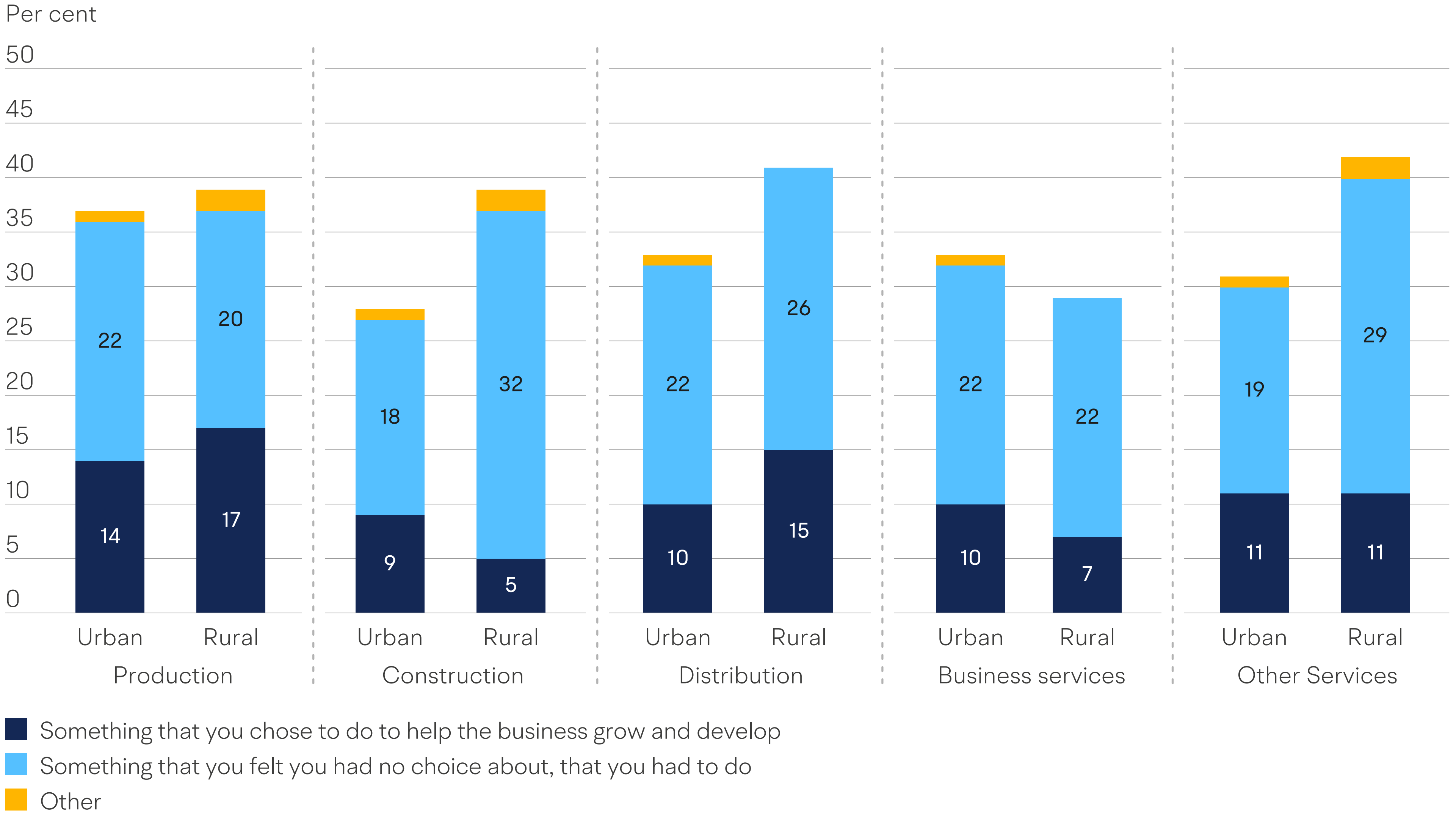
The widest differences between rural and urban firms in the injection of personal funds were found in the construction, other services, and distribution sectors where the gaps were 10, 10 and seven percentage points respectively. This gap rises to 14 percentage points for construction when looking just at the proportion of firms that felt they had no choice but to inject personal funds (figure 3.8).

The fact that 2020 saw rural businesses both using external finance and injecting their own personal funds in greater proportions than urban firms highlights just how difficult the year was, with the Brexit transition period ending just as the pandemic began. Now that the UK's successful vaccine rollout has led to the removal of most restrictions on economic activity, the period ahead should allow many more rural businesses to progress towards their ambitions and in doing so contribute to the UK's environmental and productivity-related ambitions too.

Fig 3.8

Proportion injecting personal funds by reason, by sector

Source: British Business Bank Finance Survey (2020)



The British Business Bank's programmes already support large numbers of rural businesses and will continue to do as the UK economy recovers

The Bank's national and regional programmes already operate across many rural settings. In particular, the Bank's Regional Funds have a strong track record of investing in rural businesses with more than 320 loans and investments made in rural businesses since the first of the funds launched in 2017. This represents around 20% of the investments made by the funds so far.

These Regional Fund investments and the support provided by the Bank's wider portfolio are already playing a small part in the success of the UK's rural economies and we are determined that this role continues. The Bank's long-term strategy places significant weight on addressing geographic imbalances in access to finance and offering world-leading support to rural businesses is a vital part of this.

Case study

Appleby Creamery

Programme: Northern Powerhouse Investment Fund

Cumbria-based Appleby Creamery, an artisan cheese maker, has boosted its offering over the last few years following a £250,000 loan from NPIF – FW Capital Debt Finance, managed by FW Capital and part of the Northern Powerhouse Investment Fund (NPIF).

Founded in 2008, Appleby Creamery is located in the historic market town of Appleby-in-Westmorland in the Eden Valley. The business offers a range of premium handmade soft, hard and blue cheeses and is a fully accredited Kosher cheese producer.

The business used the loan to expand and improve their industrial unit. The investment also provided the capital needed to help meet the surge in demand forecast after winning a number of significant new contracts in the UK. They also boosted their online product range during the UK's national lockdowns.

Managing Director of Appleby Creamery, Maurice Walton said: "As a growing business we're faced with the challenges of accessing finance, as well as the challenges the pandemic has posed to all small businesses over the last 18 months.

Through this investment from NPIF, we've had a platform to grow, adapt and make the most of the market opportunities available to us."

The Northern Powerhouse Investment Fund project is supported financially by the European Union using funding from the European Regional Development Fund (ERDF) as part of the European Structural and Investment Funds Growth Programme 2014-2020 and the European Investment Bank.

Part A - 1.4

The British Business Bank across the UK

- Since our formation, the British Business Bank's programmes have benefitted businesses across the UK
- Our Regional Funds and Regional Angels programmes provide additional options for businesses in targeted regions
- The British Business Bank is committed to supporting the continued recovery and growth of UK businesses wherever they are based

The British Business Bank has a mission to drive sustainable growth and prosperity across the UK and enable the transition to a net zero economy by improving access to finance for smaller businesses. Our mission is clear that we are here to benefit smaller businesses in all parts of the UK, building on our track record forged over several years.

Since our formation the British Business Bank's programmes have benefitted businesses across the UK

The Bank was established in 2014 with a range of programmes targeting start-ups, growing firms and other viable under-funded businesses. Our initial endowment of programmes gave the Bank more than 30,000 beneficiary companies of which around 24,000 were based outside of London[24].

In the years leading up to the pandemic, our scope expanded rapidly, reaching a stock of 98,000 beneficiary businesses in March 2020. Of these beneficiaries, 83,000 were based outside of London, a more than threefold increase on the number supported in 2014.

The Bank's whole portfolio has helped us reach such a large number of companies across the UK. For example, our programmes related to both asset finance, and invoice finance and asset-based lending are distributed broadly in line with the business population[25]. Our equity portfolio also contributes strongly as the majority of Bank-backed deals now go to companies outside London. Just 42% of Bank-backed equity deals went to London businesses in 2020, a share that sits five percentage points below the wider market[26].

Start Up Loans are another important contributor to the Bank's geographic spread. Since the scheme started in 2012, more than 85,000 loans have been issued to entrepreneurs across the UK with more than 65,000 of these outside London. From the Highland region of Scotland, where more than 250 loans have been issued, to Cornwall at the Southern tip of the UK with more than 1,100 loans, Start Up Loans have developed businesses and entrepreneurial skills across the length and breadth of the UK.

The most recent months in the Bank's history have, however, seen the entrepreneurial skills developed by programmes including Start Up Loans tested like never before. The emergence of the Covid-19 pandemic created huge disruptions to UK businesses and spurred the Bank to work rapidly with others to launch a series of programmes designed to help.

The successive launch of the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS), the Bounce Back Loan Scheme (BBLS) and Future Fund resulted in the Bank's products providing support to more than 1.8 million businesses by May 2021, a huge increase in scale relative to just a few months prior (figure 4.1).

This cohort of firms drawing on support spans the whole of the UK, and encouragingly, the patterns of usage for the guarantee schemes closely match the distribution of the underlying business population[27]. This demonstrates that all parts of the UK were hit hard by the pandemic but importantly, also shows the Bank's commitment to supporting businesses wherever they are based.

Our Regional Funds and Regional Angels programmes provide additional options for businesses in targeted regions

Businesses across the UK can face issues accessing finance from a number of causes. These could include the characteristics of the business, for example new enterprises may lack financial data to evidence their prospects[28], or the impact of external circumstances, such as the economic environment[29].

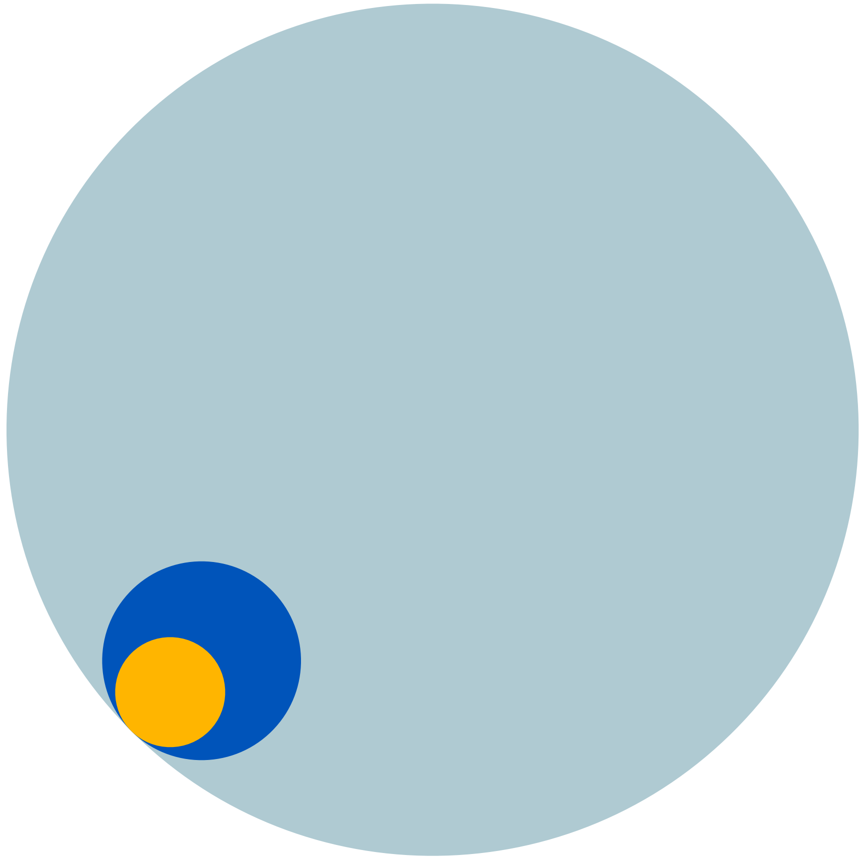
Businesses in all parts of the UK face these challenges but we know in certain parts of the UK, businesses not only face characteristic-based or macroeconomic challenges, they also face place-based challenges. These challenges could relate to the ease of finding information about finance, or of finding providers to approach. They could also relate to the extent to which available finance providers can offer the precise products, financial amounts and expertise needed.

In order to provide additional help to businesses facing these kinds of challenges, the Bank set up both the Regional Funds and Regional Angels programmes. The Bank's Regional Funds were the first of these programmes established, starting with the Northern Powerhouse Investment Fund (NPIF) which began investing in early 2017. This was followed by the Midlands Engine Investment Fund (MEIF) in August 2017 and the Cornwall and Isles of Scilly Fund (CIOSIF) in June 2018. All three funds are designed to improve finance conditions in their respective regions through offering both debt and equity funding to eligible small businesses.

Fig 4.1

Covid Schemes Relative to the Bank's pre-pandemic stock

Source: British Business Bank Management Information



- 30,000 business supported in March 2014
- 98,000 business supported in March 2020
- 1,8m supported through BBLS, CBILS and Future Fund

The three funds have all hit significant investment milestones already with NPIF passing the £250m investment mark in June 2021[30], MEIF reaching £100m invested in March 2021[31] and CIOSIF hitting the £10m point in November 2020[32]. Part of the operational model for each of these funds involves appointing private sector fund managers who establish a physical presence in the regions they support.

As sections 1.2 and 1.3 have demonstrated, distances between finance providers and businesses matter and the needs of businesses can vary in different types of place. Through embedding professional fund managers in the regions the funds support, NPIF, MEIF and CIOSIF have been able to assemble an impressive track record of investing in businesses in harder to reach areas.

Across all three funds, 62% of investments and loans so far have gone to companies based outside of major conurbations, of which around a third were based in the towns, villages and hamlets that are classed as rural. Looking specifically at the equity investments made by the Regional Funds, 58% have gone to companies outside major conurbations. For comparison, in the same regions, only 50% of equity investments not involving the Regional Funds or other government funds went to companies outside major conurbations between 2017 and 2020.

These investments and loans are already empowering businesses to do things like boost their workforce skills, increase spending on research and development, invest in net zero and introduce new products and services. They are also stimulating the creation of jobs, and not just average jobs but a high proportion of high-quality jobs paying top-quartile salaries[33].

The Regional Angels programmes is a newer initiative and was set up in 2018 to increase the availability of early stage equity capital in areas where this type of finance is less readily available. Since the first commitments through the programme were made, more than £25m has been deployed in over 250 investments.

As the Regional Funds and Regional Angels programmes continue to invest, these economic impacts will be experienced by more and more businesses. However, to ensure we create a truly lasting legacy, the Bank is already thinking about how the next generation of these programmes and our wider portfolio can combat regional inequalities.

A key strand of this continued effort to combat regional inequality will come from the Bank's UK Network. The UK Network provides dedicated field managers for each part of the UK who work with small business finance intermediaries to enhance business finance ecosystems across the UK, so smaller businesses, wherever they are, can grow and prosper.

The British Business Bank is committed to supporting the continued recovery and growth of UK businesses wherever they are based

As the UK economy continues to make up for lost ground, an increasing share of entrepreneurs and businesses will turn their attention from survival back on to growth. The Bank will be there to help businesses achieve this growth, sustainably and in ways that enhance our transition to a net zero economy with prosperity across the UK.

Case study

Fittamamma

Programme: Cornwall and Isles of Scilly Investment Fund

Fittamamma, the maternity fitness wear brand, has secured investment from The Cornwall and Isles of Scilly Investment Fund, (CIOSIF).

Fittamamma will receive a £150,000 loan made up of £131,250 from CIOSIF and £18,750 from SWIG Finance, who work with The FSE Group, the appointed CIOSIF Fund Manager, on delivering smaller business loans. As the business grows over the next three years, it is forecast to create five new jobs.

The business, based in the village of Par in Cornwall, was founded in 2012 by mother and daughter Deborah Hazeldean and Alexandra McCabe after they spotted a gap in the market for stylish, well-designed, and supportive maternity fitness wear. The range was developed over time, with a particular eye on the detail, ensuring it would meet the ever-changing body needs of pregnant women wishing to enjoy the benefits of exercise during and after pregnancy.

The team worked with the University of Portsmouth to carry out independent tests on the new range, with the results proving that the uniquely designed Fittamamma vests and leggings not only look stylish but provide important, essential support where it's most needed, reducing "bump bounce" by a significant 48% when compared with other maternity ranges.

CIOSIF is supported financially by the European Union using funding from the European Regional Development Fund (ERDF) as part of the European Structural and Investment Funds Growth Programme 2014-2020. Further investment has come from the Cornwall and Isles of Scilly LEP and HM Government.

Part B - 2.1

Regions and nations finance data

This section sets out the datapoints needed to understand finance markets in each region and nation. The following tables provide data on economic context, finance demand, supply and ecosystems, and on the British Business Bank's activity.

Case study

FW Properties

Region: East of England

Location: Norwich

Programme: ENABLE Guarantees

Based in Norwich, small housebuilder FW Properties specialise in developing distinctive contemporary properties across Norfolk and Suffolk.

Since Ian Fox and Julian Wells founded FW Properties in 2011, they have successfully completed six developments of 80 residential apartments and houses and have a further three projects underway.

To fund development works for their projects, FW Properties received finance from Hampshire Trust Bank, supported by the Bank's ENABLE Guarantee programme. Hampshire's funding structures minimise the amount of equity that needs to be held by the developer and the finance provider, allowing a greater pipeline of housing.

East of England

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	6,269,161	9.3%
SME Population	2020	597,652	10.0%
High Growth Businesses	2019	1,115	8.8%
GVA	2019	£168,468	8.5%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	57	4.0%
Number of Angel Investors	2019	-	6.9%
Number of Banks and Building Societies	2019	870	8.4%
Number of Business Services companies	2019	38,565	9.3%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	28.2%
Proportion of SMEs that View Finance as a Major Obstacle	2020	6.7%
Proportion of SMEs with a Formal Business Plan	2020	18.0%
Proportion of SMEs aware of the British Business Bank	2020	23.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	140,255	9.0%
Number of SME Equity Deals	2020	130	6.4%
Value of SME Equity Deals	2020	£595,567,183	6.8%
Number of Private Debt Deals	2019	19	4.5%
Number of EIS Deals	FY 2019-20	345	8.2%
Number of SEIS Deals	FY 2019-20	165	7.9%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	5,987	7.0%
Number of Companies Benefiting from British Business Bank interventions	2020	6,600	9.9%
Number of Bounce Back Loans Offered	2020 - Q1 2020	149,267	9.6%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	10,431	10.5%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	89	7.5%

Case study

Doctify

Region: London

Location: Westminster

Programme: Enterprise Capital Funds

Doctify is a healthtech platform built by medics for healthcare providers, doctors and patients. It was founded by NHS surgeons, Dr Stephanie Eltz and Dr Suman Saha, when they spotted the need for an online platform linking patients with the right medical specialist when Eltz struggled to find the right specialist at a time that suited her schedule.

Doctify allows patients to search, compare and book an appropriate health specialist for 47 different medical specialities. Patients can read verified reviews from other patients and information about each healthcare provider.

Enterprise Capital Fund partner Amadeus has led the last two funding rounds in Doctify, with funding used to develop the product, build the executive team and fuel growth. As a result, Doctify is today the UK's leading healthcare review platform for medical consultants, clinics and hospitals with sales doubling every year for the past three years. The team is now looking to enter new markets.

London

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	9,002,488	13.4%
SME Population	2020	1,132,631	19.0%
High Growth Businesses	2019	2,670	21.2%
GVA	2019	£468,169	23.7%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	823	58.2%
Number of Angel Investors	2019	-	34.4%
Number of Banks and Building Societies	2019	1,655	15.9%
Number of Business Services companies	2019	118,590	28.6%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	37.4%
Proportion of SMEs that View Finance as a Major Obstacle	2020	8.6%
Proportion of SMEs with a Formal Business Plan	2020	23.1%
Proportion of SMEs aware of the British Business Bank	2020	27.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	316,987	20.4%
Number of SME Equity Deals	2020	965	47.2%
Value of SME Equity Deals	2020	£5,847,569,055	66.4%
Number of Private Debt Deals	2019	81	19.1%
Number of EIS Deals	FY 2019-20	1965	46.6%
Number of SEIS Deals	FY 2019-20	995	47.6%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	18,552	21.6%
Number of Companies Benefiting from British Business Bank interventions	2020	8,735	13.2%
Number of Bounce Back Loans Offered	2020 - Q1 2020	320,765	20.6%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	16,582	16.6%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	660	55.5%

Case study

Wildfire Marketing

Region: Yorkshire and Humber

Location: Leeds

Programme: Recovery Loan Scheme

Having experienced growth in 2020, this Leeds and London based marketing agency used the Recovery Loan Scheme (RLS) to continue scaling in 2021, recruiting and training its staff in the Yorkshire region.

Wildfire Marketing Limited is a digital agency based in Leeds and London. It offers website design, SEO, social media, email marketing and paid advertising services.

It wanted finance to invest in the future of the business, and to recruit new employees to help the business grow and invest in talent in its local region of Yorkshire.

Funding under the Recovery Loan Scheme has secured the long-term future of the business and allowed it the opportunity to cement its place in Leeds' thriving digital scene.

Yorkshire and Humber

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	5,526,350	8.2%
SME Population	2020	422,013	7.1%
High Growth Businesses	2019	910	7.2%
GVA	2019	£128,049	6.5%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	48	3.4%
Number of Angel Investors	2019	-	3.3%
Number of Banks and Building Societies	2019	765	7.3%
Number of Business Services companies	2019	23,040	5.5%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	33.2%
Proportion of SMEs that View Finance as a Major Obstacle	2020	8.3%
Proportion of SMEs with a Formal Business Plan	2020	22.6%
Proportion of SMEs aware of the British Business Bank	2020	28.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	94,378	6.1%
Number of SME Equity Deals	2020	68	3.3%
Value of SME Equity Deals	2020	£146,401,961	1.7%
Number of Private Debt Deals	2019	67	15.8%
Number of EIS Deals	FY 2019-20	110	2.6%
Number of SEIS Deals	FY 2019-20	70	3.3%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	7,337	8.6%
Number of Companies Benefiting from British Business Bank interventions	2020	5,383	8.1%
Number of Bounce Back Loans Offered	2020 - Q1 2020	109,156	7.0%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	7,669	7.7%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	35	2.9%

Case study

Transcend Packaging

Nation: Wales

Location: Hengoed

Programme: Regional Angels Programme – British Business Investments

Wales-based Transcend Packaging manufactures food and beverage packaging aimed at reducing use of single-use plastic. It is the leading manufacturer of paper straws and sustainable packaging for the food service industry in the UK.

The company sought finance to buy new equipment to increase its manufacturing capacity and develop new product lines. British Business Investments delivery partner SFC Capital participated in a £7.5m fundraise originally planned prior to Covid-19 and Transcend plans to use this funding to acquire new state-of-the-art equipment to support its growth.

The funds will also enable the company to expand its operations into mainland Europe, and to continue removing plastic from packaging for the food service sector.

Wales

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	3,169,586	4.7%
SME Population	2020	208,621	3.5%
High Growth Businesses	2019	460	3.7%
GVA	2019	£67,141	3.4%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	30	2.1%
Number of Angel Investors	2019	-	1.4%
Number of Banks and Building Societies	2019	530	5.1%
Number of Business Services companies	2019	10,385	2.5%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	38.0%
Proportion of SMEs that View Finance as a Major Obstacle	2020	10.3%
Proportion of SMEs with a Formal Business Plan	2020	26.0%
Proportion of SMEs aware of the British Business Bank	2020	24.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	98,283	6.3%
Number of SME Equity Deals	2020	77	3.8%
Value of SME Equity Deals	2020	£78,634,965	0.9%
Number of Private Debt Deals	2019	3	0.7%
Number of EIS Deals	FY 2019-20	85	2.0%
Number of SEIS Deals	FY 2019-20	30	1.4%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	3,948	4.6%
Number of Companies Benefiting from British Business Bank interventions	2020	3,437	5.2%
Number of Bounce Back Loans Offered	2020 - Q1 2020	59,608	3.8%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	3,212	3.2%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	25	2.1%

Case study

Capital Cars

Nation: Scotland

Location: Edinburgh

Programme: ENABLE Funding

Capital Cars is an established Edinburgh taxi private-hire company that provides a range of services from airport transfers to luxury chauffeur trips and exclusive tours of Scotland.

Looking to add to its green fleet of executive vehicles, Capital Cars received asset-based lending via ENABLE Funding delivery partner Simply Asset Finance to buy two electric Tesla Model S P85 vehicles. The Teslas have proved popular with the executive market, but also for special occasions where customers like the idea that they are reducing their carbon footprint.

Capital Cars hopes to buy more electric cars in the future to extend its fleet in line with customer demand.

Scotland

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	5,466,000	8.1%
SME Population	2020	369,575	6.2%
High Growth Businesses	2019	805	6.4%
GVA	2019	£147,333	7.5%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	105	7.4%
Number of Angel Investors	2019	-	5.5%
Number of Banks and Building Societies	2019	975	9.4%
Number of Business Services companies	2019	22,035	5.3%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	30.2%
Proportion of SMEs that View Finance as a Major Obstacle	2020	8.0%
Proportion of SMEs with a Formal Business Plan	2020	22.2%
Proportion of SMEs aware of the British Business Bank	2020	27.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	107,403	6.9%
Number of SME Equity Deals	2020	242	11.8%
Value of SME Equity Deals	2020	£283,821,692	3.2%
Number of Private Debt Deals	2019	3	0.7%
Number of EIS Deals	FY 2019-20	220	5.2%
Number of SEIS Deals	FY 2019-20	70	3.3%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	5,510	6.4%
Number of Companies Benefiting from British Business Bank interventions	2020	4,623	7.0%
Number of Bounce Back Loans Offered	2020 - Q1 2020	93,865	6.0%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	5,927	5.9%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	23	1.9%

Case study

B-Secur

Nation: Northern Ireland

Location: Belfast

Programme: Enterprise Capital Funds

Northern Ireland-based B-Secur is pioneering next-generation biometrics, using the heart to secure health & wellness insights in the connected world.

Their HeartKey® technology captures users' ECG signals using small and seamless sensors within smart clothing, wearables, or physical touch points. The resulting signal patterns provide insights on the individual, from confirming who they are to how they are feeling.

Applications include improving motoring safety and reducing the risks of accidents, medical monitoring outside a clinical setting and improvements in worker verification, security and wellbeing.

As an early stage company, the nature of the business requires heavy R&D investment, and in 2017 they received funding from an Enterprise Capital Fund backed by the Bank. B-Secur has grown to over 35 people from their headquarters in Belfast, Northern Ireland and is now competing on the global stage and has gone on to secure further funding.

Northern Ireland

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	1,895,510	2.8%
SME Population	2020	148,157	2.5%
High Growth Businesses	2019	265	2.1%
GVA	2019	£42,226	2.1%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	22	1.6%
Number of Angel Investors	2019	-	1.2%
Number of Banks and Building Societies	2019	385	3.7%
Number of Business Services companies	2019	5,195	1.3%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	34.2%
Proportion of SMEs that View Finance as a Major Obstacle	2020	9.6%
Proportion of SMEs with a Formal Business Plan	2020	24.7%
Proportion of SMEs aware of the British Business Bank	2020	19.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	34,416	2.2%
Number of SME Equity Deals	2020	24	1.2%
Value of SME Equity Deals	2020	£20,042,014	0.2%
Number of Private Debt Deals	2019	20	4.7%
Number of EIS Deals	FY 2019-20	40	0.9%
Number of SEIS Deals	FY 2019-20	20	1.0%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	1,330	1.6%
Number of Companies Benefiting from British Business Bank interventions	2020	2,003	3.0%
Number of Bounce Back Loans Offered	2020 - Q1 2020	42,133	2.7%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	2,440	2.4%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	13	1.1%

Case study

Bronzie

Region: North West

Location: Liverpool

Programme: Start Up Loans

Leanne LeGuen established luxury tanning accessories brand Bronzie in 2014 after receiving a Start Up Loan of £25,000.

After struggling not to ruin clothes and sheets after applying fake tan, Leanne came up with the idea to develop a fake tanning jumpsuit to be worn to and from spray tan appointments to avoid smudging the tan and staining clothes.

The innovative garment was six months in the making with inbuilt features to ensure your tan stays smudge-free whilst looking stylish and feeling comfortable at the same time.

Seven years after starting her business, Leanne launched the Bronzie line of fake tans in January this year featuring the Ultimate Gradual Tan, Ultimate Tanning Mousse and Ultimate Tanning Oil.

North West

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	7,367,456	11.0%
SME Population	2020	561,113	9.4%
High Growth Businesses	2019	1,325	10.5%
GVA	2019	£188,146	9.5%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	77	5.4%
Number of Angel Investors	2019	-	2.4%
Number of Banks and Building Societies	2019	1,115	10.7%
Number of Business Services companies	2019	37,955	9.1%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	35.2%
Proportion of SMEs that View Finance as a Major Obstacle	2020	9.9%
Proportion of SMEs with a Formal Business Plan	2020	26.6%
Proportion of SMEs aware of the British Business Bank	2020	27.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	139,509	9.0%
Number of SME Equity Deals	2020	117	5.7%
Value of SME Equity Deals	2020	£270,838,389	3.1%
Number of Private Debt Deals	2019	103	24.2%
Number of EIS Deals	FY 2019-20	210	5.0%
Number of SEIS Deals	FY 2019-20	115	5.5%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	10,674	12.5%
Number of Companies Benefiting from British Business Bank interventions	2020	7,975	12.0%
Number of Bounce Back Loans Offered	2020 - Q1 2020	163,813	10.5%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	10,696	10.7%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	84	7.1%

Case study

Mango Hub

Region: South West

Location: Bristol

Programme: Start Up Loans

Fred Balakrishna established The Mango Hub in 2012 to bring his passion for Indian food to customers in Bristol and the South West.

Founder Fred had a career working in retail before retraining as a chef. He received a Start Up Loan of £8,000 to follow his passion and set up The Mango Hub. The business is a family affair with Fred's wife Bec and three generations of his extended family involved in the wider business.

The Mango Hub specialises in providing Indian street food in and around Bristol, provides Asian cooking classes and catering for both corporate and private events including Asian weddings.

South West

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	5,659,143	8.4%
SME Population	2020	561,982	9.4%
High Growth Businesses	2019	1,035	8.2%
GVA	2019	£144,155	7.3%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	47	3.3%
Number of Angel Investors	2019	-	8.5%
Number of Banks and Building Societies	2019	870	8.4%
Number of Business Services companies	2019	30,765	7.4%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	31.2%
Proportion of SMEs that View Finance as a Major Obstacle	2020	6.8%
Proportion of SMEs with a Formal Business Plan	2020	23.2%
Proportion of SMEs aware of the British Business Bank	2020	20.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	128,907	8.3%
Number of SME Equity Deals	2020	80	3.9%
Value of SME Equity Deals	2020	£185,144,244	2.1%
Number of Private Debt Deals	2019	8	1.9%
Number of EIS Deals	FY 2019-20	245	5.8%
Number of SEIS Deals	FY 2019-20	155	7.4%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	7,323	8.5%
Number of Companies Benefiting from British Business Bank interventions	2020	5,790	8.7%
Number of Bounce Back Loans Offered	2020 - Q1 2020	126,496	8.1%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	8,649	8.7%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	47	3.9%

Case study

L of a way 2 pass

Region: West Midlands

Location: Staffordshire

Programme: Start Up Loans

Diane Hall qualified as a driving instructor in 2002 and soon realised that many good drivers failed their tests because their nerves got the better of them.

L of a Way 2 pass was born following 18 months of research into the best ways to help pupils. Diane qualified as a Thought Field Therapist and uses these techniques to help students reduce their nerves and anxiety by helping them control their emotions.

The techniques Diane developed have become more widespread over the years. She has received an Award for Outstanding Contribution to the industry by the Approved Driving Instructor National Joint Council and now has a range of online courses available including the Driving Test Nerves course.

West Midlands

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	5,961,929	8.9%
SME Population	2020	482,537	8.1%
High Growth Businesses	2019	960	7.6%
GVA	2019	£144,455	7.3%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	51	3.6%
Number of Angel Investors	2019	-	4.3%
Number of Banks and Building Societies	2019	855	8.2%
Number of Business Services companies	2019	25,810	6.2%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	35.0%
Proportion of SMEs that View Finance as a Major Obstacle	2020	7.5%
Proportion of SMEs with a Formal Business Plan	2020	24.2%
Proportion of SMEs aware of the British Business Bank	2020	24.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	122,274	7.9%
Number of SME Equity Deals	2020	52	2.5%
Value of SME Equity Deals	2020	£381,891,071	4.3%
Number of Private Debt Deals	2019	42	9.9%
Number of EIS Deals	FY 2019-20	145	3.4%
Number of SEIS Deals	FY 2019-20	85	4.1%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	7,098	8.3%
Number of Companies Benefiting from British Business Bank interventions	2020	5,915	8.9%
Number of Bounce Back Loans Offered	2020 - Q1 2020	124,011	8.0%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	8,413	8.4%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	33	2.8%

Case study

Seaweed & Co.

Region: North East

Location: Whitley Bay

Programme: Start Up Loans

Dr Craig Rose (aka Doctor Seaweed), Whitley Bay, founded his business Seaweed & Co. with the help of Start Up Loans.

With a background as a marine biologist, Craig originally set up a business consulting on marine environmental and sustainability issues. After selling the business to a larger consultancy firm, which he then joined, he got involved with and discovered the massive food and nutrition opportunities of seaweed, ultimately leading to Seaweed & Co.

Seaweed & Co.'s vision is to make it as easy as possible for everyone to achieve natural health and wellness benefits from sustainable seaweed. The seaweed is harvested from the Scottish Outer Hebrides, while the company's PureSea brand of ingredients and Doctor Seaweed's Weed & Wonderful range of finished products are supplied across the globe. Selling abroad has driven the business forward, encouraged innovation and helped build trust for the brand in the UK market too.

North East

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	2,680,763	4.0%
SME Population	2020	163,007	2.7%
High Growth Businesses	2019	365	2.9%
GVA	2019	£55,339	2.8%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	32	2.3%
Number of Angel Investors	2019	-	1.8%
Number of Banks and Building Societies	2019	375	3.6%
Number of Business Services companies	2019	7,975	1.9%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	34.1%
Proportion of SMEs that View Finance as a Major Obstacle	2020	9.3%
Proportion of SMEs with a Formal Business Plan	2020	23.0%
Proportion of SMEs aware of the British Business Bank	2020	23.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	110,563	7.1%
Number of SME Equity Deals	2020	69	3.4%
Value of SME Equity Deals	2020	£122,642,472	1.4%
Number of Private Debt Deals	2019	22	5.2%
Number of EIS Deals	FY 2019-20	65	1.5%
Number of SEIS Deals	FY 2019-20	30	1.4%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	4,805	5.6%
Number of Companies Benefiting from British Business Bank interventions	2020	2047	3.1%
Number of Bounce Back Loans Offered	2020 - Q1 2020	48,262	3.1%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	2,919	2.9%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	31	2.6%

Case study

Brew Cavern

Region: East Midlands

Location: Nottingham

Programme: Start Up Loans

Upon returning to his childhood home of Nottingham, Matt Hinton, who had developed a strong passion for real ale and all things hoppy living in Sheffield, soon realised that there was a real gap in the market for a serious beer retailer.

Having seen a friend recently start one, Matt was shocked at how busy the shop was when he attended the launch and decided to set up Brew Cavern, selling craft beer, fine cider and natural wine.

Thanks to a £15,000 loan from the Start Up Loans Company, Matt was able to set his shop up and open. He immediately experienced a surge of business approaching Christmas and hasn't looked back since. He took the business online during the pandemic and saw a big shift, with 60% of sales now coming from the online store.

East Midlands

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	4,865,583	7.3%
SME Population	2020	396,503	6.6%
High Growth Businesses	2019	845	6.7%
GVA	2019	£113,526	5.7%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	29	2.1%
Number of Angel Investors	2019	-	1.8%
Number of Banks and Building Societies	2019	650	6.2%
Number of Business Services companies	2019	23,435	5.6%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	29.0%
Proportion of SMEs that View Finance as a Major Obstacle	2020	9.6%
Proportion of SMEs with a Formal Business Plan	2020	23.2%
Proportion of SMEs aware of the British Business Bank	2020	26.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	76,991	5.0%
Number of SME Equity Deals	2020	32	1.6%
Value of SME Equity Deals	2020	£76,241,757	0.9%
Number of Private Debt Deals	2019	23	5.4%
Number of EIS Deals	FY 2019-20	75	1.8%
Number of SEIS Deals	FY 2019-20	45	2.2%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	4,798	5.6%
Number of Companies Benefiting from British Business Bank interventions	2020	4,832	7.3%
Number of Bounce Back Loans Offered	2020 - Q1 2020	98,670	6.3%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	7,325	7.3%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	18	1.5%

Case study

Fungi Alert

Region: South East

Location: Harpenden

Programme: Enterprise Capital Funds

FungiAlert provide soil and water health screening facilitated by their patented technology, SporSenZ: the first in-the-field sensor sampling micro-organisms in soil and water.

Sample analysis alerts growers to the risk of infection before symptoms appear, improving disease management strategies, increasing yields, and improving soil-health.

In December 2017 founders Kerry Weaver and Angela de Manzanos raised £420,000 in a funding round led by Sussex Place Ventures. They received £370,000 through an Enterprise Capital Fund to hire three new team members, purchase key equipment and undertake extensive field trials.

After launching their first product in January 2019, the business needed additional finance and raised a further £350k in April 2019 to build an experienced sales team, support on-going product development research, and to expand internationally.

FungiAlert has deployed more than 700 SporSenZ sensors to date, including field trials.

South East

Economic Context

Measure	Period	Value	% of UK Total
Resident Population	2020	9,217,265	13.7%
SME Population	2020	930,743	15.6%
High Growth Businesses	2019	1,845	14.6%
GVA	2019	£291,770	14.8%

Finance Ecosystem

Measure	Period	Value	% of UK Total
Number of Equity Investors	2011 - Q1 2021	92	6.5%
Number of Angel Investors	2019	-	22.2%
Number of Banks and Building Societies	2019	1,365	13.1%
Number of Business Services companies	2019	71,415	17.2%

Finance Demand

Measure	Period	Value
Proportion of SMEs Willing to Use Finance to Grow	2020	29.0%
Proportion of SMEs that View Finance as a Major Obstacle	2020	7.3%
Proportion of SMEs with a Formal Business Plan	2020	18.7%
Proportion of SMEs aware of the British Business Bank	2020	20.0%

Finance Supply

Measure	Period	Value	% of UK Total
Number of SME Loans and Overdrafts approved	2020	182,657	11.8%
Number of SME Equity Deals	2020	188	9.2%
Value of SME Equity Deals	2020	£792,120,490	9.0%
Number of Private Debt Deals	2019	34	8.0%
Number of EIS Deals	FY 2019-20	690	16.4%
Number of SEIS Deals	FY 2019-20	285	13.6%

British Business Bank Activity

Measure	Period	Value	% of UK Total
Number of Start Up Loans issued	Q3 2012 - Q1 2021	8,177	9.5%
Number of Companies Benefiting from British Business Bank interventions	2020	8,996	13.6%
Number of Bounce Back Loans Offered	2020 - Q1 2020	216,676	13.9%
Number of Coronavirus Business Interruption Loans Offered	2020 - Q1 2020	15,125	15.2%
Number of Future Fund Convertible Loans Completed	2020 - Q1 2020	132	11.1%

Data annex measure summary

Section	Measure	Source	Period	Notes
Economic Context	Resident Population	ONS Population Estimates	Data released 25 June 2021, population data as at mid-2020	Due to ONS rounding, the sum of the regions does not exactly align with the UK total population estimate. Proportions are therefore taken of the region and nations total.
	SME Population	BEIS Business Population Estimates	Data released 8 October 2020, data is as at start of 2020	-
	High Growth Businesses	ONS Business Demography	Data released 17 November 2020, data is as at 2019	High Growth Business defined as an enterprise with average annualised growth in employment over a three year period greater than 20%
	GVA	ONS Regional Gross Value Added	Data released 26 May 2021, data for the year 2019	This data is an estimate of gross value added (GVA) by balancing the income and production approaches to measures GVA.
Finance Supply	Number of new SME Loans and Overdrafts Approved	UK Finance	Data for 2020	This data combines the number of new loans taken out by SMEs in the year 2020 and the new overdraft facilities opened by SMEs in the year 2020 by UK Finance members
	Number of SME Equity Deals	Beauhurst	Data for 2020	This is based on British Business Bank analysis of Beauhurst data on announced private external equity deals.
	Value of SME Equity Deals	Beauhurst	Data for 2020	This is based on British Business Bank analysis of Beauhurst data on announced private external equity deals.
	Number of Private Debt deals	UK Private Debt Research Report	Data for 2019	This is based on the primary data gathered by the British Business Bank as part of the Private Debt Research Report. Geographic data was not supplied for all deals, and therefore proportions relate to the population of deals for which we have geographic information.
	Number of EIS Deals	HMRC	Data released 27 May 2021, data is for 2019-2020	Geographic data is not available for all deals, and therefore proportions relate to the population of deals for which geographic information is available
	Number of SEIS Deals	HMRC	Data released 27 May 2021, data is for 2019-2020	Geographic data is not available for all deals, and therefore proportions relate to the population of deals for which geographic information is available
British Business Bank Activity	Number of Start Up Loans issued	British Business Bank Management Information	Q3 2012 - Q1 2021	-
	Number of Companies Benefitting from British Business Bank interventions	British Business Bank Management Information	As at Q1 2021	This does not include Start Up Loans or any Covid-19 interventions
	Number of Bounce Back Loans offered	British Business Bank Management Information	2020 - Q1 2021	-
	Number of Coronavirus Business Interruption Loans Offered	British Business Bank Management Information	2020 - Q1 2021	-
	Numbere of Future Fund Convertible Loans Completed	British Business Bank Management Information	2020 - Q1 2021	-

Data annex measure summary (continued)

Section	Measure	Source	Period	Notes
Finance Demand	Proportion of SMEs Willing to Use Finance to Grow	BVA BDRC SME Finance Monitor	2020	-
	Proportion of SMEs that View Finance as a Major Obstacle	BVA BDRC SME Finance Monitor	2020	-
	Proportion of SMEs with a Formal Business Plan	BVA BDRC SME Finance Monitor	2020	-
	Proportion of SMEs aware of the British Business Bank	BVA BDRC SME Finance Monitor	2020	-
Finance Ecosystem	Number of Equity Investors	Beauhurst	2011 - Q1 2021	This measure relates to the number of investors that have made at least one announced private external equity investment in a UK-based SME between 2011 and Q1 2021
	Number of Angel Investors	British Business Bank Angel Survey	Data for 2019	This measure relates to the home location of respondents to the Bank's 2019 survey of Business Angels. These proportions relate to the location of the overall sample, 6.3% of which reported their location as 'other'.
	Number of Banks and Building Societies	ONS	As at March 2019	-
	Number of Business Services companies	NOMIS	Data accessed 16/09/2021, data as at 2020	This measure brings together the total number of businesses operating in the following Business Services-related 3-digit SIC codes- 641 : Monetary intermediation, 642 : Activities of holding companies, 643 : Trusts, funds and similar financial entities, 649 : Other financial service activities, except insurance and pension funding, 651 : Insurance, 652 : Reinsurance, 653 : Pension funding, 661 : Activities auxiliary to financial services, except insurance and pension funding, 662 : Activities auxiliary to insurance and pension funding, 663 : Fund management activities, 691 : Legal activities, 692 : Accounting, bookkeeping and auditing activities; tax consultancy, 702 : Management consultancy activities, 731 : Advertising, 732 : Market research and public opinion polling, 741 : Specialised design activities, 742 : Photographic activities, 743 : Translation and interpretation activities, 749 : Other professional, scientific and technical activities n.e.c.,

Endnotes

1. BVA BDRC SME Finance Monitor 2021 p.140
2. The term core debt products relates to overdrafts, loans and credit cards in line with the SME Finance Monitor
3. Beauhurst also identifies unannounced deals using share allotment filings, in 2020 3,506 unannounced deals were tracked giving a total estimated market size of 5,550 equity deals. British Business Bank - Equity Tracker 2021 – [link]
4. British Business Bank - Equity Tracker 2021 – [link]
5. British Business Bank (2021) UK Private Debt Research Report
6. British Business Bank (2017) The Benefits of Diverse Finance Markets for Smaller Businesses
7. British Business Bank (2021) Small Business Finance Markets Report
8. https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/adhocs/10456analysisofenterprisesandtheirassociatedlocalunitsintheukbyemployeesizebandbynumberofsitesoperatedanduksic2007broadindustrygroup2018
9. See Wright and Lockett (2003), Hsu (2004), Franke et al (2006).
10. Huberman, G. (2001)- Familiarity Breeds Investment
11. Franke, N., M. Gruber, D. Harhoff and J. Henkel, 2006. What you are is what you like – similar biases in venture capitalists' evaluations of start-up teams
12. See Zook (2002), Cooke (2005) and Harrison et al (2003)
13. BEIS (2019): Equity Finance and the UK Regions- Understanding Regional Variations in the Supply and Demand of Equity and Growth Finance for Business
14. Cumming and Dai (2013) – Local bias in venture capital investments
15. Brown, R., Industrial Marketing Management (2018) -- Start-ups, entrepreneurial networks and equity crowdfunding: A processual perspective
16. Harrison (2013) – Crowdfunding and the revitalisation of the early stage risk capital market: Catalyst or Chimera?
17. Agrawal. A, Catalini. C and Goldfar. A (2015) - Crowdfunding: Geography, social networks and the timing of investment decisions
18. Data are not available for other UK Nations. Source for England: Defra Rural Productivity and Gross Value Added.
19. NICRE (2021): Rural SMEs and the net zero agenda. [link]
20. NFU (2019): Achieving Net Zero Farming's 2040 Goal. [link]
21. British Business Bank and Ipsos Mori (2021): Access to Finance Spotlight - UK Findings, Spring 2021. [link]
22. GDP first quarterly estimate, UK - Office for National Statistics (ons.gov.uk)
23. Please refer to the Bank's 2021 Small Business Finance Markets Report sections 2.3 Use of External Finance (pg. 69) and 2.4 Bank Lending (pg. 78) for analysis and data supporting these conclusions. [link]
24. British Business Bank (2014) Strategic Plan June 2014
25. British Business Bank (2020) Small Business Finance Markets 2019/20 – See sections 2.8 and 2.9
26. British Business Bank (2021) Small Business Equity Tracker 2021 – see chapter 4
27. British Business Bank (2021) Small Business Finance Markets 2020/21
28. For example, see Lean and Tucker (2001) Information Asymmetry, Small Firm Finance and the Role of Government
29. For example, see Bank of England (2016) Understanding and Measuring Finance for Productive Investment
30. https://www.npif.co.uk/northern-powerhouse-investment-fund-news-issue-12/
31. https://www.meif.co.uk/meif-invests-100-million-into-midlands-businesses/
32. https://www.ciosif.co.uk/cornwall-and-isles-of-scilly-investment-fund-passes-10m-milestone/
33. See British Business Bank (2019) Northern Powerhouse Investment Fund – Early Assessment Report or the equivalent reports for MEIF or CIOSIF.

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