

January 2026

A Business Support Strategy for London's SMEs

Strategic evidence base prepared for London
& Partners by WPI Economics

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Executive summary

The London Growth Plan launched in February 2025 set out a 10-year strategy, which includes a commitment to coordinate a pan-London business support service. The year-one action within this is to develop a Business Support Strategy as part of a series of actions to support small and medium-sized enterprises (SMEs) to scale and grow in the capital. This report was commissioned by London & Partners (L&P) to explore the business support needs of SMEs and the existing business support available in London. It forms part of the evidence base that will underpin the strategy, which is being developed in partnership with the Greater London Authority (GLA) and working with London Councils. As such, this report summarises the current and likely future needs of SMEs in London; how well these are currently catered for; and how services can be funded and delivered effectively into the future.

To create this evidence base, WPI Economics completed a systemic evidence review, comprised of three key parts: a Call for Evidence; a literature review of more than 70 sources; and a stakeholder consultation workshop. More detail on each element of the methodology is provided in the introduction. The evidence has been synthesised to provide a view of the needs of London's SMEs (today and into the future) and to identify gaps in provision, as well as to assess high-level options for delivery and funding across different business stages, scale and communities.

Understanding the needs of London's SMEs

This report considers these needs – summarised above – in detail. Starting with the existing provision, a broad range of support exists across the capital from several different types of providers. This support ranges from navigation and business basics to specialist growth services. However, despite the range and reach of support available, and increasing demand, reported uptake is currently fairly low given there are a million SMEs in London (see Chapter 2). The need for support and take-up levels also vary by business stage, with the most evident gaps centred on the needs of scale-ups and established SMEs in particular. Of course, as companies grow they naturally access other sources of advice, such as accountants, advisors and investors, supplementing what they are receiving from support services, but the evidence suggests there remain some needs which are not met by this wider ecosystem. While there are a number of effective initiatives in place to target support for under-represented groups, gaps persist in both the nature and success of provision more widely.

Digging into that picture a bit more, given the sheer scale and diversity of London's SME community, the evidence base makes clear that there is no one-size-fits-all answer to providing business support. Key gaps include:

- **Breadth:** demand for advice is rising, and extending beyond traditional business basics into digital security, workplace needs, skills and talent pipelines, and support to adopt advanced digital technologies. For example, 60% of businesses believe AI will be essential for the survival and growth of small businesses in the next five years.¹

- **Unmet needs:** This demand does, though, differ considerably by business stage, and while the needs of scale-ups are vital to supporting growth, the needs of more established SMEs can go unmet despite their clear value to the London economy. The most commonly-reported needs for scale-up SMEs are access to markets, talent and growth capital, whereas for micro-SMEs it is general advice for running the business, such as accounting and marketing.²
- **Frontier innovation spin-outs:**ⁱ The evidence indicates that support for frontier innovation spin-outs needs to encompass a focus on funding and financial support, connectivity and collaboration, specialist space, growth, regulatory guidance, and talent and skills. The frontier innovation firms in scope here are defined as high-potential, research-driven companies deeply linked with universities or research institutions driving commercialisation of breakthrough technologies.
- **Support for under-represented groups:** a wider range is needed, from support in addressing specific skills gaps through to the availability of mentoring and access to finance. 56% of disabled entrepreneurs in the UK did not get any external support when starting their business.³
- **Access to finance:** this remains a consistent challenge for all SMEs given the reluctance of lenders to finance them due to risk aversion and costs. The Treasury Select Committee SME finance inquiry particularly highlighted the impact of the last five years on SMEs, given the impacts of the Covid-19 pandemic and energy price shocks. Both confidence in accessing finance and acceptance rates for business credit have fallen since.⁴ In 2024, 10% of UK micro-SMEs reported a need for advice about how and where to get financing, up 5 percentage points compared to 2022.⁵

An important part of the context here is that demand is both rising and changing, and at the very moment that funding is becoming less accessible. The Call for Evidence, in particular, highlighted a consensus on the need for a single, clear, and actively-maintained navigation platform to underpin London's business support ecosystem. However, when it comes to the provision of support itself, formats for receiving support vary by stage and by group, which means that a range of options will continue to be important to ensure that businesses' needs are met.

Future funding for business support

Ultimately, there is significant concern about the future of business support funding as the UK Shared Prosperity Fund (UKSPF) comes to an end this year. Existing funding is usually provided by local and central government, with additional services funded by the private sector, trusts and foundations. Funding is under pressure for three key reasons: the high costs of providing services in London; the flux in funding streams following the loss of European Union (EU) and Local Economic Partnerships (LEPs) funding for business support in London, and as the UKSPF

ⁱ Throughout this document, the term 'spin-out' is used as a shorthand for high-potential, research-driven companies based on scientific breakthroughs. This definition encompasses all businesses deeply linked with the research ecosystem, regardless of whether a university or research institution retains a formal ownership stake or license.

comes to an end; and increased appetite for business support, as noted above. Between 2022 and 2026, the UKSPF will have provided £88.2 million of funding to London for business support services but no replacement funding has been announced, presenting a significant funding gap for the future.⁶ The UK Government's current Small Business Strategy sets a number of priorities for business support, but does not have funding attached. Therefore, the likely future of constrained public funding for business support necessitates its use in more coordinated and targeted ways. There is also a need – and potential – to broaden the funding base to include more impact and social investors, banks, fintechs, trusts and foundations. Co-funded programmes may have the potential to crowd in additional partners and improve leverage ratios. Maintaining resources for local provision is critical to ensuring meaningful support for businesses at the community level.

Next steps for business support in London

These insights are drawn together in the priorities section at the end of this document. Essentially, demand for business advice is both growing and changing at the very time its future funding is uncertain. There are tensions between the needs identified – such a centralised business support information hub – and the capacity and funding to deliver this signposting. However, while the funding challenge should not be understated, the evidence suggests that there are opportunities and creative approaches that can be explored here, and which the Business Support Strategy can harness. As the strategy is developed, it is important to also bear best practice in mind and make sure that in targeting advice, broader groups of more established SMEs are not excluded from provision, and efforts are made to close the entrepreneurship gap to reduce disparities in entrepreneurship rates between different groups, especially supporting more ethnic minority-, female- and disabled-led SMEs.

Finally, the publication of this evidence base is an important milestone on the road to the creation of London's Business Support Strategy, and we would like to thank all the stakeholders who have contributed to the process. This evidence base is now feeding into the development of a set of recommendations, which are being further refined in discussion with business support funders and wider stakeholders ahead of incorporation into the strategy itself. The Business Support Strategy is expected to be published in early 2026.

1. Introduction

This report summarises the findings of a comprehensive evidence review conducted by WPI Economics of the business support needs of small and medium-sized enterprises (SMEs)⁷, and the support and funding available in London. This review was commissioned by London & Partners (L&P) to underpin the development of a shared Business Support Strategy for London. As the growth agency for London, L&P is developing this strategy in partnership with the Greater London Authority (GLA) and working with London Councils as part of ongoing work to create resilient, sustainable and inclusive economic growth in the capital.

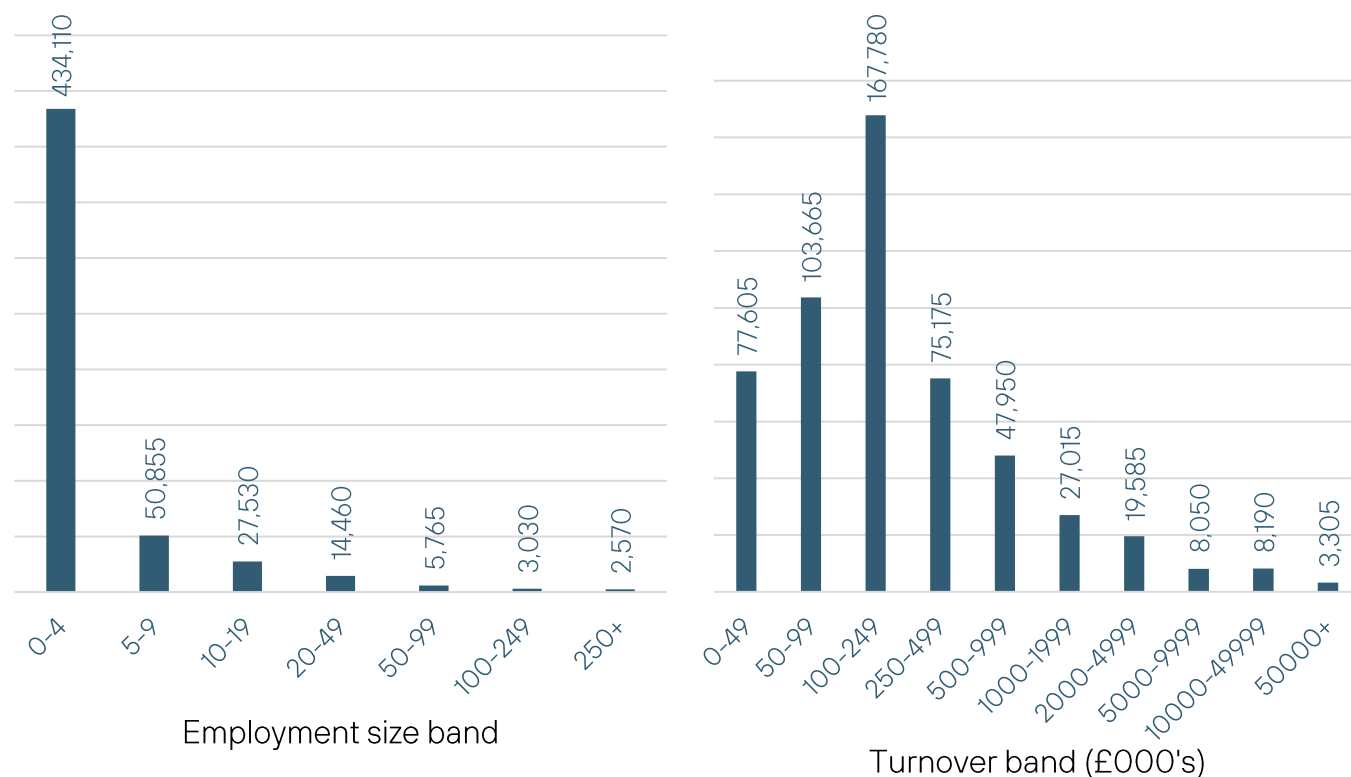
The London Growth Plan launched in February 2025 set out a 10-year strategy to boost productivity, support businesses and promote investment in key sectors. This included a commitment to coordinate a pan-London business support service aiming to:

- increase SME productivity;
- scale businesses in growth sectors;
- increase access to finance;
- close the entrepreneurship gap;
- support community and social economy businesses; and
- help businesses take climate action.

Developing the Business Support Strategy is the year-one action building to this longer-term ambition, which will also sit alongside a range of other actions to support SMEs to scale and grow.

London has a higher concentration of SMEs than any other part of the UK.⁸ There are around a million SMEs in London, representing nearly a fifth of all UK SMEs.⁹ These businesses make a large and important contribution to London's economy. In fact, more than 99% of all London businesses are SMEs, and they employ more than half of London's workforce.¹⁰ London also has the highest birth rate of new businesses of any UK region, and the largest number of businesses showing high-growth.¹¹ As such, business support services are crucial for the capital's future economic success, SME growth and efficiency. Specifically, they are key to helping SMEs achieve their economic potential by providing specialist information and advice for their current and future operational, administrative, financial, marketing and technological needs.

Figure 1: Number of businesses in London by employment size and turnover band



Source: ONS UK business: activity, size and location 2025 dataset

Note – this data set reports counts of VAT/PAYE registered businesses only.

The UK Government's Longitudinal Small Business Survey (LSBS) shows that, nationally, there has been a steady increase in the proportion of SMEs taking up business support services since 2020, rising from 24.1% in 2020 to 27% in 2024.¹² London SMEs in particular benefit from a strong existing offer of business support services, including around half of all UK-based accelerator programmes.¹³ However, the general consensus is that support for London's SMEs is currently fragmented, hard to access and does not fully meet the needs of London's entrepreneurs across business stages. These different stages are summarised in the table below:

Table 1: SME definitions by scale/stage

SME type	Definition
Pre-start	A business idea is being developed but the company is not yet trading/registered. Activities may include market research, business planning, and early-stage product development.
Early-stage	A business that has recently launched and is in the process of validating its product or service, building a customer base, and establishing operations. Often includes micro- or small businesses seeking seed funding or early revenue. This can include pre-registered businesses which have started trading but have not yet exceeded the trading allowance threshold.
Established SMEs	A business that has been operating for several years with regular activity, steady income, and consistent ways of working. These businesses are no longer in the early stages and have settled into day-to-day operations.

Scale-ups	A business that is growing rapidly, typically defined as having at least 10 employees and achieving annual growth of 20% or more in revenue or employment over a three-year period. These businesses are often focused on expanding markets, increasing investment, and scaling operations.
Frontier innovation spin-outs	High-potential, research-driven companies deeply linked with universities or research institutions driving commercialisation of breakthrough technologies in fields such as AI, quantum computing, bioengineering/life sciences, advanced robotics, or advanced materials.

This report summarises:

- the current and likely future needs of SMEs in London;
- how well these are catered for by current business services; and
- evidence for how services can be funded and delivered more effectively.

This includes consideration of the differences in demand and supply by the scale, stage and sector of businesses, as well as support for under-represented groups, such as female-, disabled-, and ethnic minority-led businesses.

Methodology

WPI Economics completed a systemic evidence review of SME business support needs in London and nationally, as well as business support provision and best practice. This included three core components:

1. **A Call for Evidence** issued by L&P in September 2025 which was distributed widely to stakeholders including London boroughs, a wide range of business support providers, funders, business representative groups, trade bodies and to chambers of commerce. Responses were received from 30 respondents. More information about the Call for Evidence is included in the Appendix on page 49.
2. **A literature review** of more than 70 sources, including analysis of business support provision in London, relevant national and international research, academic studies, a range of policy documents, practitioner evaluations, and research undertaken with SMEs and representatives from stakeholder organisations.
3. **A stakeholder consultation workshop** with organisations representing diverse parts of London’s business support ecosystem. The session was attended by around 30 delivery-level experts and practitioners – including those involved in designing, funding, and delivering support services – to test and refine the emerging findings from the Call for Evidence and literature review.

Insights from these three evidence sources have been synthesised to create this strategic evidence base. It provides a view of the needs of London’s SMEs today and for the future, identifies gaps in the current provision of business support in the capital, and recommends high-level options for delivery and funding of the business support needed by London’s SMEs across different business stages, scale and communities.

2. London's business support landscape today

Key takeaways:

- A broad range of support exists across the capital, from several different types of providers.
- This support ranges from navigation and business basics through to specialist growth services.
- However, despite the range of support available, reported uptake is currently fairly low given there are a million SMEs in London.
- The need for support and take-up levels also vary by business stage, with a gap around scale-up and established SME support in particular.
- Finally, while there are several effective initiatives in place to target support towards under-represented groups, gaps persist in the nature and success of provision more widely.

London has a large and vibrant business support ecosystem. This is formed of many providers and support organisations who, between them, provide a substantial range and volume of support for London's SMEs. This includes provision by national, pan-London, borough and local organisations, offering a range of services to cater to different types and needs of SMEs in London.

Central to London's business support ecosystem is the **substantial provision from London boroughs and also via pan-London programmes** such as Grow London Local and Grow London Global, which are funded by the Mayor of London through the UK Shared Prosperity Fund (UKSPF). This is **complemented by networks and training from the private sector, philanthropic networks and chambers of commerce based in London.** **Particular strengths in London include the number of accelerator and incubator programmes.** There are more than 200 such programmes operating in the capital, representing half of all UK accelerators,¹⁴ which includes those provided by London's world-leading universities. This provision has led to London being described as 'a hotbed of new technology and entrepreneurial initiatives'.¹⁵ As you would expect given the breadth of supply, there is variation in the scale and quality of these services, with some programmes being world-class and others providing less clear value to SME participants.

Provision in the Capital is catalogued via Grow London Local which offers a free market place for business and skills support providers to advertise their activity to London SMEs. Analysis of listings shows that over 400 business support providers offer more than 1,800 business support programmes, events and services across London between January 2024 and June 2025.¹⁶ The data reveals that 45% of provision consists of one-off events (829) compared to 18% structured programmes (329), which may contribute to the fragmentation and short-term provision challenges identified by stakeholders. Virtual delivery comprises 47% of all offerings (867), alongside 32% in-person (594) and 20% hybrid (370). Since launch, Grow London Local has reached over 345,000 entrepreneurs.¹⁷

Across the provision types, there is a range of support services provided, including:

- **Navigation** – as noted above, services like this are centred on signposting or triaging SMEs to information and more in-depth forms of support, including council hubs, signposting pages and pan-London services such as Grow London Local. However, there is no single hub that currently spans all offers for all types and stages of businesses. Grow London Local for example focuses on small and micro businesses, although L&P has set out in their strategy ambitions to provide similar services for scale-up businesses.
- **Business basics** – these centre on providing help and education related to core business competencies including advice on tax, legal support, pricing strategies, marketing and branding, e-commerce, and digital set-ups including the use of AI tools.
- **Business networks** – most programmes offer access to business networks for peer support and, in some cases, this includes investor networks.
- **Mentoring** – most programmes offer mentoring opportunities for SME leaders, including through borough-level, pan-London and accelerator programmes.
- **Workplace support** – a range of organisations including some local authorities, private sector providers, universities and third sector organisations provide affordable workspaces to SMEs. This can be affordable office space, industrial or laboratory space.
- **Specialist growth services** – these centre on supporting SMEs with more in-depth and tailored support for investment readiness, procurement or bid writing, export, innovation and Research & Development (R&D), advanced digital or AI adoption, support for Environmental, Social and Governance (ESG) frameworks, and the net zero transition.
- **Funding and access to finance** – most accelerators offer seed funding or financial support, some trusts and foundations offer grant funding, other services give SMEs advice and direction to external sources of private finance.

A breakdown of providers in the capital and the type of services and support they offer (and at what scale) is set out in the table below. Please note more detail on how programmes are funded is included in Chapter 5:

Table 2: Business support provision in London

Provider	Nature of services	Type of support	Scale
London boroughs	Multiple, time-limited programmes (often UKSPF-backed), some multi-borough partnerships	Navigation, outreach, webinars, networks, business advice, affordable workspaces	Specific initiatives from all 32 London boroughs plus the City
Pan-London programmes	Websites providing curated business support, publicly-funded programmes by organisations responsible	Navigation, online resources, networks, advice and signposting	Several high-profile programmes offering pan-London coverage, supported by funding from

	for supporting London businesses or the Mayor of London		the Mayor of London through the UKSPF
Chambers and other sector bodies	Business support provided by key organisations in UK commerce and industry, including trade associations and chambers of commerce.	Networks and mentoring, sector-specific programmes, export advice	A small number of notable programmes
Private sector	Business programmes provided by financial institutions, digital training, and specialist programmes from innovation agencies and networks	Training, mentoring, access to finance, nationwide networks and support hubs, e-commerce and AI tools, and paid-for professional services for SMEs	Large number of initiatives reaching thousands of SMEs each year e.g. Barclays Eagle Labs, Founders Factory, Santander X
Business Improvement Districts (BIDs)	Business-led organisations working to improve business environment in a specific local area	Support for high streets and local business environments, networks	70 BIDs operate across London, but specific business support provision is limited
Not-for-profit providers and volunteer networks	Often community-focused providers working in particular communities (geographic or people group) to encourage entrepreneurship	Outreach, informal networks, specialist training and 1:1 support for SMEs from specific communities, direct funding or access to finance	Large number of networks across charities and local government provision, some with communities of 3,000+ volunteers
Incubator and accelerator programmes ⁱⁱ	Specific fixed-term intensive programmes run by a range of providers and sponsors, some very specific in nature and eligibility, mostly focused on early-stage or scale-up SMEs, with durations varying from five weeks to two years.	Mentoring, workshops, investor networks. In some cases, also seed funding, 1:1 business advice, product development and technical expertise.	Over 200 incubator and accelerator programmes operating in London (half of all accelerators in the UK), ranging in scale from one to 1,000 participants
Universities	Innovation hubs or incubator and accelerator programmes, often focused on innovation and helping start-ups run by students, staff or alumni	Access to expertise and facilities, funding and investment opportunities	Small-scale programmes with limited outreach beyond university students and staff

ⁱⁱ Incubator programmes help pre-start SMEs nurture an idea and establish a commercial business. Accelerators help early-stage or scale-up SMEs to scale their business quickly.

Alongside these services, **London SMEs can also benefit from national UK Government services.** These services provide information for SMEs online at business.gov.uk and through the Business Support Service helpline.¹⁸ This provides guidance on a range of topics to help with starting a business, running and growing a business, and expanding in the UK and exporting overseas, as well as signposting to local services and growth hubs like Grow London Local. However, previous evaluations of this type of service have highlighted that uptake amongst the UK's SME population is relatively low.¹⁹

In addition, there are several services targeting more specific needs including Made Smarter, UK Business Climate Hub, Start-up loan scheme, British Business Bank and UK Export Finance.²⁰ These services make substantial investments in London SMEs. For example, in 2023, the British Business Bank supported 3,696 London SMEs with £600 million in finance (17% of the total funding provided across the UK).²¹ However, these services have stronger regional initiatives funded by central Government in other parts of the country which London has not been prioritised for.

How many businesses currently access business support?

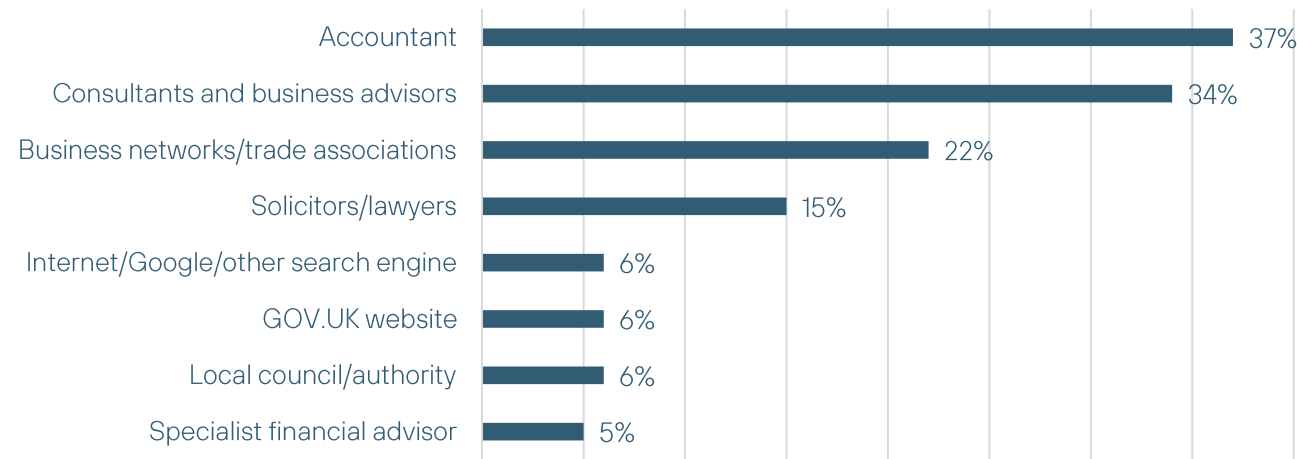
Previous analysis of data from the Department of Business, Energy and Industrial Strategy (BEIS)'s research with UK SMEs found that 43% of London SMEs needed business support, and just under half of this group (18% of London SMEs) had taken up support.²² SMEs access a range of services, including a mix of private and public services, and local and national provision. There is a lack of survey data about the type of business support services used by SMEs in the capital. However, surveys of UK businesses more widely show that the main sources of external support used by SMEs are accountants, consultants, and business advisors, followed by business networks and trade associations.²³ Whereas, sources such as GOV.UK and those provided by local authorities are reported to be used to a lesser extent (see Figure 1). This underlines the blended mix of support SMEs currently need and use, combining paid-for business services with specific forms of strategic advice where needed, supplemented via networks and Government sources of support.

There is evidence of widespread engagement of business support services with businesses in London. For example, 345,000 businesses have interacted with Grow London Local since its launch (either expressing interest at an in-person service, or visiting the Grow London Local website).²⁴ However, the number of businesses receiving in-depth support each year is more limited, although it is difficult to establish numbers across the breadth of providers available to London SMEs.

The UKSPF London allocation from 2022-25 (covering delivery up to March 2025) supported 24,000 SMEs in London through a range of Supporting Local Business (SLB) interventions, and over 15,000 businesses accessed support via Grow London Local's digital services.²⁵ As delivery continues until September 2026, these figures are expected to increase as further outcomes are recorded. Support provided varies significantly in intensity and duration across different programmes – from light-touch navigation services to intensive multi-month interventions. However, the number of SMEs using networks and online training from the numerous free and paid-for providers in London will be far higher. For example, Digital Boost – a

volunteer network offering free one-to-one support and peer-learning programmes – has supported more than 5,000 businesses which typically cannot qualify for accelerators or formal programmes such as Help to Grow because of size, stage of growth, or sector. The majority of those supported by Digital Boost are led by solo entrepreneurs (67%) and businesses who are pre-start or early-stage (64%).²⁶ Nevertheless, the overall evidence suggests services are currently being actively utilised by a limited proportion of the estimated one million SMEs in London.

Figure 1: Main sources of support used by UK SMEs with employees in 2024



Source: Department for Business & Trade Longitudinal Small Business Survey 2024

Business support for SMEs of different scale and stage

London’s SME population is diverse in its scale, stage and sector. The key sub-types of SMEs considered in the review are pre-start, early-stage, established, scale-ups, frontier innovation and micro-SMEs – more detail on the definitions of these categories is shown in Table 1 in the introduction of this report.

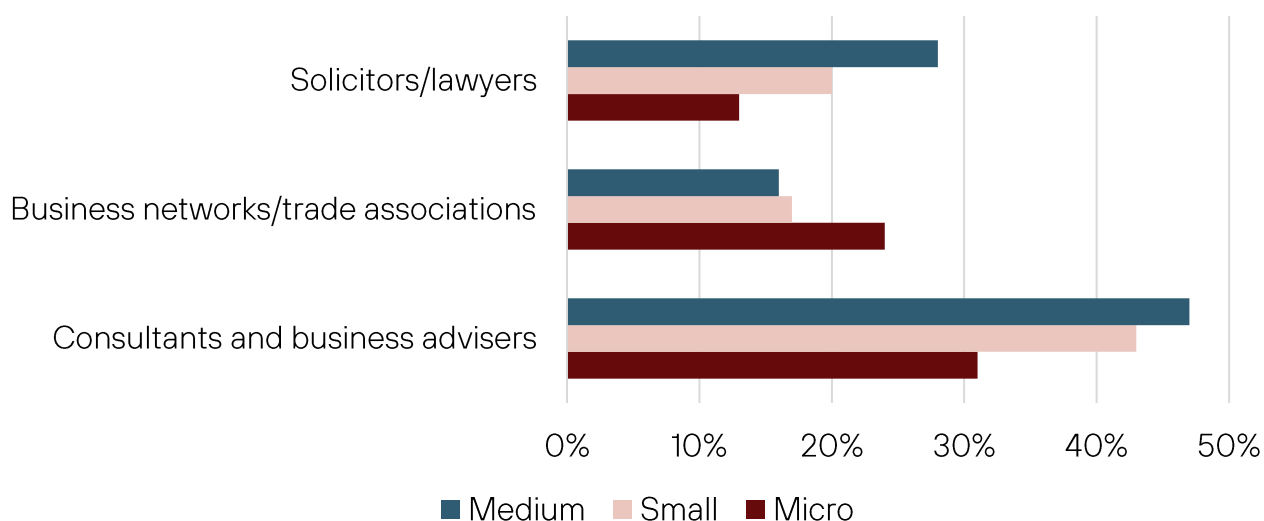
There are several notable differences in the availability and uptake of supply across these different SME types:

- Input from stakeholders in the workshop and Call for Evidence highlighted that **pre-start and early-stage SMEs are generally well-served for business basics**, marketing, and digital set-up, although understanding and navigating the number of support offers available can be a challenge. This includes support from services such as the City of London’s STEP Programme, business support offered by high street banks, and the UK Government’s Start Up Loan scheme.
- However, **a patchier picture exists for scale-ups**. While many currently available programmes focus on pre-start support, founders reported a gap when it comes to guidance on scaling up. There are several sources of high-quality provision available from universities, chambers of commerce and sector bodies, but there is limited capacity. Key providers in this space include the national network of catapult centres,

Innovate UK's EDGE programme which provides innovation and commercialisation support, the Grow London Global programme by L&P, and growth hubs funded by the Department for Business and Trade, as well as the numerous incubator and accelerator programmes provided by financial institutions and other private sector organisations.²⁷ However, Call for Evidence respondents highlighted that complexity of eligibility criteria and weak signposting can reduce uptake, and founders report that they lack guidance for scaling their businesses, with group-based and generic programmes often failing to supply the tailored help they need for their business context. Whilst the cost of delivering more bespoke support may be a barrier, the need for more market-facing, scale-oriented and human-centred support was clear.

- Likewise, specialised support is vital for SMEs working in frontier innovation, **but there are few support providers currently specifically targeting services to frontier innovation spin-outs in London.** However, there is a range of innovation-focused services that provide important support for this group of SMEs in London and nationally, such as catapult centres (which offer sector-specific Research and Development (R&D) support and technical expertise), accelerators, pre-seed programmes, university incubator and spin-out support.²⁸ The cost of delivery for this type of bespoke support can be a barrier.
- **Support for established SMEs is less common.** This came through clearly in both the literature review and consultation workshop. Established SMEs are the backbone of London's economy and can be overlooked by a focus on high-growth sectors. While there is good provision of online resources and networks, our research shows there is a lack of market-facing, human-centred support at scale aimed at supporting business survival and providing practical support with the costs of doing business and/or navigating regulatory or business challenges.

Figure 2: Sources of support used by UK SMEs in 2024, by business size



Source: Department for Business and Trade Longitudinal Small Business Survey 2024

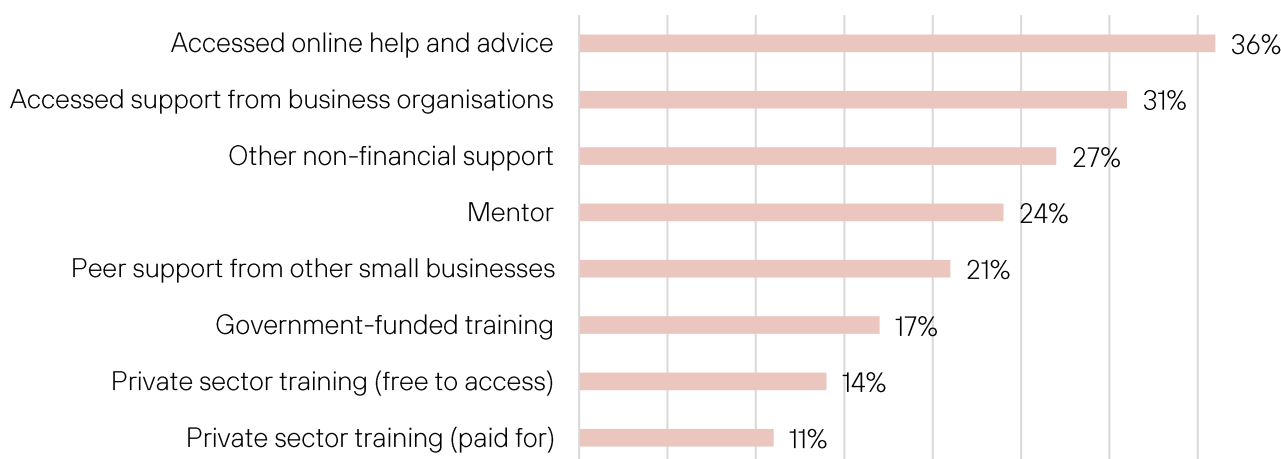
- **Free sources of support are particularly important for micro-SMEs**, which account for approximately nine in ten of London's SMEs and are less likely to use paid-for services, such as solicitors or business consultants, but have a higher take-up of business networks.²⁹ Stakeholders also highlighted the increasing prevalence of businesses starting as a side hustle, which is a distinct form of micro-business which needs time-efficient support that can help them combine starting a business around their existing employment.

Business support for under-represented groups

There have been several important national reviews of business support that have focused on the needs of under-represented groups. These reviews highlighted that certain groups are under-served or underutilise business support programmes.

- For example, **56% of disabled entrepreneurs in the UK did not get any external support when starting their business.**³⁰ In particular, the evidence reviewed by the WPI Economics team highlighted the lack of availability of disabled mentors for SME founders, and that networks for disabled entrepreneurs are typically information networks that lack funding and would benefit from greater structure and institutional support.³¹ This was corroborated by the Call for Evidence, with 60% of respondents highlighting the importance of mentoring or coaching to disabled entrepreneurs and more than half naming funding or business case development (55%) and finance or accounting support (50%) as key priorities.

Figure 3: Business support use by disabled founders (non-financial support)



Source: Lloyds and Small Business Britain Disability and Entrepreneurship report

- The Time to Change report from the Centre for Research in Ethnic Minority Entrepreneurship highlighted a **lack of support that meets the specific needs of ethnic minority-led businesses**, with existing support often fragmented, short-lived and lacking publicity.³² This can particularly be a risk where business support providers target firms that operate in certain sectors or those at a particular stage of business development, which can miss many ethnic minority-led businesses. The

recommendations of the review highlighted the importance of both mainstream and specialist providers in creating a supportive environment to enable ethnic minority-led businesses to thrive. This was echoed by the Call for Evidence, with 55% of respondents highlighting the importance of both funding or business case development and finance or accounting support to ethnic minority-led businesses.

- The Alison Rose Review Of Female Entrepreneurship highlighted a **need to improve female-led SMEs' access to professional expertise**.³³ Almost two-thirds (64%) of respondents to the Call For Evidence highlighted access to mentoring or coaching as the key priority support need for female-led SMEs. A strong emphasis was also placed on support to help female-led SMEs to scale up, with funding or business case development (59%) and accelerator or incubator programmes (46%) identified as the other highest-ranking support needs. However, the review also recommended that initiatives to foster a culture of entrepreneurship for all could deliver better results than interventions targeted solely at female entrepreneurs alone. Therefore, the lack of specific provision for female-led entrepreneurs may not be an issue in itself if wider provision can be improved.

There is less evidence available that presents a detailed view of business support provision for under-represented groups in London specifically. However, some sources suggest a positive picture of uptake of business support by under-represented groups. There are several London-based programmes specifically catering for founders from under-represented backgrounds, such as the Startup Discovery School, the Barclays Eagle Labs's Black Founder Accelerator, and within borough offerings.³⁴ The Call for Evidence highlighted that local council support services saw high participation amongst under-represented groups when programmes were inclusive, targeted and well-designed. For example:

- **Camden's Rebel Business School**, which is targeted at pre-start or early-stage businesses, reached 67% women, 24% disabled and 40% ethnic minority in 2025, with the programme seeing a 95% satisfaction rate and 49% of businesses unblocking a key issue as a result of taking part.
- **Islington's Business Resilience Programme** achieved a participation rate of 94% ethnic minority-owned, 78% female-led and 19% led by people with disabilities. This was achieved through specifically targeting businesses affected by recent economic challenges and entrepreneurs with protected characteristics, particularly from Islington's priority groups (including Black and Global Majority communities, women, and disabled people). The programme was delivered by Action for Race Equality's ethnically diverse team, which has firsthand experience of running their own businesses, and they were able to build trust and culturally-sensitive, personalised engagement and support.
- **Lewisham's Business Resilience & Growth programmes** engaged 131 businesses, which saw 66% being female-led and 68% Black, Asian & Multi-Ethnic-led. This programme ran between September 2023 and March 2025 and exceeded many of the outcome targets that were set. This included the safeguarding of 93 jobs (against a

target of 30), creating 21 new jobs (against a target of 15) and leading to the development of 32 new products or services (against a target of 30). 23 of the businesses had increased revenue, with a combined business revenue supported of £10,646,922. 129 of 131 businesses who took part were still trading as of December 2024, against a target of 100.

Pan-London provision has a role to play in successfully reaching under-represented groups at scale. Grow London Local has supported over 29,000 entrepreneurs since its launch via both in-person and digital services, with 88% of entrepreneurs supported in person having at least one protected characteristic (67.8% from ethnic minority communities, 56.6% female, 9.5% disabled).³⁵ This reach exceeds population representation and demonstrates that London-wide coordination can deliver inclusive outcomes without always requiring separate, specialist programmes for each group. The diversity of reach is consistent across business stages, with 64% of supported entrepreneurs being existing SMEs rather than pre-starts.³⁶ This highlights that inclusive business support must serve entrepreneurs throughout their journey, not just at start-up.

Additionally, the final evaluation of the London UKSPF allocation found that SMEs supported through SLB interventions showed strong levels of diversity, with 50% female founders and 51% ethnic minority founders.³⁷ This compared with national figures showing that only 14% of the UK's SMEs with employees were led by women in 2024 and ethnic minority-led businesses account for just 5% of SME employers and 4% of SMEs with no employees.³⁸ Evidence suggests that Government-backed initiatives can be particularly important to these groups because they are perceived as impartial and official, which fosters trust. For example, the evaluation of the UK Government's Business Support Helpline found that female-led and ethnic minority-led businesses were over-represented in its users and concluded being a government service was important because it was perceived as official and impartial and could therefore be trusted.³⁹ However, there is considerable evidence that **the needs of these groups are not fully met by the current provision**, which is further discussed in the next chapter.

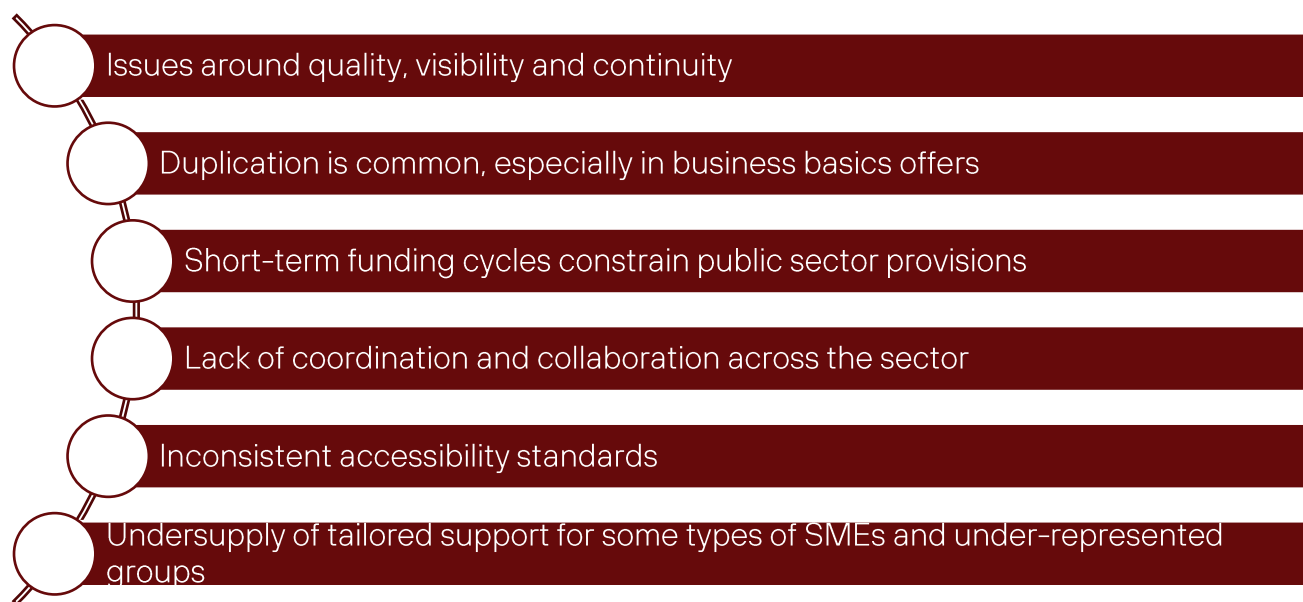
Supply challenges

While London has a strong and diverse business support sector, the market is decentralised. Call for Evidence respondents highlighted that this means the quality, visibility and continuity of services vary. Duplication is also common, especially for business basics offers. As a result, many stakeholders highlighted that **there is high capacity within the sector for offering light-touch, scalable formats (such as webinars, clinics, workshops and matching to mentors), but limited capacity for delivery in more specialist areas.** For example, where the need relates to investment readiness, help with procurement or bid writing, advanced digital skills, and advice on sustainability and the 'green transition'.

In part, this is affected by **short funding cycles for providers relying on public funding.** Stakeholders expressed concern that this constrained provision, eroded provider continuity and institutional memory, and it meant new services were needed to recreate resources and establish referral routes. In addition, stakeholders in the workshop **highlighted a desire for a**

greater level of collaboration in the London business support sector, citing positive examples of multi-borough programmes which were felt to improve efficiency, as well as a greater desire for collaboration between local and pan-London offerings.

Figure 4: Supply challenges in London's business support sector



In addition to the limitations in targeted support for under-represented groups as noted above, there are also wider accessibility issues, such as a lack of British Sign Language and captioning availability, accessible websites and application forms.

Matching support to demand

Evidence suggests that improving navigation, transparency, and engagement pathways should be prioritised, rather than creating new provision. Overall, there is a strong foundation in place in the capital, with the supply of business support currently offering significant valuable support to London SMEs of all shapes and sizes. However, there are clear and specific gaps in the existing provision. The next chapter explores these gaps in more detail, digging into the needs of London's SMEs today and how this compares to the supply outlined in this chapter. The next chapter provides not only an assessment of the major gaps in provision that should be prioritised to support London's one million SMEs to thrive but also how these supply challenges might be met.

3. The needs of London's SMEs today

Key takeaways:

- Given the sheer scale and diversity of London's SME community, business support needs are varied.
- Demand for advice is rising, and extending beyond business basics into digital security, workplace needs, skills and talent pipelines, and access to data.
- Demand differs considerably by business stage – while the needs of scale-ups are vital to supporting growth, the needs of more established SMEs can go overlooked.
- Support for frontier innovation need to encompass a specific focus on funding and financial support, connectivity and collaboration, specialist space, growth, regulatory guidance, and talent and skills.
- Under-represented groups have needs ranging from support in addressing specific skills gaps to the availability of mentoring and access to finance.
- There remains a strong need across SMEs for improved access to finance.

A brief look at the sectoral and size make-up of the SME sector in London today goes a long way towards explaining the complexity of the SME support services ecosystem. From emerging sectors such as FoodTech, CleanTech and EdTech to more traditional areas such as supply chain and logistics, from micro-enterprises to 250-staff businesses, medium-sized firms and across all stages of financing, the diversity of firms in the SME sector is enormous. This diversity is part of what makes the ecosystem thrive, and why 20% of all UK SMEs are in London. However, it also means that there is no one-size-fits-all solution to providing business support in the capital, and certainly no single programme that can respond to all SME support needs.

Evidence shows there is an appetite for growth amongst SMEs. In 2024, 71% of UK SME employers, and 59% of UK SMEs with no employees, aimed to grow their sales over the next three years.⁴⁰ Growth ambitions were highest amongst arts/entertainment and retail/wholesale businesses, with businesses in manufacturing, other services, finance/real estate, info/comms and education sectors all also reporting higher than average percentages of businesses targeting growth.

Across the evidence review process, the need for a tailored but coordinated approach came through clearly. Tailored support is particularly key for SMEs with specific needs not necessarily addressed by standard services, such as spin-out frontier innovation firms. Data shows the demand for more 'account managed' support in these cases.⁴¹ Alongside this, improved opportunities for collaboration and knowledge sharing could ensure that more use is made of the wealth of resources already available in the system. Figure 5 outlines the business support needs the London Growth Plan suggested pan-London services should cater for.

Figure 5: The London Growth Plan identifies the following business support needs that the planned pan-London service should cater for.



Other actions in the London Growth Plan requiring shifts in business support provision include the aim to open London's anchor organisations' supply chains to smaller and diverse-led businesses, necessitating improved access to procurement and commercial training for SMEs to make the most of the opportunities. The aim to make London the springboard to global growth for innovative companies across the UK will also require a focus on the specific business support needs of frontier innovation SMEs, which we dive into in a later section.⁴²

While awareness and use of business support is mixed, as discussed in previous sections, data from the LSBS panel report shows increasing use of business support, rising from 24.1% of SMEs using services in 2020 to 27% in 2024.⁴³ There is also growing evidence of the benefits of SME support services; the LSBS report found that firms that used external advice saw an average increase in labour productivity of 22.1% compared to those that did not access advice, and that accessing business advice improved firms' innovation.⁴⁴

The most common reasons cited for seeking information and/or advice for SMEs with employees included:

- Finance, specifically accounting, to support the general running of the business (25%, up 3 percentage points since 2022);
- Advice on business growth (23%, which is up 2 percentage points since 2022 but down from a peak of 25% in 2023); and
- Legal issues (15%, up 3 percentage points since 2022).⁴⁵

In addition to the key support needs identified above, stakeholder engagement through the Call for Evidence and via the consultation workshop indicated some wider core support need themes across different firm types, sizes and growth phases. These are:

- **Digital security:** Businesses continue to face challenges related to cyber threats, fraud and retail crime, with significant under-reporting of incidents.⁴⁶ Improving understanding of this type of crime and building resilience to it is vital to the long-term sustainability of any business. This is also a rapidly developing challenge which requires continuous learning and support to manage.
- **Workspaces:** The need for appropriate workspace was highlighted across the literature, particularly for scale-ups and frontier innovation firms. Our engagement with key stakeholders reiterated this point, highlighting the issue of access to affordable, appropriate workspaces as a key pressing issue. Across London, businesses face the challenge of high business rates and significant costs to doing business. Stakeholders highlighted that issue of space becomes increasingly pressing in the more expensive areas of London and for certain sectors with higher costs such as science, technology, AI and green tech. In addition, the need for specialist spaces is not always reflected in strategic priorities despite representing a significant barrier to growth and hampering businesses' visibility to consumers and other stakeholders. One example of this shared in the consultation discussions was the significant gap in affordable industrial premises, which are both increasingly expensive and disappearing. These spaces are particularly essential for GreenTech start-ups, AI hardware companies, and makers, artists and creators.
- **Talent:** Stakeholders outlined how SMEs struggle with sourcing the right talent. Hiring skilled staff in the UK has become increasingly difficult and expensive due to recent tax increases, pushing some businesses to look overseas – adding cost and time to the recruitment process. This has proven increasingly challenging over the last few years as labour markets have tightened and shifting immigration rules have created added complexity. The stakeholders we talked to as part of the consultation process highlighted a need for more support for workforce development and to recruit locally. Many founders are also globally mobile, and a strong business support infrastructure can help retain international talent and prevent founder migration to other global hubs.
- **Research and data:** The consultation workshop highlighted a gap in access to reliable research and data, especially at the pre-start stage. While free resources such as the British Library do exist, businesses often require advice on how to interpret and use this data to inform their business cases.

Whilst these themes apply generally across the SME spectrum, below we zoom in on the needs for certain types of SMEs and look more in depth at their finance needs in the following sections.

Business needs for SMEs of different scales and stages

From pre-trading to established firms, every phase of the SME lifecycle contains specific needs unique to that phase. As discussed previously, this means it is essential to tailor support to the full diversity of business types and stages. However, whilst it is important to consider the many variations of needs across businesses of all shapes and sizes, there can sometimes be too

much focus on start-ups and scale-ups to the detriment of steady-state SMEs, according to the stakeholders we engaged in the consultation.⁴⁷ These types of companies play a big part in community development – recognising and supporting them is crucial for inclusive economic growth.

The Federation of Small Businesses (FSB) has highlighted that the hikes to dividend taxes in the new Budget could disincentivise investing in your own business, citing serious impacts on small businesses. Plans to charge employers for supporting pension savings were also called out as challenging for SMEs, whilst the changes to business rates will not help enough to adequately make up for the damage done with other measures. Whilst steps taken on SME training and the new jobs guarantee scheme were appreciated, the FSB called for ministers to bring forward more pro-business, pro-growth policies.⁴⁸

The Autumn Budget increased employer National Insurance from 13.8% to 15%, which increased employer National Insurance costs by £940 (a 25% increase) for someone on average UK earnings.⁴⁹ Existing pressures risk being compounded by the Autumn Budget, with an increased National Living Wage alongside an extended freeze on income tax thresholds. This represents a cumulative cost increase for SMEs and may drive increased demand for support around financial planning/budgeting, workforce planning and access to finance. These same cost increases will also impact business support providers, particularly those relying on public funding. With both SMEs and support providers feeling the crunch at the same time, sustainable multi-funder models and improved coordination are even more urgently needed.⁵⁰

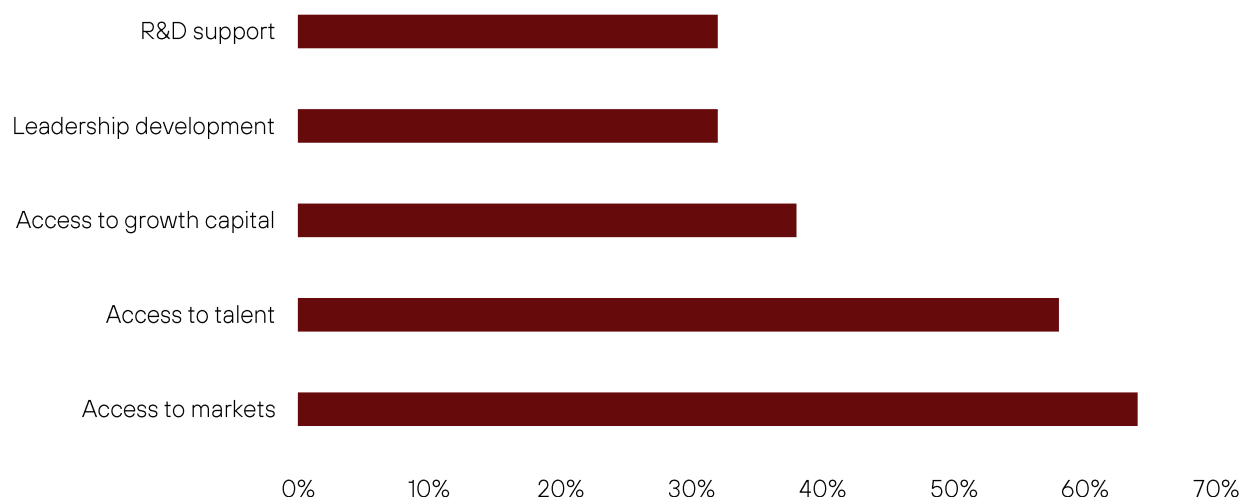
Start-ups

The UK's start-up ecosystem is complex and dynamic – success depends on many factors including the availability of funding, the regulatory environment, the quality of educational institutions and the availability of talent (both at the employee and leadership levels).⁵¹ With 42% of UK start-ups based in London, it is essential that the SME support system is equipped to handle their specific needs. The support already in place – including well-developed economic infrastructure, easy access to finance and several incubation and acceleration programmes – form a solid baseline to build from.

Scale-ups

Scale-ups have their own set of needs targeted at supporting the rapid pace of growth this stage requires, whilst managing increasing complexity as the company grows and requires new information and services to optimise performance. Despite representing only 0.5% of all SMEs in the UK, scale-ups contribute 58% of SME output, making targeting services and solutions to this segment essential for growth.⁵² Across the evidence review and our stakeholder engagement, it was clear that scale-ups face many challenges including the uncertain business environment and increased cost of trading due to the ongoing effects of Brexit, high energy prices and low consumer confidence. According to a 2023 survey of 306 scale-up leaders across all regions and sectors, the biggest barriers to growth for scale-ups include:

Figure 6: Reported barriers to growth by scale-up SME leaders



Source: ScaleUp Institute, 2023, Scaleup Survey 2023

Medium-sized SMEs

Whilst these common themes were identified, there were also significant differences in needs across sectors, with manufacturing and engineering scale-ups most concerned about Brexit costs and supply chain interruptions, whilst construction and life sciences scale-ups were more generally focused on rising costs. Larger SMEs were significantly more likely to have sought external information or advice (44% of medium-sized businesses compared to 34% of small businesses), and across the literature we reviewed seemed to be better supported by the existing ecosystem overall.

Micro-SMEs

SMEs with no employees surveyed in the 2024 LSBS identified slightly different priorities to SMEs at other stages/size, identifying the following support needs:

- Business growth (34%, up 13 percentage points from 2023);
- Marketing (22% up 7 percentage points from 2023);
- Financial advice for accounting and general running of the business (21%, down 2 percentage points from 2023);
- Tax/National Insurance law and payments (16%, up 5 percentage points from 2023);
- E-commerce and technology (14%, up 8 percentage points from 2023)
- Improving business efficiency or productivity (12%, down 3 percentage points from 2023);
- Legal issues (11%, down 1 percentage points from 2023);
- Financial advice for how and where to get financing (10%, same as 2023);
- Regulations (10%, same as 2023).⁵³

Targeting services for frontier innovation spin-outs

The London Growth Plan defines frontier innovation as making scientific breakthroughs and turning them into commercial products and devices.ⁱⁱⁱ Given the focus on frontier innovation in the London Growth Plan and its significant potential to support rapid growth, innovation and improving productivity in London and the wider UK, we have paid particular attention to the unmet needs for support that these firms face, particularly those that are spun out from universities or other research institutions. To achieve this and maintain London's global competitiveness and inclusive growth, there is a need to cement London's brand identity, fill gaps in support and finance provision targeted at these frontier innovation-focused SMEs.⁵⁴ Frontier innovation SMEs have specific needs which layer on top of those we have outlined for different scales and stages of growth. By definition, frontier innovation SMEs spun out from universities and other research institutions have characteristics which require a different approach to financing instruments and public policies due to their inherently high-risk profiles, long investment horizons and the disruptive nature of the technology used.

Across size profiles and demographic make-ups, these frontier innovation SMEs surveyed by L&P identified the need and appetite for London-wide leadership that strengthens connectivity, enables strategic alignment and addresses systemic challenges across infrastructure, funding, talent and regulation.⁵⁵ In addition to this key need, the survey identified some important themes where targeted interventions could unlock significant value. This included:

- **Funding and financial support:** there is limited access to early-stage, small-scale and devolved specialist innovation funding, especially for under-represented groups, with an over-reliance on overly-competitive national funding. More patient, flexible funding models and venture capital density would be beneficial, as would dedicated scale-up programmes for frontier technologies. Innovations that have proven their value need post-pilot support and frontier innovation firms need longer-term Government funding cycles to allow for improved stability and ambition. Of particular importance is the role public sector funding will need to play in developing a strong investor base whilst private capital develops sufficiently to provide the funding ecosystem frontier innovation spin-outs need to thrive. This is essential from a national security perspective to ensure the UK remains at the forefront of technology innovation, but it could take a long time.
- **Connectivity and collaboration:** The London support ecosystem is currently fragmented with a lack of joined-up leadership and strategic vision across Government, boroughs and sectors. A one-stop shop for advice, networks and funding is needed to remedy this so that the diversity of offer can be accessed more easily. Knowledge share is blocked by weak links between academia, industry and Government, impacting productivity. Given the nature of these newer sectors, there is a need for regional or place-based organisations to aggregate and steward sector capabilities, in addition to national and international representative bodies. A joined up international approach will be particularly important for securing collaboration agreements in quantum, which allow

ⁱⁱⁱ Key sectors include life sciences, artificial intelligence, quantum computing, bioengineering, advanced robotics and material science, as well as addressing climate change.

for knowledge transfer between countries, global talent visas and global industry standards.

- **Infrastructure and planning:** There is a need for affordable incubator, laboratory and specialist spaces (such as maker spaces and pilot-scale production). There are also gaps in availability of transitional space for those businesses that are between incubator growth phases. The real estate market is out of touch with the needs of some sectors such as life sciences, and in general there is a significant inconsistency in demand for space between clusters – some are oversubscribed, some are undesirable. Poor transport connectivity and insufficient digital infrastructure (including internet speeds and network coverage) are also holding back SME growth.
- **Scaling and growth support:** Support is needed for crossing the valley of death between research and market through enhanced transitional support. More high-quality accelerator programmes and specialist incubators aligned to specific sectors would support this, as would improving the currently weak links between industry and academia. There was also a call for subsector-specific scale-up programmes and funds for sectors with particular needs such as CleanTech, manufacturing and AI.
- **Talent and skills:** A need was identified for sustained investment in local talent pipelines, apprenticeships and inclusive pathways into life sciences and creative industries. The under-representation of diverse founders and communities is also a challenge. There is often a skills provision misalignment with industry needs due to poor connections between schools and industry. Programmes such as the Local Skills Improvement Plans (LSIP)^{iv} and the Mayor of London's Talent Strategy are seeking to improve this connection with a particular eye on London's growth sectors. Importantly, a lack of experienced entrepreneurs to act as mentors was identified – the need for leadership mentoring and role models has been reflected across the literature and in stakeholder engagement.
- **Regulation and policy simplification:** Slow decision making and a lack of clarity in planning and regulatory environments impacts productivity and innovation for SMEs. In the absence of devolved investment mechanisms and funding powers, it is more challenging to target funding effectively. There is also a lack of regulatory and Intellectual Property (IP) guidance for innovations, and continual regulatory changes discourage innovation and investment. One suggested solution is investment readiness support for SMEs which is particularly focused on regulation navigation.

Improving support for under-represented groups requires targeting and better coordination

Evidence shows that there is an entrepreneurship gap. For example:

- Only 14% of the UK's SMEs with employees were led by women in 2024.⁵⁶

^{iv} Three-year Local Skills Improvement Plans provide a framework for collaboration on local skills, bringing employers, skills providers and stakeholders together to build a shared understanding of local skills needs and the actions needed to address them.

- While 25% of the UK's SMEs are led by someone with a disability, these businesses only account for 8.6% of the UK's total small business turnover.⁵⁷
- Ethnic minority-led businesses account for just 5% of SME employers and 4% of SMEs with no employees.⁵⁸

The Maple Review, led by Small Business Britain, is also currently investigating the barriers to entrepreneurship caused by economic deprivation. The review is also expected to publish its findings and recommendations in Spring 2026.⁵⁹

Wider inequalities in education, labour market participation and social capital, as well as discrimination, can mean under-represented groups have fewer networks or transferable skills to draw on, such as marketing or communication, that are important for starting and running a successful business. Research shows, for example, that founders who were previously 'looking after the home' experience far less financial success, 78% of whom are women.⁶⁰ These patterns underscore the broader impact of under-representation of Black people and women in senior roles across the workforce.

Ethnic minority businesses also face challenges with accessing financial resources, wider markets and appropriate support. Whilst ethnic minorities in the UK are consistently more entrepreneurial than the population generally, they are still less likely to operate established, more mature firms that generate stable income.⁶¹ According to a British Business Bank survey on entrepreneurship diversity, minority ethnic and female entrepreneurs complete fewer of the activities which can develop their business ideas such as identifying customers or financial forecasting, and completing more of these activities is strongly related to success across entrepreneur groups. The biggest gaps were identified in pre-launch activities, including:

- forecasting costs, turnover and profit;
- testing ideas with potential customers; and
- having the required premises and equipment.⁶²

It is estimated that 25% of entrepreneurs are disabled or neurodiverse.⁶³ **Disabled entrepreneurs** face significant hurdles, including higher start-up costs and challenges accessing funding and support. A third of disabled entrepreneurs report that they followed the entrepreneurship route out of necessity due to being unable to find accessible or flexible work opportunities, making optimising their path to success even more essential. Disabled SME owners are more likely than non-disabled owners to have used no business support (41% compared to 35%) and they are more likely to have used informal support such as FSB networks (15%) and other networks (19%), suggesting that they have needs not currently being met by the existing support ecosystem.⁶⁴ There is more demand for mentorship or networking than business skills training because lived experience matters and is rooted in mutual understanding and shared challenges. The Lilac Review found that, for disabled entrepreneurs, the most beneficial forms of support include mentoring and networking (51%), business skills training (35%), financial support (33%), and marketing and sales guidance (23%).

More than half (52%) of disabled entrepreneurs have experienced a barrier due to their condition. Some of the challenges disabled owners face centre around lacking appropriate role models (70%) and perceiving a lack of equal access to the same opportunities and resources as non-disabled founders (84%) – both of which could be remedied with improved targeting of existing support services.⁶⁵ Other key challenges that were reported by disabled owners included commercial skills such as finding customers, growing scale and managing business operations, the ubiquitous need for access to finance, and improved access to networking.⁶⁶ It is also important to remember that many disabled founders will face extra costs both in managing their condition and in starting a business just by the nature of their disability, and there are calls for targeted support to account for this.⁶⁷ The immediate needs identified by disabled founders in a 2023 independent review included accessing finance, mentorship and coaching, long-term business sustainability support and help with expanding nationally.⁶⁸

Across the board, data from Grow London Local, which since its launch has referred 3,828 entrepreneurs to skills support, reveals a barrier not prominently featured in national surveys: language and basic literacy.⁶⁹ English for Speakers of Other Languages (ESOL) and English reading and writing skills are the most-viewed skills support categories, ranking ahead of digital skills training and business planning. For entrepreneurs whose first language is not English, understanding business terminology, completing application forms, engaging with advisors, and accessing written resources all present additional challenges. This has implications for how business support is designed, delivered, and communicated across London's diverse entrepreneur population.

Some finance needs remain unmet across under-represented groups

Given the challenges that under-represented groups often face in obtaining finance, one of the key support needs for this group is improving access to finance, whether through targeted provision or improved signposting. Disabled owners of small businesses face significant barriers and worries around financing, with 59% worried about taking on debt, and 48% not knowing the right type of funding to take on.⁷⁰ Nearly half of Asian and Other Minority Ethnic Group entrepreneurs identify access to finance as a barrier to their business' success and growth. 40-50% of Black and Other White aspiring entrepreneurs experience a similar barrier, whilst only 25% of White British entrepreneurs reported barriers to accessing finance.⁷¹ This clear barrier is evident in the statistics around who financing has historically gone to: 92% of total angel investment in the UK in 2022 went to all-White founder teams. All-ethnic minority teams are also under-represented in follow-on funding, accounting for 4% of follow-on deals (compared to 14% of first-time deals).⁷²

Ethnic minority-led businesses

Analysis from the British Business Bank in 2023 found that ethnic minority-led businesses are more willing to use finance to grow but are more likely to be discouraged from applying. They found that 15% of ethnic minority-led businesses identified a need for finance, but something stopped them from applying, more than double the rate for white-led businesses. The perception of barriers is, in itself, a major obstacle, potentially preventing ambitious entrepreneurs who would otherwise be accepted for finance from seeking the support they

need to develop: 39% of ethnic minority-led businesses who are thinking of applying soon expect success, as opposed to 51% of white-owned businesses.⁷³

Female-led businesses

Female-led businesses are typically approved for financing at the same rate as male-led businesses, but are approved for half the facility size. Ethnic minority- and female-led businesses were much more likely to face information barriers to accessing finance than white or male-led businesses. Ethnic minority businesses are also much more likely to have injected personal funds into their business (at 54% compared to 34% of white-led businesses) and are significantly more likely to feel they had to do so. This statistic is even higher for businesses led by those with a disability, which are three times more likely to have used personal funds than those businesses not led by people with a disability.⁷⁴

Finance needs for SMEs of different scale and stage

A major challenge across SMEs is lenders' perception of them as higher risk, with a consequent reluctance to finance them. In addition to lenders' risk aversion, SMEs face a complicated finance ecosystem, a lack of formal risk assessment and distinct financial challenges facing founders from under-represented backgrounds, as noted above. Support to understand and access finance is a key need across SMEs of all sizes, growth phases and demographic profiles to smooth this rough terrain.⁷⁵ During the consultation we heard that businesses, especially new and social enterprises, often lack awareness or understanding of requirements such as business rates and obligations to landlords, potentially leading to significant financial consequences before trading even begins. Our conversations evidenced a clear need for targeted advice and support around the core financial requirements.

SMEs' use of external finance declined in 2024, and more than half of demand for finance over the preceding three years was for working capital, which is driven by a focus on survival and financial stability, rather than investment to grow. Overall, 6% of **small businesses** report needing external funding in 2024, of which 57% wanted finance for business growth and development, driven mainly by an increase in the number wanting to invest in new plant and machinery. The British Business Bank highlighted the lack of awareness of finance options evident in these responses, naming this the most significant barrier to demand for finance.⁷⁶

However, it is not only awareness of finance options that SMEs need support with, but also help to understand and access the right finance option for their needs, particularly for **scale-up** and **frontier innovation** funding. While the finance may be available, businesses often struggle with how to access, navigate and effectively use it, which is where support and advice has the potential to be particularly helpful. Finally, it is worth a particular mention of the need for improved access to finance in the frontier innovation sectors if innovation-led growth is to be achieved in the UK. The need for improved access to finance was strongly identified by surveyed frontier innovation SMEs: "A lack of growth capital is the main issue throttling frontier innovation".⁷⁷

However, support is not solely required for financial investment advice. It is worth noting the broader issues that SMEs can face in terms of financial capability, including a lack of financial literacy or budgeting skills and knowledge. Some entrepreneurs find a route into entrepreneurship as an escape from existing financial challenges, which can then be exacerbated by a gap in financial expertise. Wider financial capability services, such as Citizens Advice's financial inclusion service and Advice First Aid, could be a good starting point for those on the lower end of financial literacy, especially if these services can be aligned with or included in existing provision.

Assessing the gaps in business support

Bringing this together, the table below provides an overview of the picture of supply and needs in London, identifying key gaps in provision across SME and founder types. What this means for the strategy is discussed further in chapter 6.

Table 3: Gap analysis of business support for SMEs by scale/stage

	Current supply of business support	Demand/needs of London SMEs	Gaps in provision
 All SMEs	Large but decentralised market from a range of providers and programmes. High capacity for light-touch, scalable support, but limited specialist support.	• Tailored support and signposting to relevant services • Support to improve productivity and scale access to finance • Community-based support • Help to navigate net-zero regulations and seize opportunities • Procurement and commercial advice • Innovation support • Accounting, legal and taxation advice • Guidance on AI adoption	Support to navigate the fragmented business support ecosystem and more tailored support offers, with a greater focus on productivity and support to scale, access finance, talent and affordable workspaces, efforts to close the entrepreneurship gap, with a focus on integrating AI across all need areas.
 Pre-start	Generally well-served for business basics, marketing and digital support, but may struggle to navigate support on offer.	• Market discovery and company development • Business case support • Help with finance options and investment readiness	Help to access relevant information, develop market offering and business plan, and understand finance options.
 Established SMEs	Large number of networks and business education programmes but limited practical support.	• Teams of mentors to help with a range of business needs • Practical support for their business such as affordable workspaces and business services • Training streams for established companies • More leadership, talent and wellbeing support • Stronger focus on productivity, export and innovation support • A more user-friendly grant application process⁷⁸	Practical support with ongoing business needs, routes to access person-centred support and efforts to raise productivity and growth ambitions.

 Scale-ups	High-quality provision from universities, chambers of commerce and sector bodies, but limited capacity, complex eligibility, and limited navigation support.	• Bespoke guidance and tailored one-to-one help • Support for growth and managing complexity • Access to markets • Access to talent • Access to growth capital and investment • Leadership development • R&D support	Leadership advice and long-term mentoring, access to capital and investment readiness, help to expand into new markets and recruit talent.
 Frontier innovation	Little targeted support but benefit from innovation focus programmes and university incubator and accelerator programmes.	• Access to blended finance (public-private), long-term capital and de-risking mechanisms • Better access to late-stage funding • Post-accelerator support and knowledge sharing • Regulatory clarity • High-quality accelerator programmes and dedicated scale-up programmes for frontier technologies • Regional-level organisation to steward the sector • Access to the right workspace • Improved links between industry and academia • Leadership mentoring and investment readiness support	Transitional support between phases, help to find the right workspace, industry-specific knowledge sharing and links to academia, access to appropriate finance, help to manage risk and regulations, and increase investment readiness.
 Micro-SMEs	High reliance on free networks, but lack of support tailored to new forms of micro-businesses and established micro-SMEs	• Business basics, legal and financial advice • Business growth • Marketing	Signposting and accessible guidance on finance, legal and taxation issues, and improved commercial support for growth and marketing.

Table 4: Gap analysis of business support for SMEs led by under-represented groups

	Current supply of business support	Demand/needs of London SMEs	Gaps in provision
Female-led SMEs	Limited specific support, but increasing efforts to increase participation in business support by female-led SMEs	• Mentoring • Access to finance • Support to develop business case	Mentoring and help with investment readiness and access to finance.
People with disabilities	Informal networks and limited provision of experienced mentors, and poor accessibility in mainstream provision	• Mentorship • Networking • Targeted support services • Financial signposting • Business expansion and scale-up support	Accessibility of business support, well-resourced networks, equal access to finance and opportunities.
People from ethnic minority communities	Lack of support that meets the specific needs of ethnic minority-led SMEs, but some dedicated community and not-for-profit provision	• Access to finance • Specialist innovation funding • Professional and transferrable skills • Developing business ideas • Pre-launch activities • Capabilities across more advanced digital tools such as AI adoption	Outreach and targeted support, support to develop business ideas, investment readiness and access to finance.

4. Future support and best practice

Key takeaways:

- As noted in the previous chapter, demand is changing. The rapid shift in new technologies, climate change, workforce changes and innovation all create different support needs.
- As is the case with existing support demand, in the future the areas that will need the most significant emphasis are likely to vary by business stage as well as by sector and size.
- Existing best practice for advice and support provision is helpful in identifying the potential pitfalls of focusing too heavily on one business stage or group, which runs the risk of leaving many firms underserved.
- Preferred formats for receiving support also vary by stage and by group, which means that a range of options will continue to be important to ensure that businesses' needs are met.

There are several emerging areas where SMEs need support to ensure London's business landscape remains future-proof. The rapid pace of evolving technology, the need to ensure sustainable and green growth and ensuring workforce readiness for the future form the thematic basis of these new areas of support. Responses from the Call For Evidence reported a clear shift in SME support needs over the last two to three years: while traditional priorities (finance, marketing, workspace) remain, there is a strong and accelerating demand for support in all four new areas discussed below.

Emerging and accelerating demand

Digital adoption and Artificial Intelligence (AI)

London is fast becoming a global leader in emerging advanced digital technologies such as AI, extended reality, 5G and future networks, the internet of things, robotics, autonomous machines and more.⁷⁹ The Government recognises the transformative power of integrating digital technologies and the SME Digital Adoption Taskforce aims to make UK SMEs the most digitally capable and AI confident in the G7 by 2035. This ambition will have an impact on driving growth: SMEs have a huge role to play in this transformation as even a 1% productivity uplift across SMEs could add £94 billion annually to the country's GDP.⁸⁰

However, while many SMEs view newer technologies – and especially AI – as an exciting opportunity (including 26% of SMEs surveyed for the 2025 Skills Horizon Barometer),⁸¹ there is some reticence towards adoption. Overall, the UK ranks only 31st in the World Economic Forum's information & communication technology (ICT) adoption list,⁸² but this reticence is especially true for small businesses, with only 30% of small businesses (fewer than 10 employees) having increased digital activity since 2019, limited use of digitised data for insights (21%), and the automated decision-making powers of AI (2%).⁸³

According to the Government's SME Digital Adoption Taskforce and its Technology Adoption Review, many SMEs struggle with limited time, digital skills, and accessing support. The same review highlights that, despite interest in AI, SMEs' worries about skill gaps and implementation remain.⁸⁴ However, the outlook shows an increasingly positive attitude to adoption. Data from the 2025 Small Business Britain and BT "AI Big Survey", shows that 60% of businesses believed AI will be essential for the survival and growth of small businesses in the next five years.⁸⁵

Where these tools have been adopted, they are already showing results as, according to a 2024 report by Accenture, small businesses using AI experienced a 35% boost in efficiency in the first year.⁸⁶ The SME Digital Adoption Taskforce found that SMEs need impartial guidance on adopting AI technologies and would welcome AI-driven advisory tools.⁸⁷ This makes it especially important for business support organisations to understand how emerging technologies affect their clients. Additionally, SMEs that have clear policies permitting the use of AI are more likely to adopt it. Finally, financial support for digital adoption remains an issue, as accessing existing incentives is challenging for many SMEs.⁸⁸

As AI continues to be adopted as an essential tool across various industries, and an increasing number of SMEs embrace its use, there is a potential risk of job displacement. According to research conducted by the World Economic Forum, sectors with substantial data resources are particularly susceptible to disruption by AI in the short term. Examples of such sectors include software development, customer support, and finance. The research highlights that this transformation is occurring rapidly, with traditional roles disappearing at an accelerated rate. Although new positions are being created, they often demand different skill sets and tend to be concentrated within technology hubs. In light of these significant changes and limited public awareness, business support organisations may play an important role in tracking the sectors most likely to be impacted and devising strategies for assisting workforce transitions into newly emerging fields.⁸⁹

Net zero and green growth

The opportunities that net zero transitions offer for SMEs are significant. There is evidence in the literature that proactive branding and marketing of sustainability initiatives helps small and medium-sized brands connect better with eco-conscious consumers and employees.⁹⁰ The Government has ambitious targets to achieve a "net zero" economy by 2050, and SMEs account for 34-53% of UK businesses' greenhouse gas (GHG) emissions, so have a big role to play.⁹¹ However, according to the 2025 BSI Net Zero Barometer Report, only 36% of UK businesses have set targets to further net zero ambitions, down from 58% from last year.

A British Business Bank survey found that 57% of small businesses are aware of the Government's commitment to reach net zero by 2050 but 53% also reported not being ready to prioritise decarbonisation.⁹² Key barriers included costs (35%), feasibility (32%), and a lack of information (12%), the latter highlighting the importance of business support. Additionally, access to finance is an enabler of transition, with 11% of small businesses reported having accessed external finance to support net zero actions, while 22% said they are prepared to do so in the next five years.⁹³

Most UK businesses (83%) are interested in some type of support and are most interested in the provision of practical guides to assist the implementation of standards, guidance to help selection of standards, and case studies.⁹⁴ London-specific data from Grow London Local shows that net zero training ranks as the third most-viewed skills support category (after ESOL and English literacy), demonstrating entrepreneur awareness of green transition requirements.⁹⁵ This demand signal suggests appetite for net zero support exists among London's entrepreneurs, particularly when support is accessible and clearly signposted.

Workforce skills and talent

In light of rapid technological, economic and environmental changes, many SMEs are faced with the challenge of securing a workforce ready to tackle future needs. L&P's Frontier Innovation Survey found that there are skills shortages in many frontier innovation sectors including life sciences, AI and machine learning (ML), health tech, and green industries.⁹⁶ The 2025 BSI Net Zero Barometer Report highlights the need for continued investment in the workforce that supports various aspects of electric and green hydrogen transport, including the service, repair and maintenance of new fleets of trucks, vans, buses, aircraft and maritime vessels.⁹⁷

Barriers to upskilling and training the workforce for the needs of the future, especially for frontier innovation companies, include:⁹⁸

- entry-level roles favouring university graduates, thus limiting access for under-represented groups;
- training programmes and industry needs not being aligned;
- employers not engaging enough to diversify talent pipelines; and
- a shortage of leadership experience in scale-ups.

These skill gaps in emerging areas mean that SMEs will need tailored and focused support to meet future needs.

Innovation and R&D

The London Growth Plan highlights significant opportunities for the city to capitalise on growth in emerging sectors, known as the industries of the future. These include AI, life sciences, robotics, cleantech, creative industries and quantum computing. This dovetails with a focus on supporting SMEs, offering them a chance to unlock further economic growth.⁹⁹ Despite these prospects, there are signs of a downward trend in R&D investment. A 2024 report by the Enterprise Research Centre (ERC) found that 47% of UK firms planned to invest in R&D over the next 12 months, a decrease from 53% in 2023.¹⁰⁰ This decline is particularly noticeable in smaller and non-frontier firms. This reduction and the lessening intention for investment in R&D suggests that there will be an increasing need for external advice and innovation support, which was reflected in ERC's survey. Large firms reported mainly seeking support related to product and service development, while smaller firms were more likely to seek more business development support over the next 12 months.¹⁰¹

Variation in needs: under-represented groups

While these trends affect all SMEs, female-led, ethnic-minority-led and disabled-led businesses experience additional or differentiated needs, as reported in the call for evidence:

- Minority- and disabled-led businesses are under-represented in new growth sectors such as tech, net zero, and creative innovation, suggesting the need for targeted incubation and mentoring within these fields.
- Under-represented entrepreneurs often struggle to access investment capital for digital or green innovation.
- Requests for hybrid training, captioning/translation, and childcare support are common in order to access the opportunities to better understand their future needs.

The Call for Evidence also revealed differences based on business stages, which are likely to extend into the future. Apart from those discussed in the previous chapter, in the context of future support, pre-start and early-stage companies would benefit from basic AI and data literacy guidance presented in practical, easy-to-understand ways. Growth-stage firms are looking for engagement with university or sector cluster networks for R&D and innovation support. Scale-ups need funding for innovation and sustainability transitions, along with support to integrate AI, automation, and net zero goals into their growth strategies. This opportunity for growth should be approached in an inclusive manner. Research by the ERC found that there is a strong link between greater workforce diversity, inclusive working practices and increased levels of innovation activity.¹⁰²

What makes business support services successful?

When it comes to assessing the factors that make business support services successful, a 2019 EU evaluation of business support services in 42 countries for would-be or newly-founded SMEs identified several key dimensions of support that were important to success, as illustrated in Figure 7. These included:¹⁰³

- starting with awareness-raising services;
- professionalising services and tailoring them to clients' needs;
- providing individual business advice along with more specialised ancillary services;
- making available entrepreneurship and business training;
- facilitating access to finance; and
- implementing strategic measures to change the business environment.

Figure 7: Dimensions of support important for business success



Similarly, the European Commission guidebook suggests providing three types of support in parallel:¹⁰⁴

1. **Support to improve business-related skills:** business training, legal or administrative advice, mentoring, coaching.
2. **Support to develop non-business-related skills:** networking, language and other skills.
3. **Support to satisfy tangible needs:** access to finance, provision of facilities advice.

These sources also highlight that a dual focus on rapid-growth firms and disadvantaged groups can be problematic, leaving a large demographic of SMEs served by neither category of support. This is an important consideration for the Business Support Strategy, given how critical it is to meet the varying needs of London's SMEs.

Within the UK, an ERC study using data from the Longitudinal Small Business Survey (LSBS) found that getting 'strategic advice' was the most critical factor in improving business success as opposed to operational advice.¹⁰⁵ Additionally, digital readiness is crucial for deploying effective business support. According to OECD analysis of digital adoption during Covid-19, companies with existing supporting technologies were more likely to adopt popular digital tools during the pandemic, such as digital commerce, collaboration software, cloud services, and analytics. This trend could widen the gap between top-performing companies and others. The report also highlights that public policy is vital in promoting inclusive digital transformation, especially after the pandemic.¹⁰⁶

Additionally, a single navigation hub for business support would be beneficial for SMEs to find appropriate support to match their needs. This was highlighted in the consultation workshop as a way to bring about cost-effectiveness and efficiency in delivering business support services.

Delivery mode effectiveness

Evidence from the Call for Evidence highlighted the importance of delivery modes to support effective outreach and engagement with businesses. While virtual delivery can effectively reach large numbers of entrepreneurs, in-person support can be more effective at converting that reach into sustained support, especially where trust and relationships are necessary for entrepreneurs to engage with confidence. Grow London Local's community-embedded model, with advisors in libraries, job centres, and high streets, has achieved 88% reach of entrepreneurs with protected characteristics.¹⁰⁷ This suggests that in-person, place-based delivery – while more resource-intensive – may be particularly effective for inclusive business support. The evidence indicates that a blended approach, combining digital channels for reach and awareness with in-person delivery for relationship-building and intensive support, could serve London's diverse SME population effectively.

Variations by business stages and founders

Business stage

Surveys of start-ups also find that direct support such as office space, funding, laboratory space and technical equipment is most useful,¹⁰⁸ echoing the findings on current demand drawn out in Chapter two. Participation in an incubator or accelerator programme is positively correlated with business survival, employee growth and funds raised. The type of support offered by the programme also impacts its success. For example, there is moderately strong evidence that providing networking and mentoring are important to success, but weaker evidence that management training is beneficial.¹⁰⁹ In the Call For Evidence responses, pre-start and early-stage founders were found to rely heavily on face-to-face engagement, community signposting, or peer recommendations. They have shown to lack awareness of formal support schemes or find them intimidating or irrelevant. Established SMEs typically use sectoral networks, industry associations, or specialist advisors (such as finance brokers, export advisors). Scale-ups more often engage through university innovation programmes or accelerators.

Under-represented groups

The Business Hothouse project by the University of Chichester, aimed at increasing entrepreneurship with a focus on under-represented groups and areas of low enterprise activity, found that grant schemes can be an effective hook to attract participants into the full programme, as well as driving positive impacts themselves. R&D grants, loans and subsidies in particular can positively impact productivity, employment or firm performance (such as profit, sales or turnover).¹¹⁰ The Lilac Review suggests that support for disabled entrepreneurs should be led by disabled people, rooted in lived experience, accessible, inclusive and flexible, and backed by long-term funding and accountability.¹¹¹ The Alison Rose Review of Female Entrepreneurship highlights global best practice and states that governments need to adopt large-scale policies to change the landscape for female entrepreneurs. It also discusses the need for a central body to coordinate resources and efforts to achieve large-scale impact, complemented by local delivery.¹¹² Additionally, online services and resources help improve accessibility and work best when not hybrid but dedicated online sessions. However, it is to be noted that some people prefer to speak to a person, rather than use online resources. This can

be especially important for under-represented groups, such as women and minority ethnic group founders.¹¹³

Submissions to the Call for Evidence consistently indicated that female-led, ethnic minority-led, and disabled-led SMEs access support differently – and often less effectively – due to information gaps, limited trust, and perceived exclusivity of formal business networks. It was highlighted that SMEs from under-represented groups show higher engagement when outreach is done via community or culturally-trusted intermediaries (for example, local women's networks, Black business associations, sector-specific social enterprises). Additionally, many disabled or ethnic minority entrepreneurs report that opportunities are not marketed inclusively or that eligibility criteria are unclear; and while digital platforms increase reach, they can unintentionally exclude low-digital-literacy entrepreneurs or those without strong online networks.

Overall, the needs of SMEs in the future are broadly consistent with the challenges faced today discussed in Chapter 3, but there will be greater emphasis on emerging issues driven by digital innovation, the net zero transition, and workforce and skills. The evidence summarised in this chapter demonstrates the importance of a multi-faceted and diverse business support ecosystem, with coordination to ensure all SME groups are well served with services that meet their needs, have strong outreach and signposting, and are backed by strategic measures to support a broader business environment where SMEs can thrive. All this is underpinned by robust data collection and leveraging it in an effective manner. Data collected by Grow London Local on support demand, number of entrepreneurs supported, and categories of business support most requested is particularly valuable in this regard, as it helps track current demand and can help identify future trends and most effective delivery mechanisms. The next chapter considers the funding that is needed to support provision in the future.

5. The funding landscape

Key takeaways:

- There is significant concern about the future of business support funding as the UKSPF comes to an end next year, leaving a potential £26.2m annual funding gap.
- Local and central government fund significant amounts of business support provision in London, with additional services funded by the private sector, trusts and foundations.
- Existing funding is under pressure for three key reasons: the high costs of providing services in London; the flux in funding streams as the UKSPF comes to an end; and increased appetite for business support, as noted in the previous chapters.
- There is a need – and potential – to broaden the funding base to include impact and social investors, banks, fintechs, and an extended role for universities and other anchor institutions.
- Co-funded programmes may have the potential to crowd in additional partners and improve leverage ratios.
- Maintaining resources for local provision is critical to ensuring meaningful support for businesses at the community level.

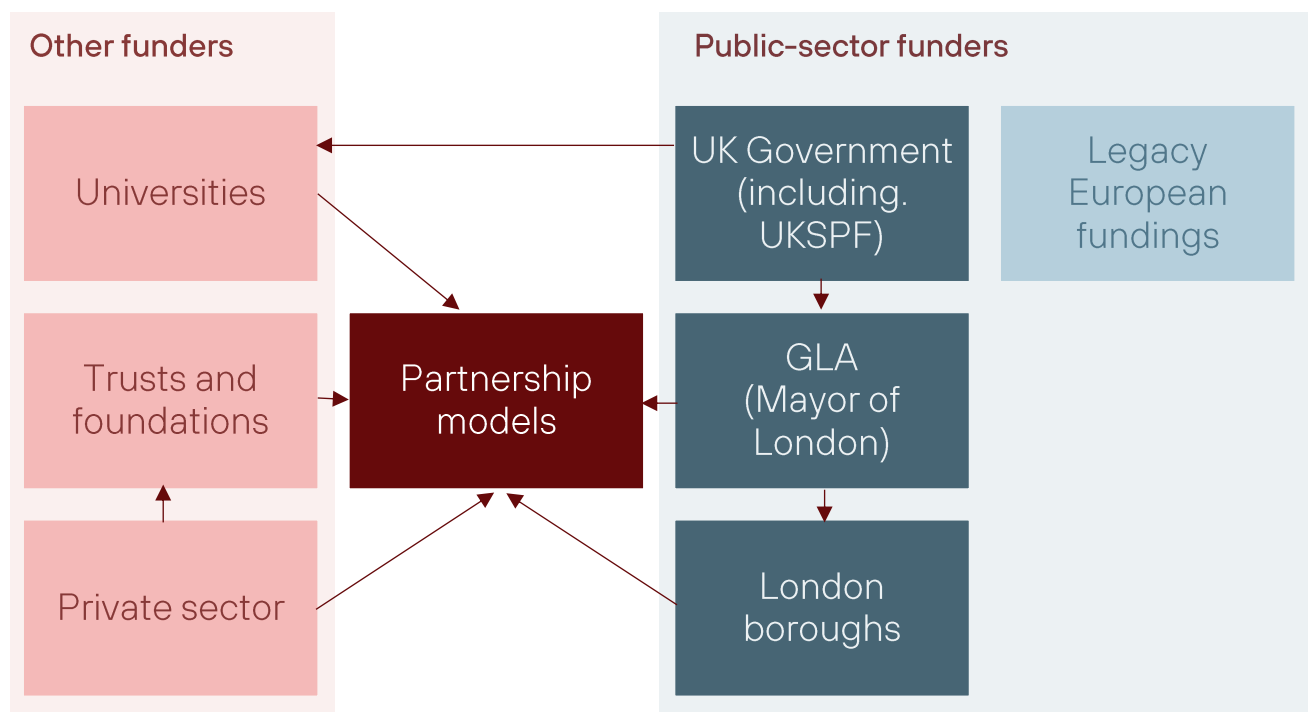
Funding is vital for the continued provision of business support in London, as well as for addressing the supply challenges and gaps in provision based on SMEs' needs today and into the future. Funding for business support comes from many different sources, involving private, public and philanthropic funders. There is significant concern about the future of business support funding as the UKSPF comes to an end next year, and interest in exploring new funding mechanisms and models to supplement and expand on what is currently on offer.

Who is funding what?

There are a variety of funding sources for business support in London. Both the public and private sector contribute significant amounts to business support funding, with additional funds provided by trusts, foundations and universities. The funding of initiatives is a complex picture with the total envelope hard to establish; most provision is funded through a blend of sources.

In recent years, the most significant source of public funding for business support has been through the UKSPF. Prior to this, EU programmes and LEPs provided significant funding for business support in London, totalling £150m annually.¹¹⁴ Between 2022 and 2025 the UKSPF provided £144 million for London across three priorities, one of which was supporting local businesses. The GLA manages the UKSPF funding, working with London Councils, boroughs and other partners to deliver business support programmes in the capital.¹¹⁵ Under the SLB priority, £62 million of London's total allocation (over a three-year period) was invested in a mix of borough-led delivery and 31 cross-borough and pan-London schemes, with £88.2 million allocated for the total current funding period 2022-26.¹¹⁶ Alongside local allocations, the UK Government also funds national business support services such as the Business Support Service and other tax- and sector-specific schemes, as noted earlier in this report.

Figure 8: Funders of business support in London (arrows show funding flows)



There are also numerous major corporate sponsors of business support, which use several different models. The major banks, in particular, contribute billions of pounds to business support initiatives that reach hundreds of thousands of SMEs nationally each year.¹¹⁷ The venture capital and private equity sector fund services for scale-up businesses, often alongside equity finance. There are also interesting examples of blended finance models delivering national programmes with footprints in London, such as Business & IP Centres (BIPC) network, which is funded by the British Library, other corporate sponsors and public funds, and has received National Lottery funding in the past. Participating boroughs or local authorities also provide in-kind support, such as library infrastructure to host the service. In other cases, providers are funded by member businesses and fees are paid for services or membership, such as The Enterprise Network, which also receives some public funds through Government contracts for specific projects and corporate sponsorship. L&P blends public and private funding in a social enterprise model with funding from grants, partners and a portfolio of venture businesses.

Table 5: Funders of business support in London

	Nature of funding	Type of services	Scale
UK Government	Direct public funding for national services or Government-owned organisations, and UKSPF regional allocations	National public services such as Business Support Service, access to finance such as British Business Bank initiatives, growth hubs, and UKSPF funded services delivered through boroughs, and pan-London programmes focusing on signposting and business growth	Major source of funding for business support at national and local level UKSPF provided £88.2 million for borough and pan-London-delivered business support in 2022-26. ¹¹⁸ This was allocated through the GLA and around half a million from the Department for Business and Trade supports London's Growth Hub ¹¹⁹
Boroughs	Some locally-generated revenues to supplement UKSPF funding	Local in-house provision and via commissioned partners delivering outreach and engagement with local SMEs, in-community hubs, and support for innovation, digital skills and for early-stage entrepreneurs	Supplements UKSPF allocations
Mayor of London	Allocation of some additional Mayoral budget	Time-limited specific initiatives like support for high streets or cohorts of entrepreneurs	Targeted support for specific pan-London initiatives, but most GLA funding for business support is from London's UKSPF allocation
Private sector	Corporate sponsorship, direct funding of in-house programmes, service or membership fees, equity investments	Large-scale business education such as digital skills and marketing, networks, accelerators and support for innovation, equity investment, and business networks	Significant funding nationally and for London-based programmes
Trusts and foundations	Endowments, donations, corporate partners or activity	Outreach, networks, specialist training, accelerators, and grants or access to finance.	Small-scale but important funding stream for targeted services
Legacy European funding	European Regional Development Fund (ERDF) and the Horizon 2020 research and innovation programme	Innovation and university initiatives, local or regional services, access to finance	EU structural funding has now ceased. There is limited residual funding through Funding London which invests through recycled returns, and UK organisations have renewed access to Horizon Europe

Funding gaps and challenges

From the evidence review and engagement with stakeholders and providers of business support, four key drivers of funding challenges in London's business support ecosystem today have been identified:

1. **Existing providers are struggling with the high costs of providing services in London.** London-based accelerators report the highest rates of difficulties with financing in the UK – nearly half (47%) regard the cost of finance as a barrier to having greater impact to a great or very great extent. Unsurprisingly, the cost of premises was a particular issue for many, with 21% reporting the cost of premises as an issue compared to 12% of programmes nationally.¹²⁰
2. **The funding landscape for business support in London is in flux.** The end of the UKSPF in March 2026 leaves an annual £26.2m gap in business support funding for London, following an already significant drop in funding compared to prior EU and LEPs funding.¹²¹ No successor fund for the UKSPF is expected, with central government funding focusing on regional initiatives in other parts of the country. Constrained finances at local government level means publicly-funded support services are facing a likely significant reduction in the amount available in future.
3. **There is an appetite to increase provision of business support,** as well as to provide more locally and specially-targeted services, which creates an additional funding gap on top of existing provision.
4. **There is a preference amongst private sector funders for short-term commercial returns,** which channels funding into typical high-growth areas such as innovation- and technology-led sectors. This limits the systemic and longer-term funding base required for broader behaviour-change, place-based, inclusive or circular economy-focused services.

We heard these messages consistently through the Call for Evidence and stakeholder workshop, where participants cited challenges, with short-term cycles and project churn creating instability and administrative load for SMEs. There was strong consensus that shifting to longer multi-year funding windows would improve outcomes, continuity, trust and scalability.

Funding for business support is also impacted by global geopolitical and economic factors. Stakeholders highlighted concerns that the priority placed on business support could be impacted by competing policy priorities, such as improving skills and labour force participation, as well as global geopolitical shifts if funders' appetites shift to international needs and concerns. This volatility, and wider global needs, particularly impact the strength of philanthropic capital for domestic SME development.

Potential for new funding

The evidence also suggests that there is realistic scope to broaden the funding base of business support in London, bringing in new sectors and expanding corporate sponsorship and philanthropic funders which currently add targeted value but at a small scale. Potential new or expanded funding streams could include impact and social investors, banks, fintechs, and other anchor institutions.

There may also be some other limited opportunities to expand public funding for business support through planning and business rates systems, especially to support localised provision and under-represented groups. Public assistance can therefore ease tensions over these concerns, offering consistent, strategically-aligned strategies to promote stronger business support and strengthen community resilience, employment creation and inclusive entrepreneurship, but pressures on public finances will necessitate a broader funding approach.

Expanding funding from these different sectors is not without challenges. Efforts to engage with large corporate entities have been explored, but concerns persist around impartiality and the risk of prioritising the interests of sponsors over those of the businesses being supported. Stakeholders raised that small businesses can show scepticism towards company-led programmes because of the concern that they are sales-driven and that private funding has a tendency to concentrate where growth prospects are highest, which risks underserving large sections of the SME population. Stakeholders therefore highlighted the importance of trusts and foundations, which play a crucial role in supporting socially-conscious SMEs, particularly within the social economy. Business Improvement Districts (BIDs) may also present another opportunity to scale up funding for a wider subsection of established and pre-start or early-stage SMEs.

In the Call for Evidence, respondents raised that co-funded programmes in particular have the potential to crowd in additional partners, improve leverage ratios, and support increased trust. Such programmes not only allow for the pooling of funds and blending of strengths across different sectors, but they can also be a route to securing new funding commitments from smaller or less established players in the business support ecosystem. Moreover, co-funded programmes could also enable the sharing of data and evaluation to maintain accountability and avoid double counting and duplication across separate projects. Multi-funder models can be particularly powerful – when combining a range of funder types across public, private, philanthropic, and university sectors – in supporting the delivery of programmes to meet the diverse and specific needs of SMEs. Successful examples of such blended funding models in London include:

- **ReLondon** which is funded through public and private sector contributions, as well as using returns from linked investment funds and developing commercial services. The organisation, in partnership with the Mayor of London, combines technical advice, grant funding and matchmaking to influence circular economy business models in the long term.¹²²
- **Start Strong Camden** programme, delivered by Allia and funded through Balderton Capital, supports aspiring changemakers in Camden through a free six-week hybrid course offering expert-led workshops, mentorship, and opportunities to pitch for £1,000 in grant funding. This localised Camden programme mobilises minorities and young people, fostering community resiliency.

However, there are barriers to collaboration, which include various risk appetites, issues around co-branding and association of different interests as well as complex procurement rules. The

evidence review identified limited sources that presented a detailed understanding of the factors that prevent more organisations from entering collaborative models. Further exploration of this would be beneficial to understand how London can take steps to facilitate more provision like the examples cited above. For example, stakeholders engaged with during our evidence review highlighted the importance of brokerage mechanisms to convert interest from potential funders and delivery partners into delivery models with existing providers, and that this will require different approaches for different types of funders. For example, pension funds, particularly in the Local Government Pension Scheme, can be interested in place-based vehicles, whereas impact investors are increasingly seeking credible SMEs in the net zero space. One solution to easier co-funding, raised by stakeholders in the Call for Evidence, was for a more centralised platform to access success stories, funding pipelines and see impact metrics. This could give greater visibility to opportunities to collaborate across funder and provider types. However, it is likely a more hands-on approach would be needed to draw in significant additional funding from new private and philanthropic funders.

Within these models, stakeholders also cited more potential to collaborate with universities. Many universities develop business support initiatives which are seldomly shared more widely. For example, King's College London funds business support programmes, content and support, which is available to its students, staff, and alumni. However, there is currently no remit to share this potentially valuable content with the broader business community. This offers an opportunity for greater collaboration between universities and the wider business support sector – through leveraging mechanisms such as the Knowledge Transfer Partnership and Innovate UK programmes alongside engagement with private sector organisations – offers further opportunities to expand available funding. This could be done as part of collaborations with the private sector, building on existing examples such as the Goldman Sachs 10,000 Small Business UK programme.¹²³ This programme supports selected SMEs with practical education and business support in partnership with Said Business School at Oxford University and the Aston Centre for Growth at Aston University. These partnerships can provide sponsorship, in-kind support and matched funding, thereby increasing the resources available to support business development and innovation.

What's needed for the future?

It is clear that the future funding picture for business support is challenging. Stakeholders reported a noticeable decline in private sector funding, especially in under-represented areas. The end of UKSPF and changes to the structure of other existing public funding sources (such as through the planning system) are challenges for the sector, as the future funding landscape will be much tighter.

Funding for business support is also closely related to access to finance for SMEs, which this review has identified as a significant need area. Many funders of business support, from both the private and third sector, also provide seed funding or grants to SMEs alongside advice, training and mentoring. These are two distinct aspects and impacts of funding, which will need different approaches, but they present a dual challenge of how to increase:

- **specific funding for business support**, which targets interventions and addresses specific gaps in support for SMEs;
- **broader business funding for SMEs**, such as structural, equity-based, loans, grants or stage-specific funds (for instance, early-stage research and development funding).

We identified limited research about new mechanisms for funding business support. This is an area that would benefit from targeted research to develop and pilot the new funding models required. Across the evidence that is available, multi-funder approaches and pooled funding under shared governance were cited as a positive way to reduce duplication, crowd in additional funders, and increase leverage. Stakeholders highlighted the importance of funding for local services, which the pan-London navigation services refer into, which can only be effective if they receive adequate funding. Maintaining resources for local provision is therefore critical to ensuring meaningful support for businesses at the community level. Effective models combine local convening with a specialist, pan-London offering. For example, sub-regional partnerships (SRPs) demonstrate what is possible with coordinated models. There are examples of multi-borough partnerships, such as in Lewisham and Croydon, where business support services have been jointly contracted to reduce duplication.

6. Priorities for the strategy and next steps

The publication of this evidence base is an important milestone in the creation of the Business Support Strategy. WPI Economics and London & Partners would like to thank all the stakeholders who responded to the evidence review, shared research and ideas, and who attended the consultation workshop. This evidence base will now be used to refine the recommendations that will be incorporated in the strategy, which is due to be published in early 2026.

The key priorities for the strategy to consider that have been identified through the evidence review are:

Strengthening the funding base

The evidence base highlights clearly that the need for business support is changing and rising at just the moment when its funding is becoming more uncertain. This points to a clear role for the Business Support Strategy to identify the actions needed to expand and strengthen the funding base, a task that will demand creativity and innovation to increase coordination and targeting of the available public funds and expand multi-funder approaches.

Greater collaboration amongst providers and funders

The evidence base suggests that there are opportunities to encourage some existing provider and funder types to expand beyond what they currently do. For example, there is the potential for universities to expand their offer into wider business support programmes, which are less restricted to innovation and R&D focuses. Furthermore, there is a desire to secure greater collaboration between providers of different types and levels that goes beyond funding and into greater sharing of best practice, creation of strong referral pathways between complementary services, shared resourcing and a strong collective voice for SMEs and business support providers in London.

Meeting the breadth of priority needs

On the type of support that is needed, it is clear from the evidence base that help to access finance remains critical, especially for scale-ups, frontier innovation and under-represented groups. However, beyond access to finance and the core business basics advice needs, there is a range of new areas that will be increasingly important in the future, which broadly span environmental, digital and workforce needs, including skills gaps and workplace health.

While these support needs of the future do not necessarily require new services to be created, the most affected sectors will need tailored support to achieve their transitions to net zero, and to rapidly adopt and innovate with emerging technologies such as AI. This support could help SMEs in different sectors and business stages reduce environmental impact, seize opportunities presented by the net zero transition, secure the talent they need, prepare for future regulatory changes and adopt new technologies. If Britain is to be at the leading edge of

the climate technology wave, support for London's SME ecosystem is key, both to transition and to innovate and respond.

Coordination of a strategic shift

There is consistent demand for greater coordination and help for SMEs to navigate the numerous sources of information and a fragmented support system. The evidence shows SMEs benefit from strong triage and connector processes, they trust Government-backed hubs, and it also shows that delivery methods matter. The stakeholders we consulted also highlighted that a convening body could better help centralise and signpost services across the complex web of support – to better utilise what already exists. London SMEs already benefit from services like Grow London Local, which is funded by the Mayor of London through the UKSPF. Building on this, more effective links across the wider ecosystem could be built over time, to not only ease access and navigation of information and support for SMEs, but also to encourage the flow of ideas and opportunities for sector-wide knowledge sharing and shared impact measurement to ensure no valuable insight goes to waste. A coordinating body could also provide the opportunity to rationalise the fragmented London ecosystem, identifying where there is overlap in existing services, streamlining referral pathways between complementary services, and spotting the gaps more easily from their wider angle.

Recognising SME diversity

Although there is a clear need for scale, there must also be a human-centred, blended approach, which draws on the scale of provision within the London ecosystem but better targets it to meet specific needs. As noted earlier, there is also a risk that over-concentrating on one SME type or stage risks a solution that overlooks the needs of the majority of smaller businesses in the capital. Targeting services by growth stage will be key to meeting the variety of business needs across different growth stages, but this should be supplemented with increased networking and knowledge-sharing opportunities to ensure the valuable mentoring of less advanced growth stages by more established firms continues and grows.

Addressing barriers to growth for frontier innovation spin-outs

Investing in the most innovative and productive firms will be key to achieving London's ambitious growth aims – making it essential to get right the funding and support infrastructure for frontier innovation firms. Improving the provision of high-risk capital for the firms driving the technological frontier will allow them to make the investments they need to develop the technologies of the future. Support to scale-up, to innovate and to find the right talent are all essential to achieving this.

Many SMEs face barriers to growth from the lack of appropriate workspaces, with sectors with more complex needs particularly impacted, such as frontier innovation. Improving access to both specialist spaces and scale-up space will remove a significant brake on growth and allow those businesses to flourish. The provision of specialist spaces adapted to the needs of start-ups, scale-ups and specific sectors is especially important to improving SME productivity.

Raising awareness and accessibility

To ensure higher take-up of business support, communications, outreach and engagement programmes are important to complement engagement and increase participation. There is also a strong local aspect to existing provision, and a need to ensure that – as the support offer is further developed – it continues to play to local strengths so that localised services act as a complement to pan-London programmes. Accessibility could and should be improved across all services, as well as harnessing the opportunity to better cater to the needs of under-represented groups; co-designed and led services are particularly important here so that the resulting offer clearly meets the needs of its intended users.

Appendix

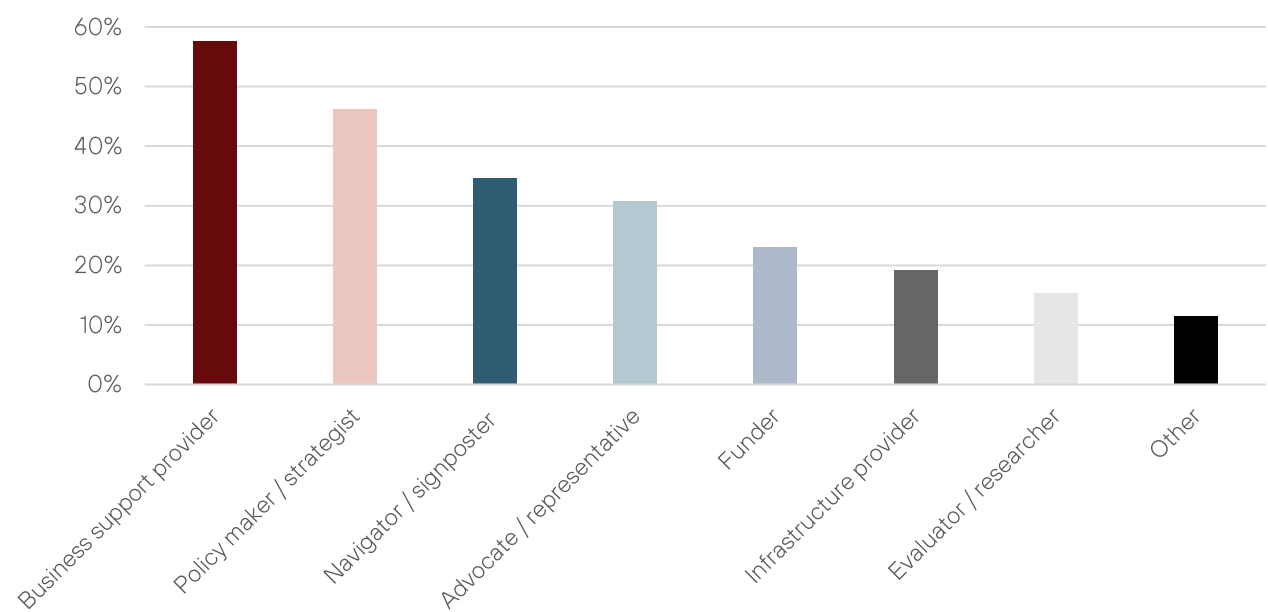
Call for evidence respondents

The Call for Evidence was circulated to a broad range of organisations including business support providers, London boroughs, trade bodies, business groups and policy makers. 30 organisations responded to the call for evidence:

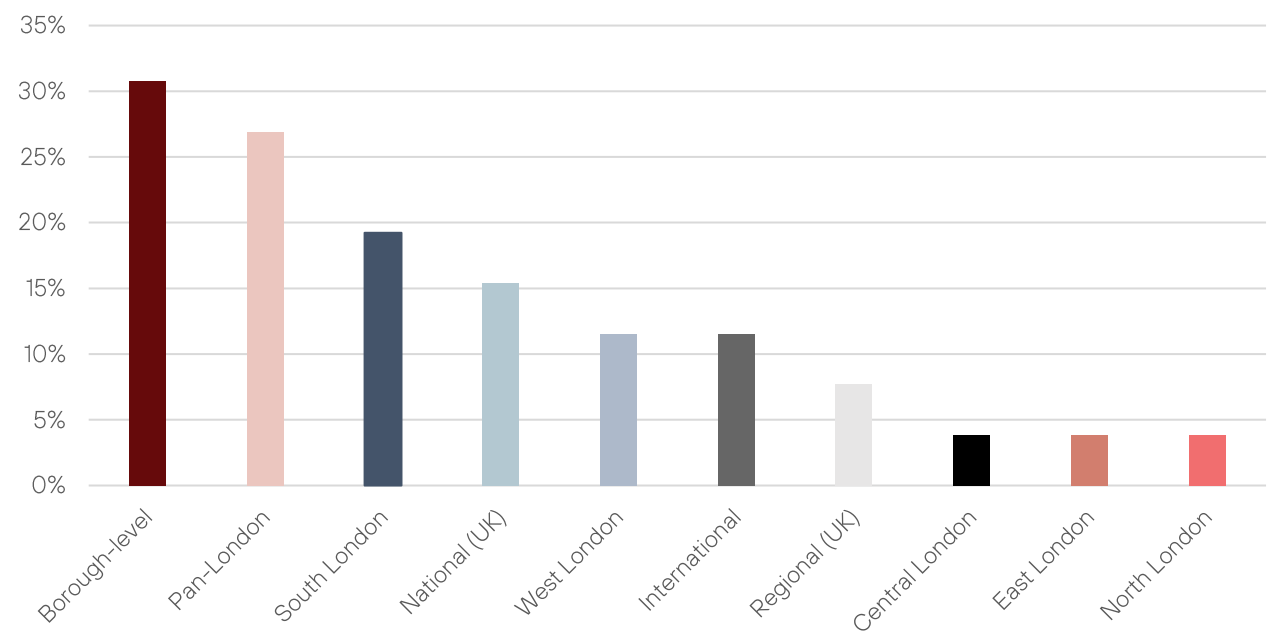
- British Beauty Council
- Business for London
- Camden Collective
- Creative United
- Digital Boost
- Enterprise Nation
- Healthfare Pharmacy
- Innovate UK
- KIPPA BID (Business Improvement District in Sutton)
- London Borough of Camden
- London Borough of Croydon
- London Borough of Ealing
- London Borough of Hackney
- London Borough of Hammersmith & Fulham
- London Borough of Harrow
- London Borough of Islington
- London Borough of Kingston
- London Borough of Lambeth
- London Borough of Lewisham
- London Borough of Redbridge
- London Borough of Southwark
- London Borough of Sutton
- London Business Partnership Limited
- London Chamber of Commerce and Industry
- MC Green Advisory Ltd
- ReLondon
- Royal Borough of Greenwich
- South London Partnership
- The Place of Dreams
- University of California

There were 32 individual responses, with two separate submissions from the London Borough of Hammersmith & Fulham and the London Borough of Lambeth.

Respondents were able to choose multiple roles they performed in London’s business support ecosystem. The majority (58%) of respondents were business support providers.



Respondents were also able to choose multiple geographies they operated in. Organisations operating at a borough-level (31%) or pan-London level (27%) were most represented.



Call for evidence questionnaire

ORGANISATION DETAILS

Name:

Position:

Email:

Organisation: _____

Role in London's business support ecosystem: [Drop-down]

- **Business support provider** – Delivers direct support to businesses through programmes, advice, mentoring, or other services.
- **Funder** – Provides financial support for business support programmes (e.g. public sector bodies, philanthropic organisations, impact investors, sponsor).
- **Policy maker/strategist** – Designs or influences business support policy or strategy (e.g. local authorities, Government departments).
- **Evaluator/researcher** – Assesses the effectiveness of business support interventions or conducts related research.
- **Navigator/signposter** – Helps businesses find and access relevant support (e.g. business hubs, online platforms, local growth teams).
- **Infrastructure provider** – Offers physical or digital infrastructure that enables business support (e.g. co-working spaces, innovation labs).
- **Advocate/representative** – Represents the interests of SMEs or specific business communities (e.g. trade bodies, chambers of commerce).
- **Other** – please specify [Text box for response]

Geographic coverage: [Drop-down]

- **Pan-London** – Relevant to SMEs across all 32 boroughs and the City of London (e.g. city-wide programmes, virtual services, and initiatives not restricted by geography).
- **Central London**
- **West London**
- **South London**
- **East London**
- **North London**
- **Borough-level** – please specify relevant borough(s)
- **Regional (UK)**
- **National (UK)**
- **International**
- **Other or N/A** – please specify

Demand: Priority business support needs

We need a deeper understanding of the priority business support needs of certain under-represented groups.

Question: What are the priority business support needs of SMEs led by **disabled people**?

[Drop-down]

- Accelerator or incubator programme
- Finance/accounting support
- Funding/business case development
- Navigation/signposting services
- Mentoring/coaching
- Leadership/management training
- Digital transformation or tech adoption
- Innovation/R&D support
- Export/internationalisation support
- Legal/HR/compliance advisory
- Other – please specify

Comments/evidence: [Text box for response]

Supporting files: Please share any materials (e.g. research studies, consultation findings, programme evaluations) that provide deeper insight into the business support needs of SMEs led by disabled people.

Question: What are the priority business support needs of SMEs led by individuals from **ethnic minority communities**? [Drop-down]

- Accelerator or incubator programme
- Finance/accounting support
- Funding/business case development
- Navigation/signposting services
- Mentoring/coaching
- Leadership/management training
- Digital transformation or tech adoption
- Innovation/R&D support
- Export/internationalisation support
- Legal/HR/compliance advisory
- Other – please specify

Comments/evidence: [Text box for response]

Supporting files: Please share any materials (e.g. research studies, consultation findings, programme evaluations) that provide deeper insight into the business support needs of SMEs led by individuals from ethnic minority communities.

Question: What are the priority business support needs of SMEs led by **women**? [Drop-down]

- Accelerator or incubator programme
- Finance/accounting support
- Funding/business case development
- Navigation/signposting services
- Mentoring/coaching

- Leadership/management training
- Digital transformation or tech adoption
- Innovation/R&D support
- Export/internationalisation support
- Legal/HR/compliance advisory
- Other – please specify

Comments/evidence: [Text box for response]

Supporting files: Please share any materials (e.g. research studies, consultation findings, programme evaluations) that provide deeper insight into the business support needs of SMEs led by women.

Demand: Finding business support

We need more evidence on how SMEs find and access business support.

Question: How do aspiring entrepreneurs (i.e. SMEs in the pre-start stage) currently find and access support?

[Drop-down]

- Online search
- Referral
- Local authority
- Business hub
- Other – please specify

Comments/evidence: [Text box for response]

Supporting files: Please share any materials (e.g. research, consultation findings, user journey mapping) that provide insight into how pre-start SMEs currently discover and access business support.

Question: What evidence is there of a need for navigation services or a marketplace to help pre-starts identify relevant support?

Comments/evidence: [Text box for response]

Supporting files: Please share any materials (e.g. stakeholder feedback, service evaluations, platform reviews) that provide insight into the demand for navigation tools or centralised marketplaces for pre-start SMEs.

Demand: Emerging business support needs

We need a deeper understanding of 'upcoming' business support needs to ensure that provision is relevant and future proofed (e.g. AI adoption, net zero transition, etc.).

Question: What new or emerging support needs do pre-starts have?

[Drop-down]

- Support with AI tools for business planning or prototyping
- Guidance on sustainable business models (e.g. circular economy, net zero)
- Access to low-code/no-code platforms for early-stage product development
- Inclusive entrepreneurship programmes tailored to emerging founder profiles
- Support with IP protection for tech-enabled or creative ventures
- Other – please specify

Comments/evidence: [Text box for response]

Supporting files: Please share any materials (e.g. research, consultation findings, programme evaluations) that provide insight into the emerging business support needs of pre-start SMEs.

Question: What new or emerging support needs do scale-ups have?

[Drop-down]

- AI adoption for scaling operations, customer engagement, or product innovation
- Net zero transition planning and ESG strategy development
- Support with international expansion into emerging markets
- Advanced digital infrastructure (e.g. cloud, cybersecurity, data analytics)
- Innovation partnerships with universities or R&D institutions
- Other – please specify

Comments/evidence: [Text box for response]

Supporting files: Please share any materials (e.g. growth studies, innovation reports, stakeholder feedback) that provide insight into the emerging business support needs of scale-up SMEs.

Question: What new or emerging support needs do under-represented groups have in London (i.e. businesses led by disabled people, ethnic minority communities, women)? *[Matrix with below as vertical axis and disabled/ethnic/women as horizontal]*

- Culturally-tailored business support programmes
- Accessible digital tools and platforms for founders with disabilities
- Support with inclusive procurement and supply chain access
- Mentoring and leadership development for under-represented founders
- Programmes addressing intersectional challenges (e.g. disability and ethnicity)
- Funding pathways designed to overcome structural barriers in investment
- Other – please specify

Comments/evidence: [Text box for response]

Supporting files: Please share any materials (e.g. inclusive business support research, community consultation findings, programme evaluations) that provide insight into the

emerging support needs of businesses led by disabled people, ethnic minority communities, and women.

Demand: Barriers for Under-represented Groups

We need a deeper understanding of specific barriers that certain under-represented groups face in accessing business support and opportunities to provide better support.

Question: What specific barriers are there that disproportionately prevent businesses led by disabled people, ethnic minority communities and women from accessing or benefiting from business support services? What opportunities and solutions are there to provide more effective support? Please provide concrete examples of these barriers and any approaches you've seen that successfully address them.

Comments/evidence:

Barrier 1: [text box]

Solution 1: [text box]

Under-represented group that this barrier applies to: [Multi-choice tickbox]

- Disabled people
- Ethnic minority communities
- Women

Barrier 2: [text box]

Solution 2: [text box]

Under-represented group that this barrier applies to: [Multi-choice tickbox]

- Disabled people
- Ethnic minority communities
- Women

Barrier 3: [text box]

Solution 3: [text box]

Under-represented group that this barrier applies to: [Multi-choice tickbox]

- Disabled people
- Ethnic minority communities
- Women

Supporting files: Please share any materials (e.g. research, consultation findings, programme evaluations) that provide insight into the barriers faced by businesses led by disabled people, ethnic minority communities, and women, and any approaches or solutions that have successfully addressed these challenges.

Supply: Intervention Effectiveness

We need more evidence on which business support interventions demonstrate measurable impact and effectiveness.

- *By **intervention** we are looking for those targeted at the different business stages (pre-start, early-stage, established, scale-up) and approaches that effectively reach and*

support under-represented groups (businesses led by disabled people, ethnic minority communities, women).

- *By **effectiveness**, we are referring to measures such as business growth (productivity, net job creation, revenue, upskilling), operational improvements, innovation, increased access to finance, market expansion (markets, customers, geographies) or SME satisfaction survey results (e.g. satisfaction with support received, ease of access to support, perceived impact on business, etc).*

Question: Do you have any business support interventions to share that demonstrate measurable impact or effectiveness? [Yes/No]

Please focus on:

- Interventions that show clear evidence of business growth, operational improvements, or innovation
- Examples that work particularly well for different business stages (pre-start, early-stage, established, scale-up)
- Approaches that effectively reach and support under-represented groups (businesses led by disabled people, ethnic minority communities, women)

Please provide concrete examples and sources where available, with any available impact data, evaluation findings, or outcome measures.

Comments/evidence: [One box per intervention – repeat x3]

Intervention 1

Please outline the intervention and its impact, referring to the effectiveness measures listed above where applicable.

[Text box]

Which business stage or cohort was the intervention primarily targeted at? [drop-down]

- Not targeted/generic (relevant to all groups)
- Pre-start
- Early-stage
- Established
- Scale-up
- Frontier innovation
- Under-represented groups
- Other – please specify

Comments: [text box]

Supporting files: Please share any relevant source links, attachments, or references to evaluation reports that provide evidence of the intervention's outcomes. This may include

examples of business growth, operational improvements, innovation support, or other measurable impacts.

Funders: Private and Philanthropic Funding Sources

We need more comprehensive intelligence on how private sector and philanthropic organisations currently fund free business support services in London.

Where is private and philanthropic funding currently focused in London's business support landscape?

You may wish to comment on the types of support being funded, the sectors or business stages receiving investment, and any notable organisations or programmes.

[Text box]

What are the key barriers to increasing private and philanthropic investment in free business support?

Consider challenges such as funder motivations, structural limitations, or gaps in visibility or impact.

[Text box]

Where is there evidence of successful models of private or philanthropic funding for business support?

Examples could include effective partnerships, funding mechanisms, or approaches that have delivered measurable outcomes.

[Text box]

What opportunities exist to expand private and philanthropic investment to better support SMEs in London?

This could include emerging sectors, under-represented groups, innovation areas, or new partnership models.

[Text box]

Supporting files: Please attach any relevant materials such as funder directories, partnership agreements, funding announcements, or evaluation reports.

Funders: Multi-Funder Approaches

Evidence suggests that some business support programmes in London are funded through successful multi-funder approaches and partnership models. We're interested in understanding what makes these models effective and what can be learned from them.

Please share any insights or evidence on:

- Factors that contribute to the success of multi-funder or partnership-based funding models
- Lessons learned from past or current initiatives - including what worked well, challenges faced, and how they were addressed

- Examples of programmes or collaborations that demonstrate effective practice
- Whether funding involved combinations of public, private, and/or philanthropic sources – and how these were structured or coordinated

Comments/evidence: [Text box for response]

Supporting files: Please attach any partnership agreements, programme evaluations or case studies of multi-funder initiatives.

Additional Evidence

Question: Do you have any other evidence, research, evaluation findings, or insights related to London's business support ecosystem that would be valuable for our strategy development? This might include evidence on demand patterns, emerging needs, funder intelligence, or other relevant areas.

[Yes/No]

[If yes] **Comments/evidence:** [Text box for response]

Supporting files: Please attach any additional relevant materials.

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