



North of Tyne Business Survey 2022-23

Summary of Key Findings

On behalf of our Newcastle City Council, North Tyneside Council, Northumberland County Council and Advance Northumberland, North of Tyne Combined Authority (NTCA) commissioned Ortus Economic Research and QA to conduct a survey aimed at small and medium sized businesses to understand their recent experiences of operating in the North of Tyne and perspectives on the challenges and opportunities lying ahead.

Small and medium sized businesses make up 99.5% of all registered enterprises in the North of Tyne area; when including non-registered businesses such as sole-traders, the proportion is much greater. The contribution of small and medium sized businesses to an inclusive, dynamic and thriving economy cannot be underestimated, but traditionally the voices of these organisations are not well represented in local consultations.

In one of the largest public sector, cross boundary business surveys in recent years, the survey reached 860 different businesses using targeted telephone engagement and an online survey. This guaranteed the survey produced a representative sample across geography, sectors and business size, while providing open access for all businesses to share their experiences.

The survey used open and closed questions to explore key issues of:

- Recent business performance and confidence about future performance
- Ambitions for business growth
- Staffing, recruitment and training
- Climate change and carbon reduction

- Buildings and infrastructure
- Access to business support

The data has been analysed by Ortus Economic Research and the key findings are presented below.

Recent business performance and confidence

Despite the relatively challenging economic conditions, more businesses in the North of Tyne reported having experienced growth (31%) in the last 12 months than contraction (28%), with a slight majority describing their business performance as stable (42%).

Compared to the March 2023 ONS Business Insights Survey, proportionately more businesses in the North of Tyne have experienced growth (31% compared to 16% respectively), but also a greater proportion have experienced contraction (28% to 25% respectively).

Businesses in the Finance, Insurance & Real Estate sectors were most likely to report growth (39%), closely followed by the Professional, Scientific & Technical sector (37%). Although not immune to energy price increases and wider inflation, it's not surprising to see many of these organisations reporting growth as their business models and demand for services have faced less pressure than sectors such as food, retail and hospitality. Furthermore, the sectors outlined have experienced recent growth extending beyond 12 months in the North of Tyne area, with sites like the Helix home to a number of new and growing legal, financial and scientific businesses.

Conversely, businesses in the Transport & Storage sector were least likely to report growth (16%) and businesses in the Construction sector were most likely to report contraction (37%). Both of these sectors have been impacted by rising costs of materials and energy, and especially for the Transport & Storage sector, the reduced output across the wider economy will have resulted in less demand for services.

Our findings include:

- More businesses had experienced growth (31%) in the last 12 months than had experienced contraction (28%). Nevertheless, respondents were most likely to describe their business performance as stable (42%).
- Businesses in North Tyneside were both more likely to have experienced growth (37%) and contraction (32%) in the last 12 months compared to other areas, reflective of the concentrated sectoral diversity in the borough, from large multi-national business parks to small town centres and industrial units.
- Businesses were more likely to expect to grow (39%) or to remain stable (37%) over the next 12 months than to expect contraction (19%).
- 20% of businesses reported employment change in the last 12 months. Businesses were slightly more likely to report a decrease in employment (11%) than an increase (9%).
- Businesses were notably more likely to expect employment growth (21%) in the next 12 months than a decrease in employment (5%), though most (71%) expect no change.
- Businesses in the Information & Communication sector were most likely to expect growth (54%), closely followed by businesses in the Education, Health & Social Care sector (51%) and the Professional, Scientific & Technical sector (50%). By association, businesses in

Newcastle (47%) and North Tyneside (46%) were more likely to expect growth than in Northumberland (29%).



Business Ambitions

Despite the mixed expectations of performance over the next 12 months, businesses reported a varied but ambitious set of goals varying from introducing new products and services, and entering new markets, to adopting new technology and reducing carbon emissions.

An urban-rural analysis showed 43% of urban businesses identified the introduction of new products and services as an ambition compared to 30% of rural businesses. This is likely to reflect the relative concentration of manufacturing and retail activities in particular in urban areas whereas rural businesses (57%) were more likely to say that working towards reducing carbon emissions and environmental impact than urban businesses (45%) likely reflecting ambitions in the Agriculture sector.

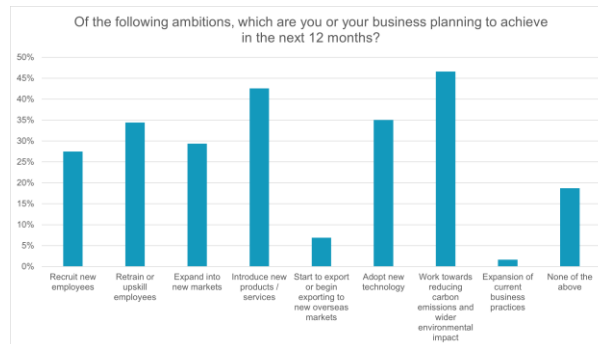
Some businesses were more focused on consolidation and survival, and therefore tempered their ambitions for the next 12 months. The smallest businesses (<5 employees) were notably more likely to report that they had no ambitions than businesses with five or more employees. For a small minority of businesses (x%), working towards retirement and working towards closing the business were goals for the next 12 months, reflecting the SME audience of the survey.

Businesses were asked to identify the significant barriers to achieving their ambitions; unsurprisingly, the challenges most concerning businesses are the well-documented rising costs of inflation including energy costs, staffing and supply chains which reflect national trends. These concerns were closely followed by challenges in recruiting managerial staff, and staff with the desired levels of technical and job specific skills.

Our findings include:

- The most common business ambition for the next 12 months was to work towards reducing carbon emissions and environmental impacts (47% of businesses), followed by introducing new products and services (43%).
- 27% of businesses said that recruiting new staff was an ambition for the next 12 months. The most common roles businesses sought to recruit to were managerial (22% of businesses with an ambition to recruit new staff) and administrative (18%). Job specific skills, experience and knowledge were most commonly sought, regardless of the role the business sought to fill.

- 34% of respondents said that retraining or upskilling their employees was an ambition for their business in the next 12 months. Technical, practical and job specific skills were most likely to be developed through retraining and upskilling.
- The most notable barrier to achieving business ambitions was the rising costs of running the business, such as the costs of energy and raw materials, reported by 37% of businesses. Technical, practical or job specific skills were the most common skills barrier.



Reducing carbon emissions and environmental impact

The NTCA and all three Local Authorities have declared a climate emergency, showing the seriousness of Net Zero in the region. At the same time, the North of Tyne and wider North East is often talked about as one of region's leading the national transition to Net Zero, with a range of businesses, research assets and infrastructure that is helping to reduce carbon emissions and deliver benefits to the local economy.

Almost half of businesses had a desire to reduce carbon emissions and wider impact on the environment. While a number of businesses identified the rising cost of energy being a driver for this ambition, the overarching incentive is a sense of moral obligation.

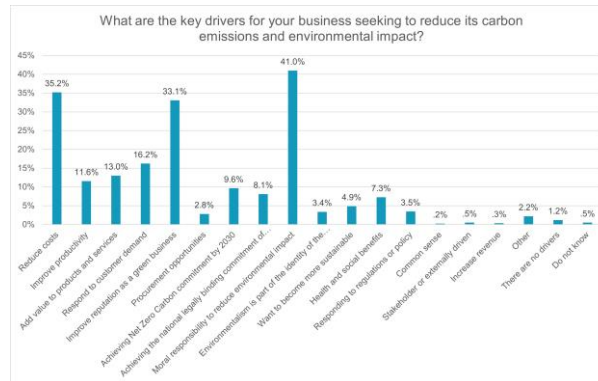
Many businesses (51%) were already taking small steps to reduce their carbon emissions but a lack of confidence in understanding the steps to take, and the difficult operating environment were holding businesses back from making larger, more fundamental changes to their operations.

Cost of making changes was also another significant barrier preventing businesses from reducing carbon emissions. Nationally, the cost of living crisis is driving inflation to a record high across all business sectors however, as the population cut back on it's spending those within the hospitality sector grapple with the increased price of, amongst others, food sourcing and energy bills. Therefore, it is unsurprising to see that businesses in the Hospitality sector are most likely to see cost being a barrier to their climate change ambitions.

Our findings include:

- 47% of businesses said they had an ambition to work towards reducing their carbon emissions and wide environmental impact in the next 12 months. One in four of these (26%) said they were uncertain about the steps needed to achieve this ambition.
- It was found that businesses with 50 or more employees were more uncertain about their understanding of the steps needed to reduce carbon emissions and environmental impacts, but were more likely to report making significant changes to date.

- The moral responsibility to reduce carbon emissions and wider environmental impact was a particularly notable driver among businesses in the Transport & Storage sector (69%). Comparatively, reducing costs was not a notable driver in this sector (6%).
- 51% of businesses said they had implemented minor changes to reduce emissions and environmental impact, while 18% had made fundamental changes. 24% of businesses were yet to implement changes, however. The most significant barrier to making changes (or making further changes) to reduce carbon emissions and environmental impact was cost.



Business location and premises

The type of premises used by businesses is relatively unsurprising; small businesses are less likely to own their own premises than larger businesses, Transport and Storage, and Retail and Wholesale sectors are most likely to use warehouse premises, and rural businesses are less likely to use office spaces than urban areas.

However, the most insights from the survey relates to the trends in home working - or hybrid working - which have accelerated during the COVID-19 pandemic and is changing the ways in which businesses think about and use physical space.

Large businesses are most likely to adopt a hybrid model allowing staff to work from a mixture of home and other locations. However, the smallest business are most likely to adopt a full-time home or remote working policy. This model is particularly well-established for micro businesses in the Information and Communication sector.

While there are some obvious challenges to remote working for some sectors (0% of Wholes & Retail Trades sector work from home), there were some surprises such as hybrid working being popular in 41% of Education, Health and Social Care sector businesses.

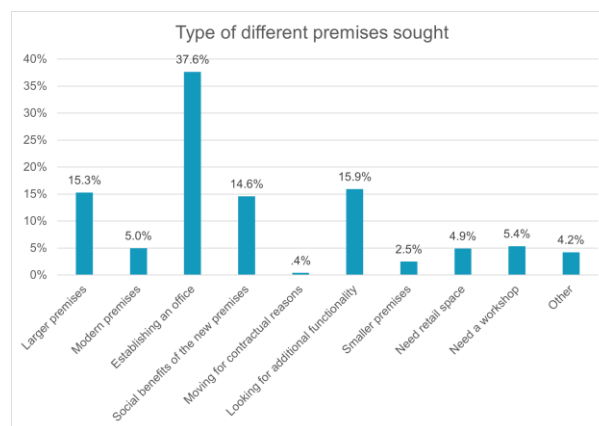
Only 1 in 20 businesses reported that they were looking to move premises in the next year, with the majority of these being in Newcastle and North Tyneside. Where businesses were looking to move, they were looking to stay in the same local authority area, but look for a different premises to what they currently use, with 38% wanting to establish an office, and approximately 15-16% looking for additional functionality, space or social benefits.

Our findings include:

- Respondents were asked how their business operates and where their staff work from. 76% of businesses have some form of premises they own or rent, where staff work full time or

where the business operates a hybrid model with some home working. Offices are the most common type of premises, followed by retail units.

- There was little difference between local authorities in the proportion of businesses working from home full time. Businesses in Northumberland (53%) and North Tyneside (47%) were more likely to work full time from premises they own or rent than businesses in Newcastle (39%). Conversely, businesses in Newcastle (38%) were more likely to operate a hybrid working model than those in North Tyneside (31%) and Northumberland (22%).
- 8% of businesses said they were looking to relocate or move to new premises in the next year. Most expected to seek premises in the same local authority. Few intended to move outside the North of Tyne area. The most common reason for seeking to move was to expand to larger premises.



Staffing, recruitment and training

As restrictions from COVID-19 were gradually lifted, the UK economy witnessed record numbers of job vacancies as empty roles were replaced and new roles created to fit different operating models. On a similar timescale, the UK has implemented new migration and trading agreements as a result of leaving the European Union which has contributed to a change in the supply and demand for workers. While not the only reason, the implications have been evident in nationally publicised skills shortages such as HGV drivers, health care and food production.

Approximately 1 in 5 businesses are expecting their staff count to increase over the next 12 months but that increases to 1 in 4 for businesses who have an ambition to recruit new staff. Even if these businesses only recruited 1 new member of staff, this could equate to 5,000 more jobs in the economy.

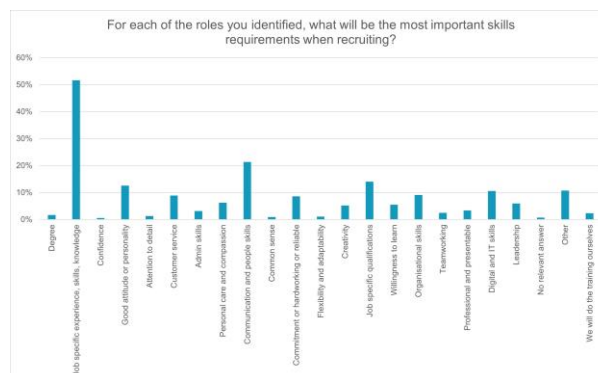
Demand for new employees identified in the business survey support other analysis of labour market opportunities, with job growth anticipated in sectors such as the Information & Communication and Health & Social Care (27%). Mostly, businesses identified a demand for managerial roles, as well as technical or job specific skills.

However, getting the rights skills into the organisation is expected to be challenging for 1 in 10 businesses. There is evidence that businesses were already struggling to fill existing roles, of which half are considered hard to fill due to a lack of applicants with the rights skills, qualifications or experience.

This may drive some organisations to invest more in training and up-skilling their existing workforce. A third of businesses already have ambitions to provide additional training and development this coming year, which may increase if recruitment challenges persist.

Our findings include:

- Businesses in Northumberland were less likely to expect employment growth (16%) than businesses in North Tyneside (24%) or Newcastle (25%). Businesses in Blyth Valley (24%) were more likely to expect employment growth than businesses in other Northumberland constituencies.
- 27% of respondents said that recruiting new staff was an ambition for the business in the next 12 months and 34% of respondents said that retraining or upskilling their employees was an ambition.
- Businesses in the Information & Communication sector were most likely to expect employment growth (32%), followed by businesses in the Manufacturing, Mining & Utilities sector (30%), the Construction sector (29%), the Finance, Insurance & Real Estate sectors (28%) and the Education, Health & Social Care sectors (27%).
- 12% of businesses reported that staff recruitment was a barrier to them achieving their ambitions. More than half of these had current vacancies, and most of these had vacancies which were proving difficult to fill.
- 48% of businesses with hard-to-fill vacancies blamed them on skills shortages – a lack of applicants with the skills, qualifications or experience.



Access to business support

From professional services such as financial and legal services, to trade bodies, regulators and organisations facilitating finance, the business support eco-system is varied and provides a vital role in enabling businesses to start-up, scale and innovate. Nearly 2 in 5 businesses have accessed support in the last 12 months, and even more expect to in the next year, likely reflecting the growth businesses are anticipating.

Financial advisors and consultants are the most popular source of information and advice, with financial support being particularly welcomed in smaller businesses who often cannot justify dedicated internal roles.

Interestingly, there was no notable difference in the proportions of businesses which had sought advice or information between places, whether between local authorities, constituencies in Northumberland, or urban and rural geographies.

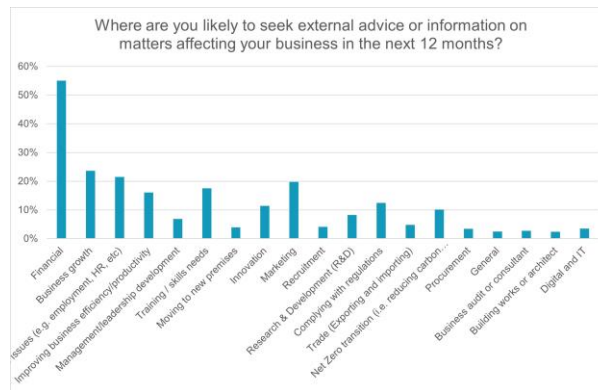
When thinking about how they'd like to access or receive support, face-to-face advice (50%) or information was most popular for businesses, followed by email (36%). Despite a shift towards online and digital delivery models, online conferencing is a unpopular communication channel for businesses, with only 3 in 100 businesses stating this as a preferred method of receiving advice, on par with traditional post service, which is popular with the Transport and Storage sector.

56% of businesses were aware of the support offered by Local Authorities and the NTCA. The focus of local authorities and the NTCA programmes are to complement the wider business support offer, fill gaps in the market, and explore models of good practice. Therefore, the offer from Local Authorities is always evolving, which can leave businesses confused about the role of Local Authorities; over half of businesses lacking confidence in their understanding of the role the local authority has in supporting business.

While there are many reasons why businesses do not intend to use the Local Authorities for business support, not needing to use their services was a common reason showing the strength of the wider business support system.

Our findings include:

- 39% of businesses had sought professional advice or external information on matters affecting their business in the last 12 months. Almost half of these had sought advice or information from accountants or financial advisers. Consultants and general business advisers were also a common source of information and advice.
- 44% of businesses said that it was likely that they would seek external advice or information in the next 12 months. 50% said it was unlikely they would do so. Businesses most commonly expected to seek financial advice, and most commonly expected to seek information and advice from accountants and financial advisors or consultants and general business advisers.
- Face-to-face advice or information was most popular, followed by email. The most common reason for not intending to seek advice or information, meanwhile, was that it was not needed.
- 53% of businesses said they lacked confidence in their understanding of the role the local authority has in supporting business. Only 5% of businesses said they were very confident in their understanding.
- Businesses which said they were likely to seek professional advice or external information on matters affecting the business in the next 12 months but did not identify the local authority or combined authority as a potential source were asked whether they were asked why; 24% of businesses said there was no particular reason for not doing so. Difficulties communicating with the authorities and difficulties engaging with them were also common reasons.
- Only 11% of respondents had heard of the Good Work Pledge, but 38% of businesses hadn't and were interested in finding out more.



Implications and next steps

The business survey provides a snapshot of how businesses have responded to the unstable macro-economic environment and their aspirations for the future. It is reassuring to see that for many businesses, the sentiment is one of resilience and stability, if not growth. It's also reassuring to see that many of the challenges businesses are facing are ones that are recognised and shared up and down the country, even if some of the nuance - such as the type of skills required - differ with other places.

The implications of the findings have relevance to the NTCA and Local Authorities in the delivery of their local strategies, but also to a variety of other stakeholders who support or interact with businesses for different purposes. Some of the findings will be significant in influencing new interventions and investments across the business support eco-system, while some findings may help iteratively improve the accessibility, relevance and effectiveness of the current market offer.

The findings of the survey will provoke more questions which will require further exploration and analysis. It is important that the NTCA, Local Authorities and wider stakeholders continue to work together to refresh and increase local intelligence to drive best practice and innovation.

In response to the findings, the North of Tyne Combined Authority and Local Authorities commit to:

1. Using the key findings to inform the delivery of our strategic investment programmes, including the UK Shared Prosperity Fund.
2. Produce more detailed and discursive reports which provide greater insight into the key themes explored in the survey so that we can improve collective awareness of the issues businesses care about.
3. Work with partners to ensure that the voices of businesses are continually reflected in our work, developing new channels of communication, and more regular opportunities to inform policy development.

If you want to find out more about the business survey or want to discuss the findings, please get in touch with Alex Black, alex.black@northoftyne-ca.gov.uk.