



ScaleUp Insights

ONS ScaleUp Landscape

The latest national and local level picture



ACKNOWLEDGEMENTS

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Foreword

There were **36,510** scaleups in **2017** – a **3.7% increase** over the previous year. There are now one-third more scaleups than in 2013. Scaleups generate **£1.3trn** in combined turnover, more than half the total of all SMEs. On average, they are 42% more productive than their peers. While the national annualised growth rate between 2016 to 2017 has slowed from prior years, encouragingly **all** local areas are now experiencing a growth rate of more than **one scaleup per 100,000 of population**.

The ScaleUp Institute turns evidence and data from a variety of sources into robust practical actions to ensure we foster a scaleup nation and improve our UK ecosystem for scaling businesses.

Our latest Scaleup Insight leverages the most recent ONS data, covering 2017, to improve our understanding of the scaleup landscape, allowing better targeting of interventions to help scaleups grow across the country.

The total number of scaleups in the UK has increased: 36,510 businesses are growing their turnover or employee numbers by more than 20% a year, an increase of 3.7% since 2016. There are now 35% more scaleups in the UK than there were in 2013, compared to GDP growth over the same period of just 9%.

Importantly, this growth has taken place across the country. All Local Enterprise Partnerships (LEPs) and devolved nations are experiencing a growth rate of greater than 1 additional scaleup per 100,000 of population. On average, scaleups are 42% more productive than their peers. Encouragingly, we continue to see scaleup numbers increase across the breadth of the economy.

Vital to maintain focus on scaleup growth in the face of future uncertainties

It is good to see continuing growth, but crucial to note that the rate of growth has slowed from its average annualised rate of 9.3% between 2013 and 2016.

As this constitutes the first full year of data since the EU referendum of 2016 we will watch closely to see how the decision to leave the EU has affected scaleup confidence, their ability to scale and the ecosystem's ability to evolve to meet scaling businesses needs. Given the importance of EU backed funding to the current scaleup ecosystem, the UK itself must find mechanisms to maintain this support.

The data reinforces the need for continued concerted efforts at a local, regional and national level to address scaling challenges so we are able to meet the Brexit headwinds ahead and achieve sustainable scaleup growth momentum.

At a regional level, large disparities in scaleup numbers persist. We need to continue to act collaboratively to resolve this over time.

We will continue to analyse this data further throughout the year, and this year we will take advantage of our access to the ONS' Secure Research Service to use the most detailed research datasets available to conduct new and even more thorough analysis of scaleups.

Harnessing current data remains key if we are to ensure interventions and policies across the private and public sectors are timely and effective

In the future, we hope this data will be released on a much more frequent basis so that we can respond more readily and act on emerging - rather than historic - trends. We will continue our work with Government on the use of up-to-date HMRC datasets to enhance engagement strategies, understanding and policy measures.

Our goal is to narrow local disparities and see an upward trend in scaleup numbers across all local areas. Monitoring scaleup indicators enables us to evaluate and roll out interventions that work - and to roll back those interventions that do not. Using a consistent framework allows us to compare like for like, enabling us to learn what works best in one area and establishing if it could be useful elsewhere. It also helps in prioritising where resources, investment and particular focus will be of value.

We remain committed to collaborating with all in the ecosystem to ensure the UK reaches its potential as a ScaleUp Nation.



IRENE GRAHAM
CEO, SCALEUP INSTITUTE

KEY FINDINGS



36,510

The total number of scaleups in the UK. The figure has increased by 3.7% from 2016 - representing 1,300 additional scaleups.



3.4m

People employed by scaleups in 2017, across all sectors and local areas of the UK economy.



£1.3trn

The total amount of turnover generated by scaleups. This is up 34% on 2016, and compares to a turnover of £1.9 trillion by all SMEs combined.



0

There are now no scaleup 'cold spots' in the UK. There were nine such areas in 2015 - where growth of fewer than one additional scaleup per 100,000 of population was being achieved.



4.6x

Difference in growth of scaleup numbers between the fastest growing region and the slowest, highlighting the persisting regional disparities and need for more action at a local level.



Oxfordshire.

York, North Yorkshire and East Riding.

Thames Valley Berkshire.

The three LEPs which have seen the highest scaleup growth relative to their population in 2014-2017.



**Wholesale/Retail
Professional, Scientific
and Tech**

Accommodation/Food

Sectors which have seen the highest growth in scaleups.



**TOP LOCAL
AUTHORITIES**

Craven, North Yorkshire.

Stratford-upon-Avon.

Welwyn Hatfield

Have the highest scaleup growth outside of London



35%

More scaleups in the UK in 2017 compared to 2013. This has far outstripped GDP growth, which over the same time period rose 9%.



42%

Productivity premium of scaleups compared to their peers in the same sector (on average). Scaleups continue to be more productive than their peers across virtually all sectors of the economy.

Source: ONS IDBR 2010-2017

The ScaleUp Landscape

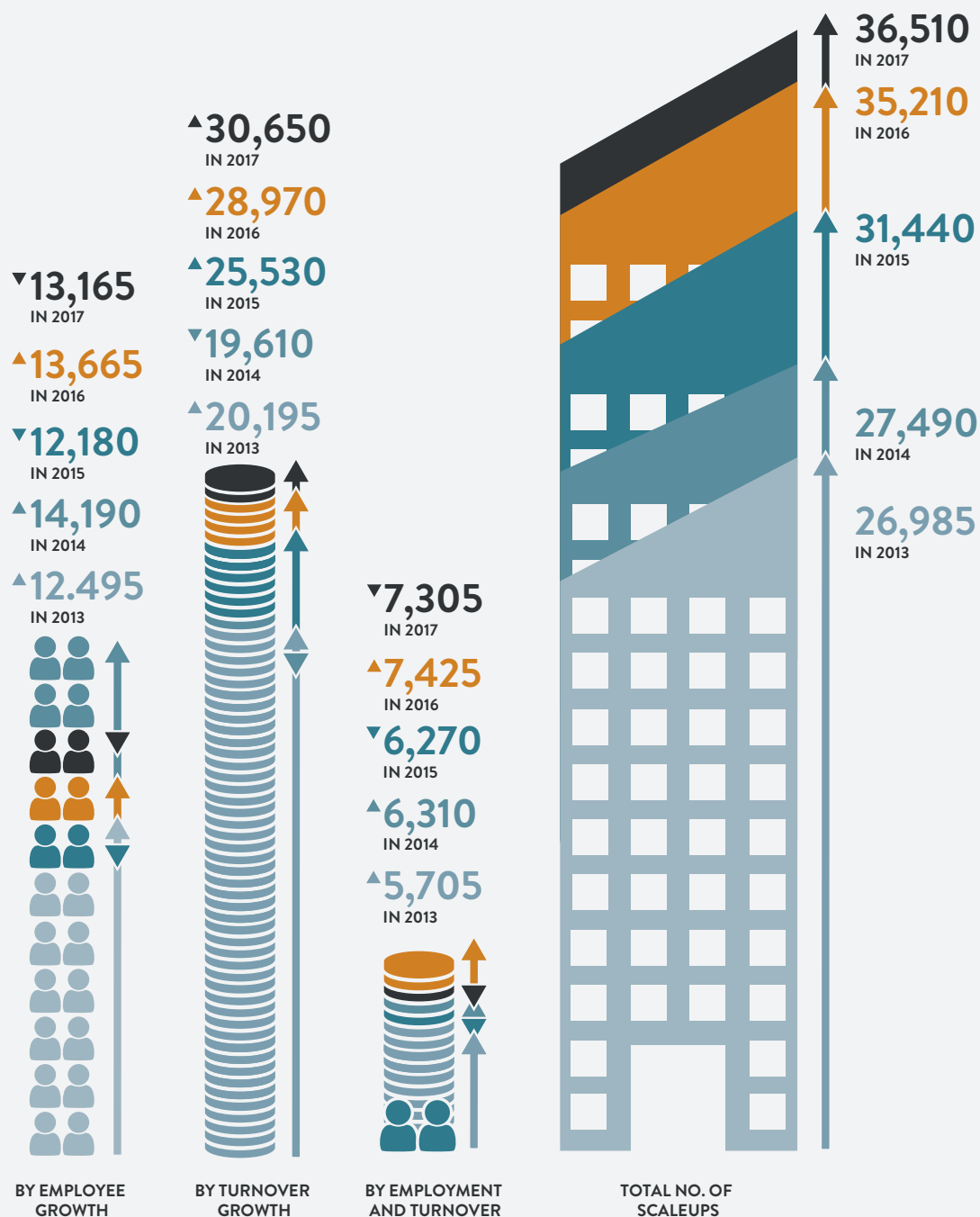
The ScaleUp Institute's mission is to work with others to grow and share the evidence available about scaling businesses in the UK. Accurate and timely analysis of more data enables local communities and authorities, LEPs, regions and stakeholders from the private and third sectors to better target interventions that remove barriers to scaleup growth.

The latest data released by the ONS in December 2018 shows that in 2017 there were 36,510 scaleups in the UK. This uses the OECD high-growth (scaleup) definition of firms growing their employment numbers and/or turnover by more than 20% a year over a period of three years, with at least 10 employees at the start of the period. The ONS data shows 13,165 scaleups growing employment numbers and 30,650 growing their turnover, and 7,305 firms growing both turnover and employment numbers.

The total number of scaleups in the UK has increased by 3.7% since 2016. This results from a rise in the number of turnover scaleups, as the number of employment scaleups decreased slightly from 2016. However, the national annual growth rate between 2013 to 2016 was 9.3% so while the new data shows encouraging continued growth - with some very positive local trends - there has been a national slowdown of the growth rate momentum.

As 2017 data constitutes the first full year of scaleup data since the EU referendum, we will be closely monitoring this and scaleup business confidence.

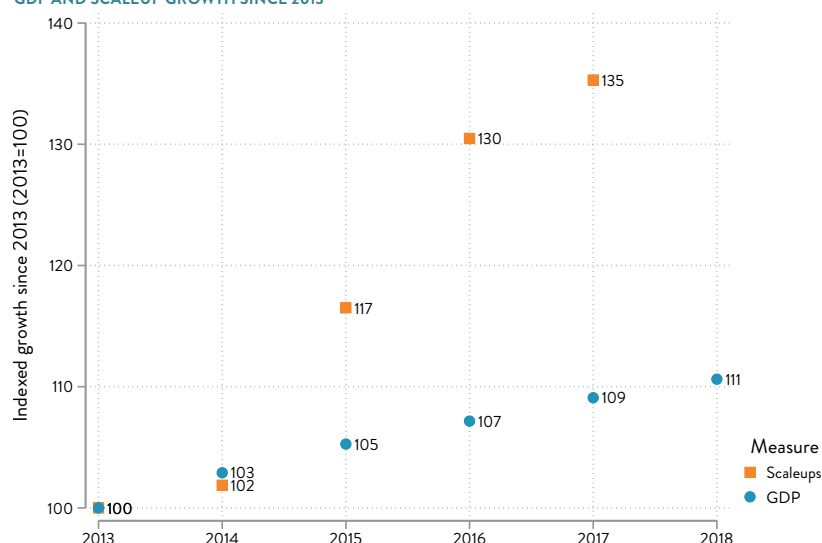
UK SCALEUPS BY EMPLOYMENT GROWTH AND TURNOVER GROWTH



Source: ONS IDBR 2010-2017

The number of scaleups has increased substantially – a 35% rise since 2013, for reference over the same time period GDP has grown by 9%. The chart below compares the growth in GDP and the growth in the total number of scaleups, using 2013 as the base year.

GDP AND SCALEUP GROWTH SINCE 2013

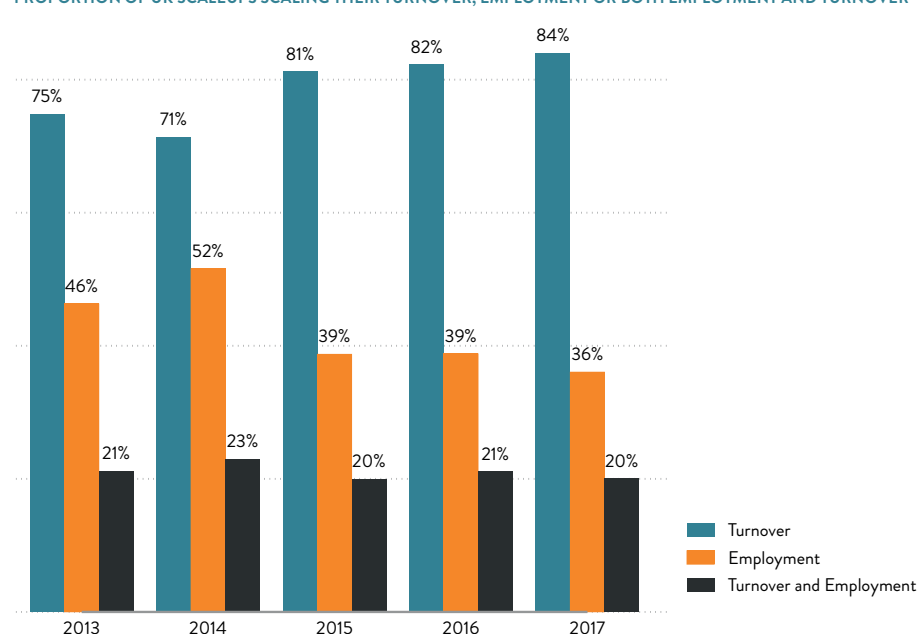


Sources: IDBR 2010-2017, ONS GDP first quarterly estimate time series

The proportion of scaleups in the UK which are scaling their turnover continues to increase, with turnover scaleups now representing 84% of the total figure. This compares to 36% of scaleups scaling their employment, and 20% of scaleups scaling both their turnover and employment figures. This highlights the critical importance of including turnover scaleups as part of any analysis, rather than focusing only on employment scaleups. In 2014 more than half (52%) of UK scaleups were scaling their employment numbers, whereas in the most recent data this is only 36%.

This decline in the proportion of scaleups increasing their employment could result from a lack of available talent and skills limiting their ability to expand, or alternatively reflect their desire to primarily increase turnover through greater use of technology or innovative product developments than through increasing the number of employees.

PROPORTION OF UK SCALEUPS SCALING THEIR TURNOVER, EMPLOYMENT OR BOTH EMPLOYMENT AND TURNOVER



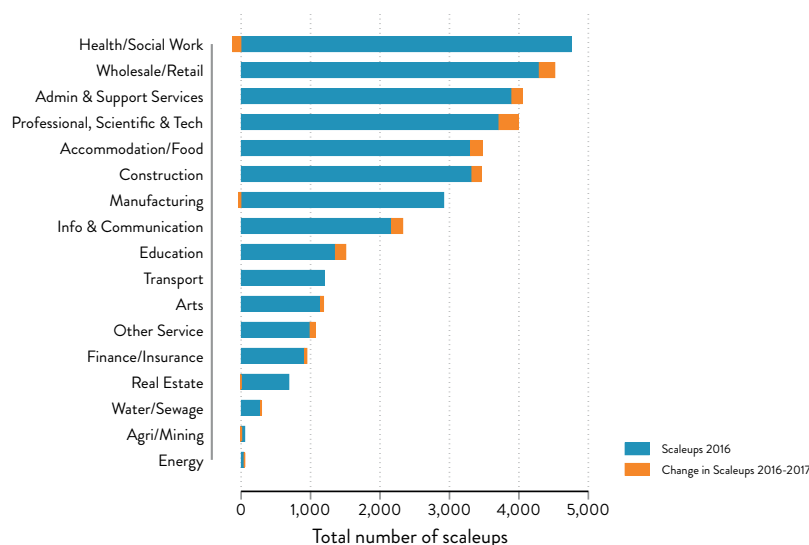
Source: ONS IDBR 2010-2017

Scaleups employed 3.4 million people in 2017, generating a total turnover of £1.3 trillion for the UK economy - for an average turnover per employee of £380,000. This turnover is more than half of the total turnover generated by the total SME population,¹ and represents a year-on-year increase of 34%. This diverges from the recent trend of relatively stable turnover across all scaleups from 2013-2016.

Sectoral level

Using sectoral data from the ONS, we can see which sectors were responsible for the greatest scaleup growth. Health and social work, the largest sector for scaleups, saw a slight decline in 2016-17 (following a large increase in 2015-2016). Professional, scientific and technology was the sector to show the largest gains. This data continues to show how scaleups in the UK exist across a broad range of sectors.

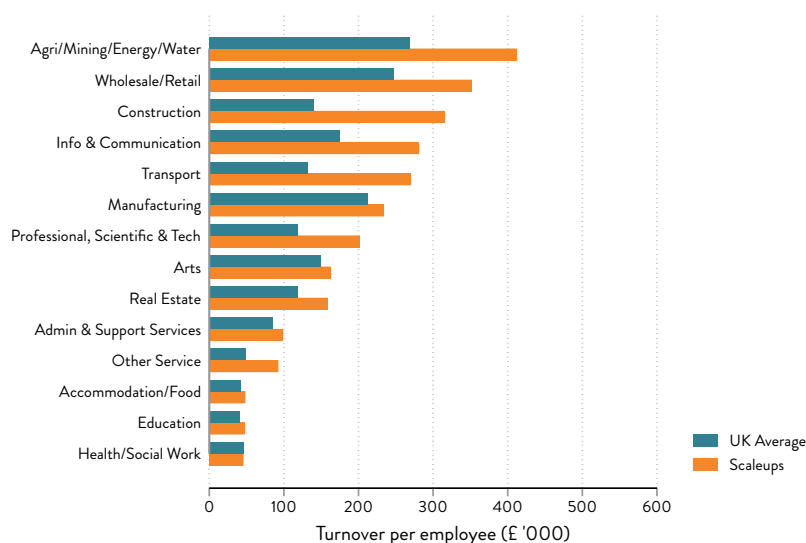
SCALEUPS BY SECTOR



Source: ONS IDBR 2010-2017

Scaleups continue to be more productive than their peers across almost every sector of the economy. In the construction and transport sectors scaleups were more than twice as productive as their peers, and the average productivity premium across all sectors was 42%.

SCALEUPS ARE MORE PRODUCTIVE THAN THEIR PEERS ACROSS ALMOST EVERY SECTOR



Source: ONS IDBR 2014-2017, ScaleUp Institute analysis of ONS Business Population Estimates 2017
Notes: Financial sector excluded as the ONS do not publish financial sector productivity estimates

¹ ScaleUp Institute analysis of ONS Business Population Estimates 2013-2017. ONS Business Population Estimates used for the total SME turnover exclude financial sector turnover, SMEs are defined as companies with 0-250 employees.

Local analysis of scaleup populations and growth rates

Looking across the 38 LEPs and 3 devolved nations, 2017 data shows substantial changes across the UK. The table below shows how the growth rate in scaleups has changed, highlighting that in 28 out of 41 local areas the growth rate has increased relative to its 2013-2016 rate.

Whilst there has been movement within the table, the leading local areas remain broadly the same as last year. The main trends are:

- Of the top 20 local areas based on the 2014-2017 growth rate, 13 were also in the top 20 local areas based on the 2013-2016 growth rate.
- The new seven additions to the top 20 were Buckinghamshire Thames Valley, Cumbria, Leeds City Region, Oxfordshire, South East Midlands, Thames Valley Berkshire and The Marches.
- The local areas rising most in the growth rankings from 2016 to 2017 were Thames Valley Berkshire (rising 24 places), The Marches (rising 22 places), and Oxfordshire (rising 21 places).
- The local areas falling the most in the rankings were Gloucestershire (falling 25 places), Scotland (falling 21 places) and Greater Lincolnshire (falling 21 places).
- Five local areas were in the top 10 for growth in both 2017 and 2016: West of England, London, Northern Ireland, Hertfordshire, and York, North Yorkshire and East Riding.

The areas at the top of this table succeed on a variety of socioeconomic factors. Looking at the CBI's Regional Scorecard,² Oxfordshire is at the very top for school outcomes (measured by the percentage of schools above the floor standard in the region), in the top 10% for graduates in the workforce, and has a 76% employment rate. Yorkshire in the York, North Yorkshire and East Riding LEP also demonstrates socioeconomic success; it is in the top percentile among regions for school outcomes, in the top 30% for graduates in the workforce, and has a 73% employment rate. Darlington in Tees Valley, which is at the bottom of the scaleup growth table, is in the bottom ten per cent for school outcomes and well down the lower half for graduates in the workforce.

This emphasises the importance of local initiatives engaging with schools and universities. The CBI Regional Scorecard shows that Thames Valley Berkshire and Hertfordshire both rank highly for business interactions with schools, while Bristol in the West of England performs strongly for in-work training. Our 2018 ScaleUp survey found that scaleups are twice as likely as typical firms to offer apprenticeships, so these high rates of successful business interactions are encouraging.

There is also an emerging pattern regarding the availability of regional equity. The British Business Bank has found that London and the South East account for a significant proportion of deal activity,³ which correlates with London, Oxfordshire and Thames Valley Berkshire's success in scaleup growth. While the North East accounts for a small proportion of all equity deals, its deals are more focused on the growth stage than any other region. (This may be a contributory factor to the high position of York, North Yorkshire and East Riding on the scaleup growth table.)

These links between socioeconomic success and scaleup growth are correlational - which leaves open the possibility that there are other factors driving this trend. Throughout this year the ScaleUp Institute will conduct more analysis to further understand the causal factors of scaleup growth and better explain why we see regional disparities in scaleup growth rates across the UK.

² <http://www.cbi.org.uk/insight-and-analysis/regional-growth-scorecards/>

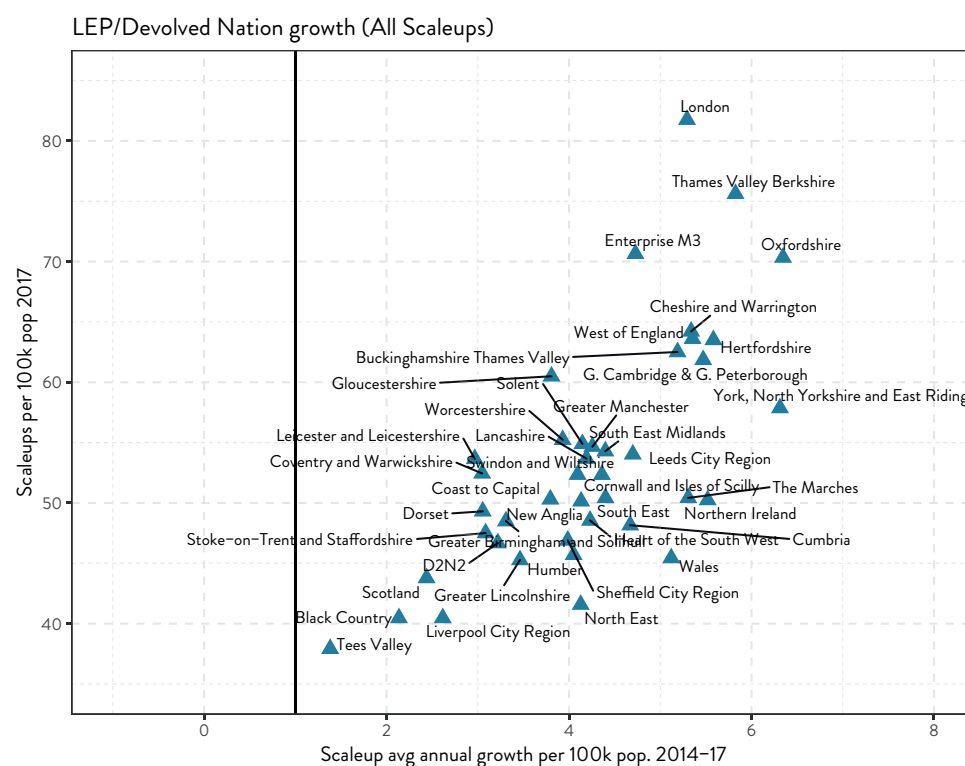
³ Small Business Equity Tracker, British Business Bank 2018

LOCAL GROWTH RATES IN NUMBER OF SCALEUPS PER 100K POPULATION, 2013-15 AND 2013-16

Local Area	Avg. annual change in scaleups per 100k population			
	2014-2017	2013-2016	Rate of growth +/-	Change in growth rate
Oxfordshire	6.3	3.7	+	2.6
York, North Yorkshire and East Riding	6.3	5.0	+	1.4
Thames Valley Berkshire	5.8	3.2	+	2.7
Hertfordshire	5.6	5.3	+	0.2
Northern Ireland	5.5	5.7	-	-0.2
Greater Cambridge and Greater Peterborough	5.5	4.5	+	0.9
West of England	5.4	6.0	-	-0.6
Cheshire and Warrington	5.3	3.9	+	1.4
The Marches	5.3	3.0	+	2.3
London	5.3	4.8	+	0.4
Buckinghamshire Thames Valley	5.2	3.4	+	1.7
Wales	5.1	4.4	+	0.7
Enterprise M3	4.7	4.3	+	0.4
Leeds City Region	4.7	3.1	+	1.6
Cumbria	4.7	3.4	+	1.3
South East	4.4	3.9	+	0.5
South East Midlands	4.4	1.8	+	2.6
Cornwall and Isles of Scilly	4.4	6.3	-	-2.0
Greater Manchester	4.3	4.0	+	0.2
Heart of the South West	4.2	4.7	-	-0.4
Lancashire	4.2	3.9	+	0.3
Solent	4.1	4.5	-	-0.3
New Anglia	4.1	5.3	-	-1.1
North East	4.1	2.8	+	1.4
Swindon and Wiltshire	4.1	2.8	+	1.3
Humber	4.1	3.2	+	0.9
Sheffield City Region	4.0	4.3	-	-0.3
Worcestershire	3.9	3.1	+	0.8
Gloucestershire	3.8	5.5	-	-1.6
Coast to Capital	3.8	4.1	-	-0.3
Greater Lincolnshire	3.5	4.6	-	-1.2
Greater Birmingham and Solihull	3.3	1.5	+	1.8
Derby, Derbyshire, Nottingham and Nottinghamshire	3.2	3.4	-	-0.2
Stoke-on-Trent and Staffordshire	3.1	1.8	+	1.3
Dorset	3.1	1.8	+	1.2
Coventry and Warwickshire	3.0	2.2	+	0.8
Leicester and Leicestershire	3.0	2.0	+	1.0
Liverpool City Region	2.6	3.0	-	-0.4
Scotland	2.4	4.0	-	-1.6
Black Country	2.1	-0.1	+	2.3
Tees Valley	1.4	0.4	+	1.0

ONS IDBR 2010-2017

The latest 2017 data shows that there are no scaleup ‘cold spots’ – local areas showing annual growth of less than one scaleup per 100,000 of population. However, some regions are only marginally above the threshold and variation in scaleup growth across the LEPs persists. Much more remains to be done.



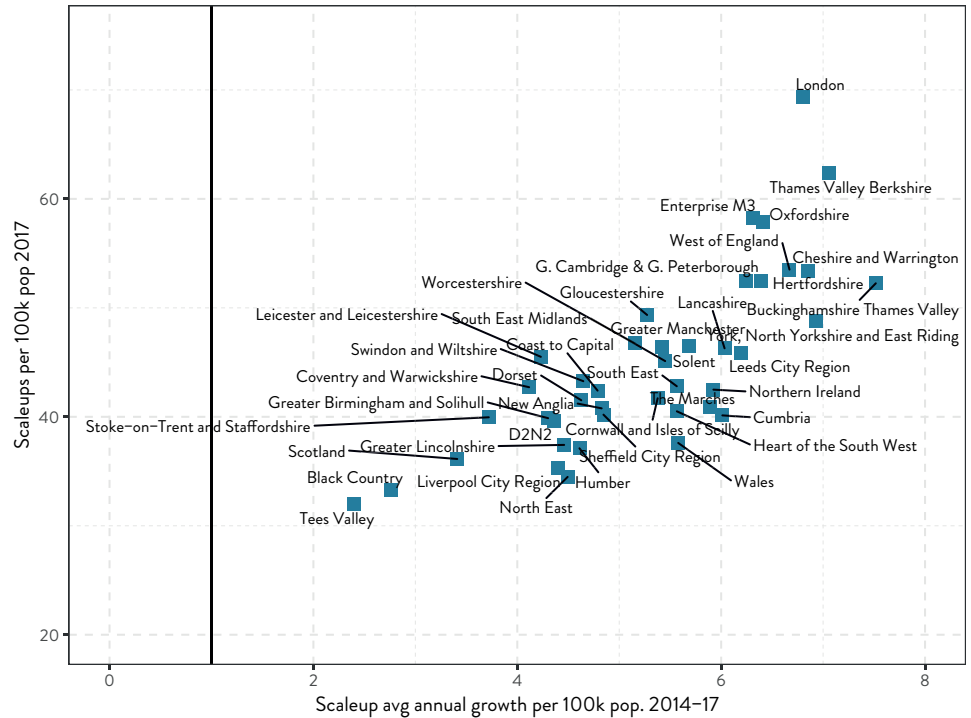
Source: ONS IDBR 2010-2017

Local patterns on turnover and employment scaleups

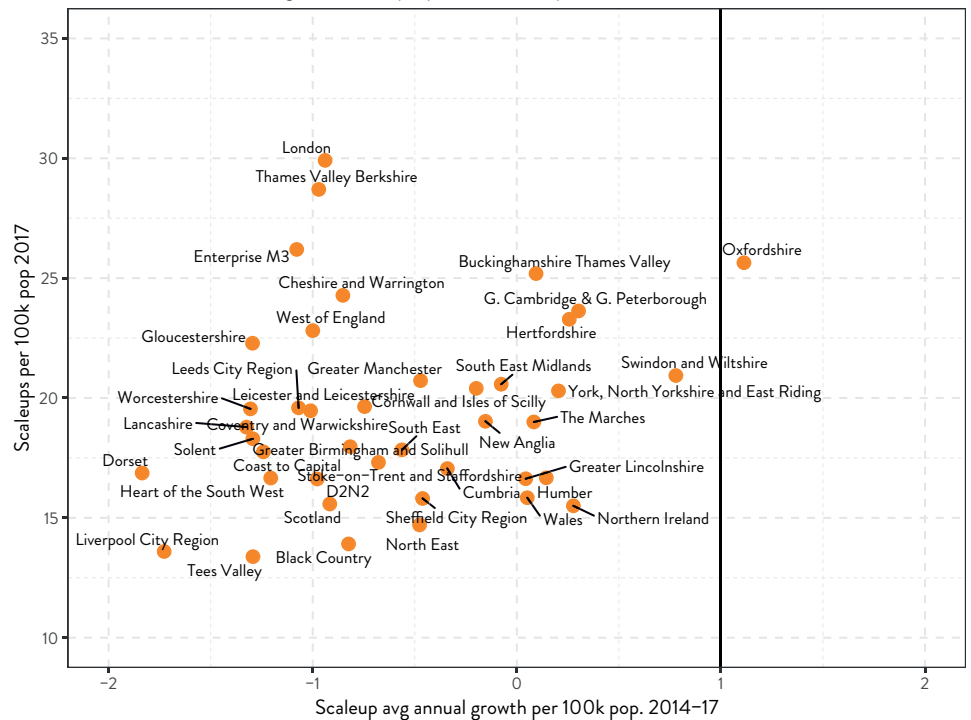
The top 5 LEPs for growth in turnover scaleups were Buckinghamshire Thames Valley, Thames Valley Berkshire, York, North Yorkshire and East Riding, Cheshire and Warrington and London. The top 5 LEPs/devolved nations for growth in employment scaleups were Oxfordshire, Swindon and Wiltshire, Greater Cambridge and Greater Peterborough, Northern Ireland and Hertfordshire, although growth in employment scaleups has been relatively weak, with only Oxfordshire growing at a rate of greater than +1 scaleup per 100k population per annum. These growth rates and scaleup densities for local authorities are shown in the charts below.

LOCAL PATTERNS ON TURNOVER AND EMPLOYMENT SCALEUPS

LEP/Devolved Nation growth (Turnover Scaleups)



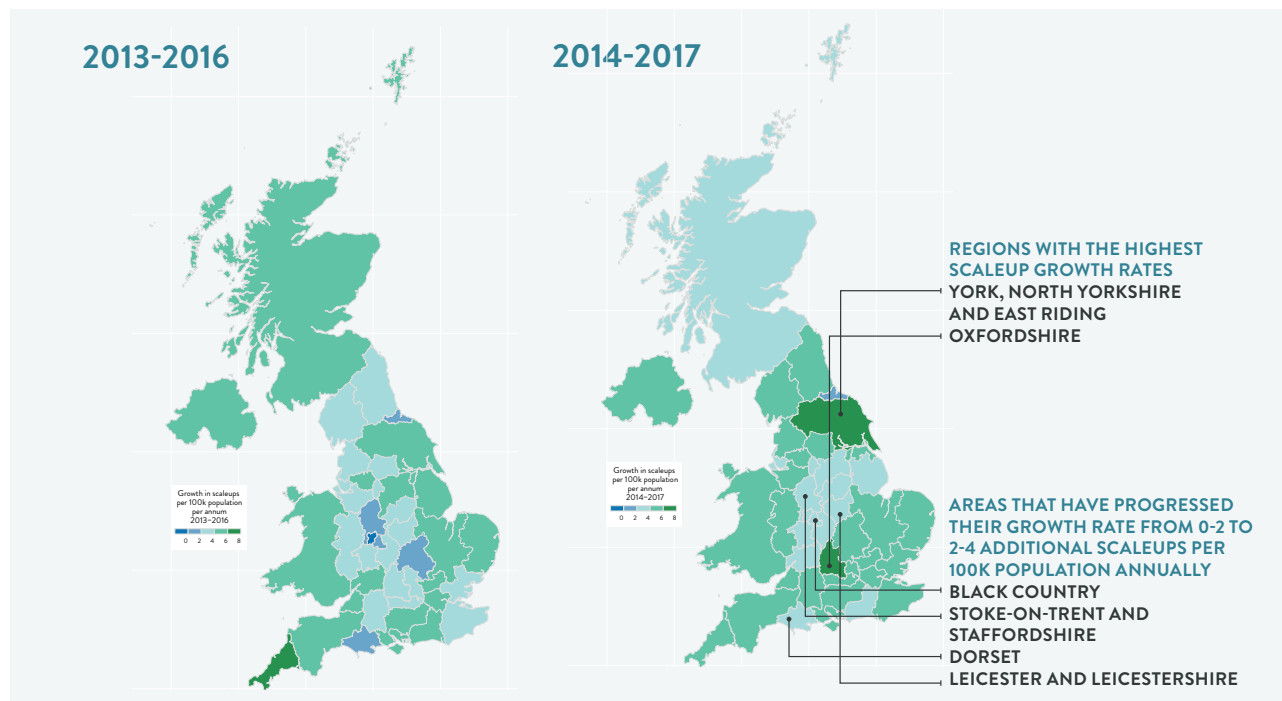
LEP/Devolved Nation growth (Employment Scaleups)



Source: ONS IDBR 2010-2017

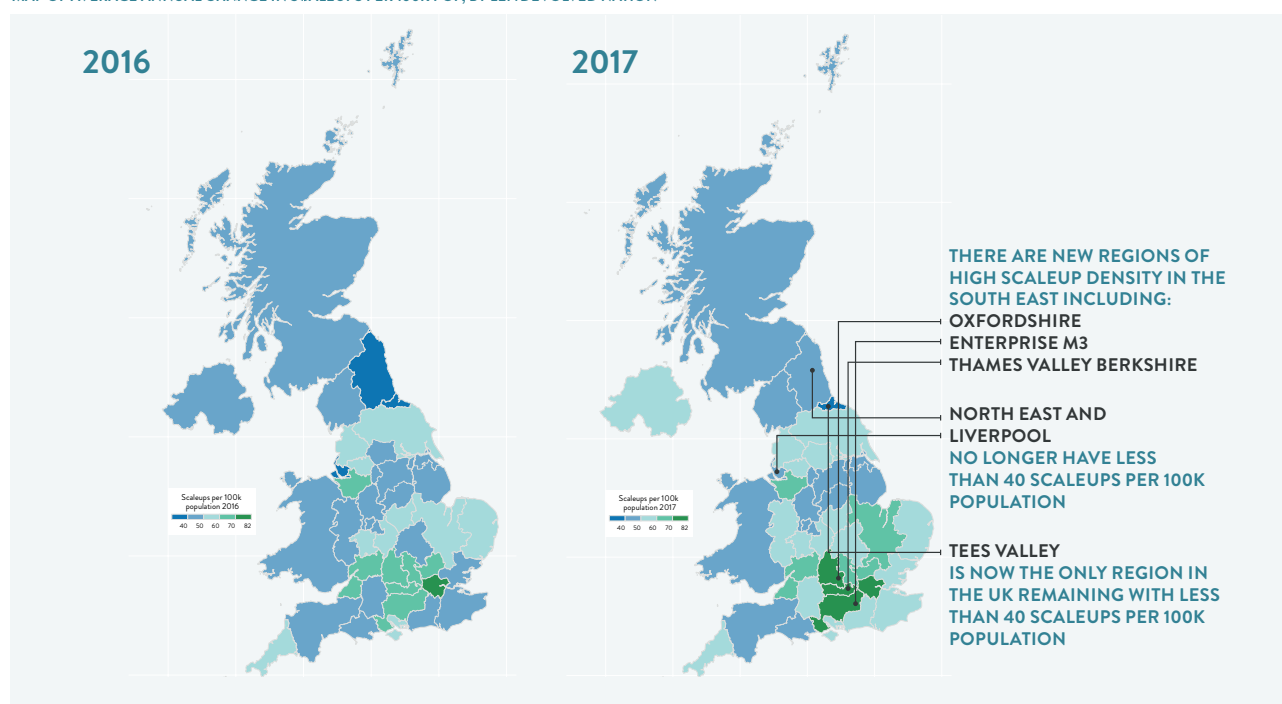
The growth in scaleups at a LEP level is also illustrated in the maps below, with areas of a more fertile green exhibiting higher growth and areas of blue showing slower growth or decline in scaleup populations. Relative to last year, there are fewer regions of slower growth, and the areas of highest growth are now Oxfordshire and York, North Yorkshire and East Riding.

MAP OF AVERAGE ANNUAL CHANGE IN SCALEUPS PER 100K POP, BY LEP/DEVOLVED NATION



The maps below show the variation in the absolute number of scaleups, adjusted for population. This highlights the growing region of high scaleup populations in the South East of England, as well as the North East's recent progress in increasing its scaleup population.

MAP OF AVERAGE ANNUAL CHANGE IN SCALEUPS PER 100K POP, BY LEP/DEVOLVED NATION



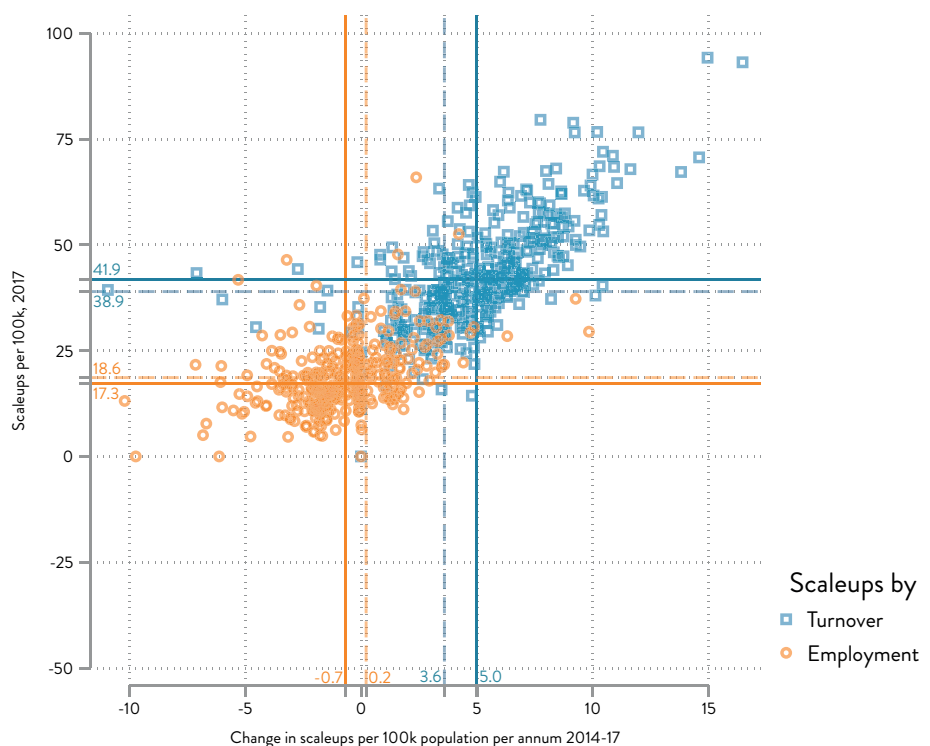
Source: ONS IDBR 2010-2017

Local authority picture

Looking at an even more granular Local Authority level, further regional disparities are highlighted. The number of scaleups per 100,000 of population varies widely among local authorities - from less than 20 in the Isles of Scilly, West Somerset, West Dunbartonshire and Clackmannanshire to more than 100 in Winchester, South Bucks and several local authorities in London. The figure below plots the number of employment and turnover scaleups by local authority against the growth rate.

Across the UK, none of the 381 local authorities had more employment scaleups than turnover scaleups. The median growth rate and density for turnover scaleups has increased substantially since last year (shown by the dashed and solid blue lines in the chart below) while there were declines in the median density and growth rate for employment scaleups.

TURNOVER AND EMPLOYMENT SCALEUP GROWTH AND NUMBERS PER 100K POPULATION BY LOCAL AUTHORITY



Source: ONS IDBR 2010-2017

Notes: Solid lines indicate median value by measure, dashed lines indicate median value for previous year's data. Outliers not shown - these are local authorities in London.

Looking forward

As we continue to progress on our scaleup journey it is encouraging to see an increase in the overall scaleup density in the UK and the disappearance of the final few ‘cold spots’ where growth was less than one additional scaleup per 100,000 of population. We need to continue at this pace if we are to realise our ambition to move the UK to the top of the OECD ranks in growing a business, with the hundreds of thousands of jobs, billions in economic value and prosperity that would bring.

While overall scaleup density has been improving, the national picture masks the significant local diversity and drivers of scaling up. This reinforces the need for targeted local action. A large proportion of scaleup leaders are concerned about whether the UK will continue to be a good place to grow a business and do not believe they are as well served as businesses that are not growing as fast. We must continue to work very hard at how we coordinate and collaborate in order to address their concerns. Only by doing so will we close the scaleup and productivity gaps.

The ScaleUp Institute will continue its analysis of this dataset throughout the year. We will focus in particular on benchmarking regions, to see which LEPs and devolved nations are successful with growing their scaleup populations relative to their socioeconomic conditions. We will also look to conduct research on the relationship between scaleup populations and local Gross Value Added.

We will also maintain our focus on evaluation, education and local engagement. We shall shine a spotlight on local areas that are delivering evidenced-based impactful scaleup programmes and create the opportunity for knowledge exchange and cross learnings.

In 2018 we refreshed our recommendations for further scaleup action which, taken together, we are confident will make the UK the most attractive place in the world for scaleups. We continue our focus on these ten critical actions in 2019. Our number one priority remains the acceleration of the harnessing of existing Government data sources to identify scaling businesses. This is key if we are to be able to unlock and dramatically enhance intra-governmental, local and private sector engagement with our fastest growing firms and deliver the solutions they need in a timely manner.

Recommendations

1	<p>A verification process with Government should be created to allow for local and national stakeholders to verify the ‘Scaleup status’ of a business, building on the recent work of the ScaleUp Institute with Government.</p> <p>This should tap into datasets that combine ONS, Companies House and HMRC data points to enable stakeholders to fast track solutions to scaleup leaders. If necessary, legislation should be passed to introduce such an enquiry capability.</p>
2	<p>A ‘Scaleup Visa’ should be made available in communities where there are 100+ scaleup companies to enable scaleup leaders, across all sectors, to recruit the staff they need to increase their capacity to grow.</p> <p>The Government should make the international skills needs of scaling businesses a priority. Local authorities, education establishments, advisory and finance companies should be able to be sponsors of such.</p>
3	<p>Funding for local communities should continue to be tied to the effective deployment of initiatives that close the scaleup gap as well as the results and impacts that they have on the number of scaleup businesses in their area.</p> <p>Every Local Industrial Strategy should have a scaleup pillar, including a markets access strategy and a scaleup cluster map based on currently available datasets.</p>
4	<p>All local communities should appoint a Scaleup Champion and develop a relationship management structure for scaleup businesses.</p>
5	<p>The outcomes of the Productivity Review, Shared Prosperity Fund and Comprehensive Spending Review should ensure that funding for impactful business support (whether it be mentors, leadership or networks) has a significant focus and segmentation towards our scaleup businesses, which are generators of wealth, exports and productivity to the UK economy.</p> <p>These Reviews should collectively ensure no gap in scaleup support provision is allowed to arise in light of the UK’s changing relationship with the EU.</p>
6	<p>Central Government when implementing its Export Strategy should allocate a significant portion of resources to scaleups, including supporting dedicated trade missions for scaleups.</p> <p>All local areas should be encouraged to set up a local exchange programme for scaling businesses, such as that developed by the Mayoral ‘Go to Grow’ campaign in London.</p>

7

Public bodies should use the inaugural Visible Scaleup Public Procurement Index to further improve their understanding and reporting on the procurement involving UK scaleups, including scaling businesses not yet visible at Companies House.

All public bodies should improve the way opportunities are promoted to scaleup companies by significantly raising the visibility of procurement champions and ensuring their roles have objectives and measurements. The Government should continue the evolution of Contracts Finder to become a smart platform and continue to develop more scaleup specific 'meet the buyer' events working with local areas and build on the current work underway as regards sandbox environments.

8

Large companies should report on the level of collaboration and procurement they source from scaleup companies.

Any procurement contracts with Government should require an increase in the amount of business undertaken with scaleups as part of the contracting process which should be monitored.

9

The Department for Education, Local Enterprise Partnerships and the Careers & Enterprise Company should use their convening and promotional power to ensure that students at schools, colleges and universities come into contact with business leaders and that APIs to the National Pupils database and the destinations database (with suitable protections) are made available so that the impact of these interventions can be measured.

The public, private and education sectors should continue to work together to close the gap on provision of high-quality flexible scaleup leadership programmes, including mentoring, peer networks and matchmaking of non-executive directors who have scaled businesses before. Better connections should also continue to be made between national programmes and local ecosystem leaders. The Small Business Charter, and other such mechanisms, should integrate an assessment of 'scaleup engagement' into their performance analysis.

10

Government and industry should ensure progress is made closing the finance gap for scaleup by continuing the work to implement the Patient Capital Review.

Growth finance should be included as core curriculum in all local scaleup leadership programmes, enabling them to seek out and secure the most appropriate funding at each stage of their company's growth. The status of current EU sources of funding needs to be monitored, and replaced as appropriate.

THE SCALEUP INSTITUTE

The ScaleUp Institute is a private sector-led, not-for-profit organisation focused on collaborating with policy makers, corporates, finance players, educators and government at a local and national level.

Our mission is to help the UK to become the best place in the world to grow a business as well as start one, and enable our existing high-growth businesses to scale up even further.



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