# OCTOPUS
# HIGH GROWTH SMALL BUSINESS URBAN HUB LEAGUE TABLE 2016

**Foreword by Simon Rogerson**

When Octopus published the first High Growth Small Business Report in 2014, our goal was to draw attention to a powerful but undervalued engine of the UK economy: Britain's high growth small businesses (HGSBs). Often overlooked, these businesses make up less than 1% of UK companies, but they create one in every three new jobs.

Working with the Centre for Economics and Business Research (Cebr), our 2014 and 2015 reports showed that HGSBs have the power to dramatically improve the communities that embrace them. In particular, the 2015 report showed that HGSBs have a disproportionately positive impact on weaker-performing economies. In other words, higher numbers of HGSBs lead to more economically prosperous communities. With around three out of every five HGSBs located outside of London and the South East, HGSBs have the potential to rebalance our economy, breathe new life into the UK's regional towns and cities and help address the North-South divide.

But to realise the full potential of HGSBs, we need more of them. We need to encourage more people to set up more HGSBs right across the country, creating jobs and opportunities for our regional towns and cities. And to do this, we need to know what makes a great location for HGSBs and what the entrepreneurs who start these businesses need to succeed.

To find out, we asked them. We then used this information to build a league table highlighting the most HGSB friendly locations in the UK. The league table shows that HGSB friendly locations – or 'urban hubs' – are spread right across the country. From Belfast to Bristol, untapped opportunity is everywhere.

Of course, choosing where to start a business isn't a purely clinical decision – there are many other factors, like quality of life and proximity to family, to think about. But for entrepreneurs who have the flexibility to choose the location of their businesses, our league table could help to inform their decisions. Equally, those looking to champion their local town or city as a great place for HGSBs will be able to understand where they are doing brilliantly (and celebrate this) and take action in those areas where they can improve.

Starting a HGSB takes determination, ambition and talent – and it's essential we give the people who start these businesses every chance to thrive. We want every community to be a great place to start a small business. Our 2015 report made the case for doing more to support HGSBs, and it called on the Government to do more to encourage 25% more HGSBs in every region by 2020. With the right framework and support, HGSBs can bring economic prosperity and optimism to every part of the UK.

Out of **5.3 million** companies that exist in the UK, only **22,470** of them are HGSBs.

**What are high growth small businesses?**

High growth small businesses (HGSBs) are companies achieving more than 20% average annual growth in turnover over a three-year period and with an annual turnover between £1 million and £20 million.

**Simon Rogerson**
CEO of Octopus

## Overview

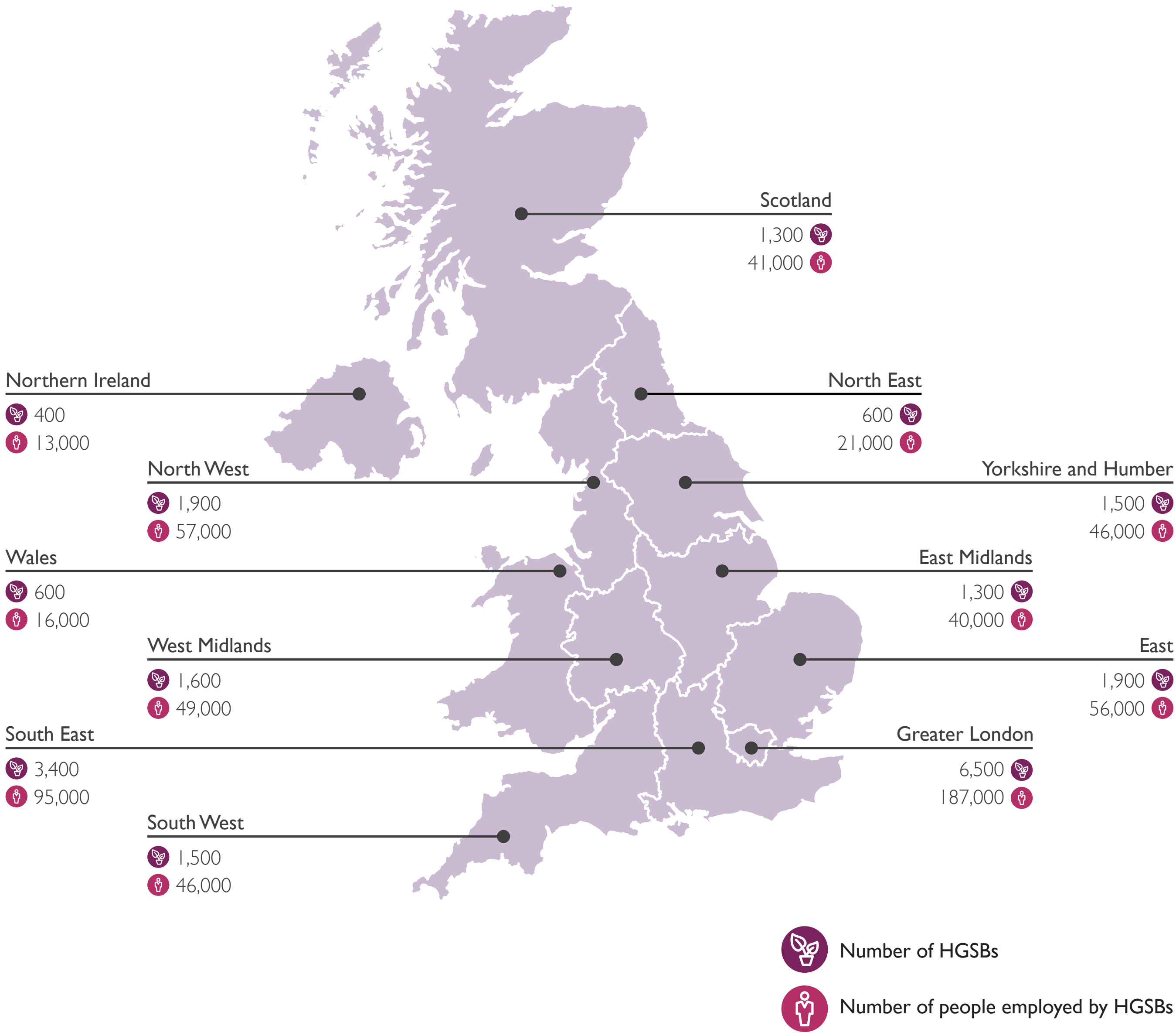
Last year, a tiny number of companies created one in every three new jobs in the UK. These are the UK's high growth small businesses (HGSBs) – a small group of businesses that are punching well above their weight. Out of the 5.3 million companies that exist in the UK, only 22,470 are HGSBs, but they can be found in every region in the UK.

The Octopus High Growth Small Business Report 2015 highlighted the role HGSBs can play in driving regional growth and rebalancing the economy. It made the case for doing more to support HGSBs, including a range of policy recommendations aimed at ensuring we get the right framework in place to create and nurture more of these businesses.

This supplementary research builds on the 2015 report by exploring which of our major cities and towns – the UK's 'urban hubs' – are most HGSB friendly. This is based on what the teams behind HGSBs told us was most important to them when building and growing their companies. The research shows that many of our towns and cities have the potential to create a regional revival by supporting HGSBs and getting more of them to set up and grow in their area.

Home to globally respected universities, international airports and cultural centres of world acclaim, the UK is rich with some of the world's most exciting cities and towns. Each with their own personality and characteristics, these hubs have the potential to foster a new crop of HGSBs.

Number of HGSBs and number of people employed by HGSBs, by region



# The Octopus HGSB 2016 Urban Hub League Table

| Overall ranking | Urban hub | Demography and skills ranking | Economic growth ranking | Connectivity and transport ranking |
|---|---|---|---|---|
| 1 | **London** | 2 | 2 | 2 |
| 2 | **Manchester** | 11 | 5 | 5 |
| 3 | **Cardiff** | 13 | 19 | 3 |
| 4 | **Liverpool** | 22 | 15 | 1 |
| 5 | **Edinburgh** | 5 | 6 | 11 |
| 6 | **Reading** | 6 | 1 | 24 |
| 7 | **Glasgow** | 16 | 20 | 4 |
| 8 | **Milton Keynes** | 9 | 12 | 8 |
| 9 | **Bristol** | 8 | 9 | 12 |
| 10 | **Cambridge** | 1 | 3 | 30 |
| 11 | **Birmingham** | 23 | 11 | 6 |
| 12 | **Leeds** | 19 | 16 | 7 |
| 13 | **Coventry** | 10 | 24 | 13 |
| 14 | **Brighton** | 7 | 8 | 19 |
| 15 | **Sheffield** | 21 | 18 | 9 |
| 16 | **Oxford** | 3 | 7 | 29 |
| 17 | **Southampton** | 14 | 22 | 15 |
| 18 | **Aberdeen** | 4 | 28 | 18 |
| 19 | **Leicester** | 20 | 23 | 14 |
| 20 | **Chelmsford** | 28 | 4 | 27 |
| 21 | **Belfast** | 26 | 17 | 16 |
| 22 | **Newcastle** | 24 | 10 | 21 |
| 23 | **Nottingham** | 15 | 21 | 23 |
| 24 | **Plymouth** | 25 | 31 | 10 |
| 25 | **Bath** | 12 | 26 | 28 |
| 26 | **Ipswich** | 31 | 13 | 22 |
| 27 | **Luton** | 18 | 25 | 26 |
| 28 | **York** | 17 | 27 | 25 |
| 29 | **Swansea** | 29 | 32 | 17 |
| 30 | **Middlesbrough** | 30 | 30 | 20 |
| 31 | **Norwich** | 27 | 14 | 31 |
| 32 | **Hull** | 32 | 29 | 32 |

## Location, location, location

What really makes a great place to locate and grow a HGSB? Just as transport, schools and outdoor spaces might be important when deciding where to live, HGSBs also share common needs: finance, talent and connectivity. These are the three pillars that form our league table and underpin a town or city's performance as a business hub.

## Our capital cities

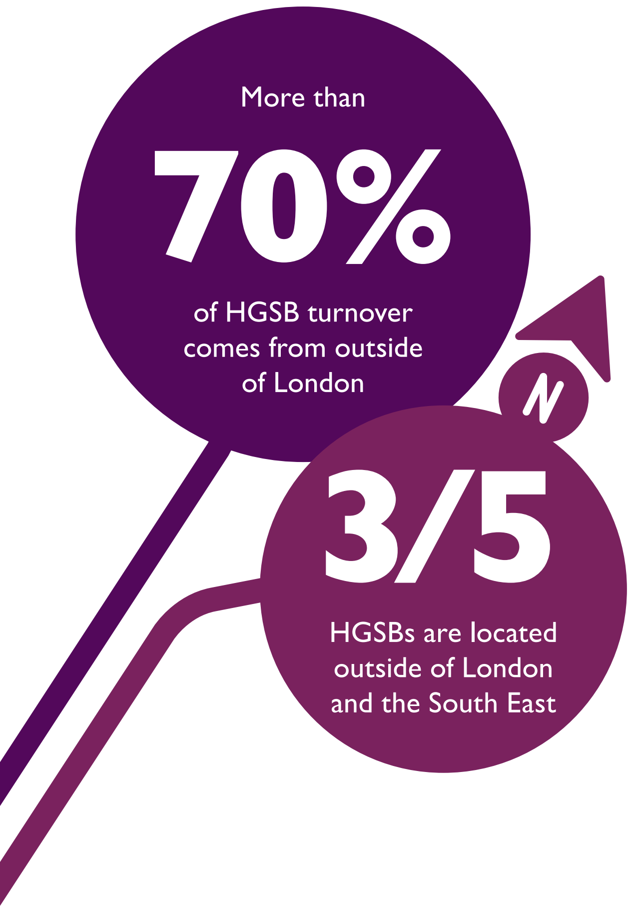
It may be no surprise that London tops the table. London is not just a domestic hub but a global centre of commerce, providing excellent transport links, a wealth of skills as a talent magnet and demonstrable economic strength.

But London is not the only UK capital to be recognised for its HGSB-friendly characteristics. Both Edinburgh and Cardiff make it into the top five in our league table – flying the flags for their respective nations and scoring well in the connectivity and transport infrastructure pillar.

# Engine room of the Powerhouse

HGSBs have long been described as the engine room of the UK economy due to the levels of job creation and economic growth these small companies deliver. Similarly, there is a clear Government focus on supporting the 'Northern Powerhouse' and its potential for growth.

The 2015 report revealed that HGSBs are flourishing right across the UK. Three out of every five HGSBs are located outside of London and the South East, and our league table reveals a clear opportunity for Northern cities to be incubators for HGSBs. Manchester and Sheffield both currently house a significant number of the UK's HGSBs. Both cities rank in the top ten, outstripping well-publicised hubs, including Cambridge. Leeds also performs well and ranks just outside at twelve with 300 HGSBs.




HGSB insights by urban hub, listed alphabetically

| Urban hub | Number of HGSBs | Number of people employed by HGSBs | Percentage of HGSBs in business community |
|---|---|---|---|
| Aberdeen | 289 | 8,559 | 2.9% |
| Bath | 136 | 3,701 | 1.7% |
| Belfast | 398 | 13,386 | 4.2% |
| Birmingham | 577 | 17,359 | 1.7% |
| Brighton | 244 | 6,490 | 1.7% |
| Bristol | 343 | 10,143 | 1.9% |
| Cambridge | 199 | 5,943 | 3.9% |
| Cardiff | 200 | 6,898 | 1.7% |
| Chelmsford | 248 | 8,338 | 3.2% |
| Coventry | 269 | 8,422 | 2.7% |
| Edinburgh | 292 | 7,599 | 1.5% |
| Glasgow | 283 | 11,129 | 1.5% |
| Hull | 127 | 2,927 | 2.0% |
| Ipswich | 161 | 5,127 | 4.0% |
| Leeds | 300 | 8,946 | 1.1% |
| Leicester | 321 | 10,072 | 2.9% |
| Liverpool | 159 | 4,582 | 1.2% |
| London | 5,381 | 150,609 | 2.0% |
| Luton | 87 | 2,739 | 1.4% |
| Manchester | 431 | 13,601 | 2.2% |
| Middlesbrough | 10 | 247 | 0.3% |
| Milton Keynes | 233 | 7,681 | 1.9% |
| Newcastle | 319 | 11,249 | 3.8% |
| Norwich | 184 | 5,897 | 3.8% |
| Nottingham | 328 | 10,324 | 3.6% |
| Oxford | 242 | 6,617 | 4.8% |
| Plymouth | 83 | 2,161 | 1.3% |
| Reading | 387 | 9,924 | 5.5% |
| Sheffield | 350 | 11,787 | 2.1% |
| Southampton | 197 | 5,686 | 2.9% |
| Swansea | 125 | 3,211 | 1.9% |
| York | 176 | 4,201 | 2.5% |

# Unlocking the potential of the North

The data behind each of the core performance pillars in our league table shows our Northern hubs have three key strengths that are contributing to their HGSB friendliness.

### Transport links and connectivity

Northern cities are well represented in the top half of the Connectivity and Infrastructure pillar, with Liverpool, Manchester, Leeds and Sheffield all in the top ten.

### Job creation forecast

Factored into the economic performance pillar is job creation forecasts. Northern cities perform well here, with Liverpool, Manchester and Sheffield all in the top ten and Leeds just outside.

### Location costs

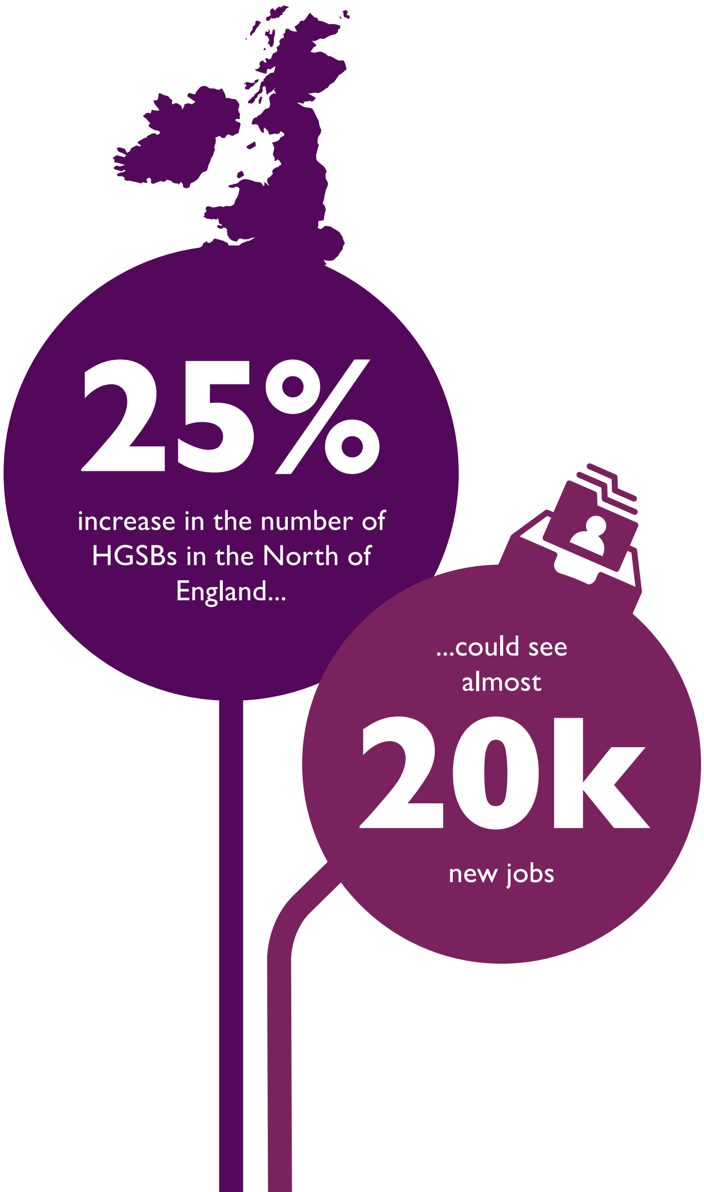
Business owners are able to take advantage of competitive location costs – with Leeds, Manchester, Liverpool and Newcastle all in the top ten of the most reasonable places to locate a business.

However, to realise their potential, there are key challenges for the Northern Powerhouse to overcome. Our league table has no Northern hubs in the top ten when it comes to the forecast economic output for these cities. Liverpool and Manchester rank the highest at 12th and 13th, respectively. While Manchester has the fifth-highest number of start-ups per 10,000 people in our league table, Sheffield, Liverpool and Leeds all fall in the bottom half of the table for business dynamism.

The good news is that by getting behind our HGSBs, there is the opportunity to influence both of these indicators. By their very nature, all HGSBs begin life as start-ups. With their positive economic impact, HGSBs can be agents of change and make a genuine and measurable difference to the performance of northern cities against these markers.

Rankings of the top ten urban hubs

| | Transport links and connectivity | | Job creation forecast | | Location costs |
|---|---|---|---|---|---|
| 1 | Liverpool | 1 | Reading | 1 | Middlesbrough |
| 2 | London | 2 | Edinburgh | 2 | Newcastle |
| 3 | Cardiff | 3 | Liverpool | 3 | Hull |
| 4 | Glasgow | 4 | Manchester | 4 | Liverpool |
| 5 | Manchester | 5 | Bristol | 5 | Edinburgh |
| 6 | Birmingham | 6 | Milton Keynes | 6 | Belfast |
| 7 | Leeds | 7 | London | 7 | Plymouth |
| 8 | Milton Keynes | 8 | Chelmsford | 8 | Manchester |
| 9 | Sheffield | 9 | Cambridge | 9 | Leeds |
| 10 | Plymouth | 10 | Sheffield | 10 | Swansea |



## Oxford vs Cambridge

Dark blue vs light blue, the Boat Race, university rankings – Oxford and Cambridge are old rivals. And it's interesting to see how they compare in our league table. Both have globally respected universities and similar transport links to London. So when it comes to unlocking the potential of HGSBs, what sets these cities apart from each other?

Cambridge takes a comfortable lead for innovation, with 66 patents per 100,000 people, compared to a UK average of 4.5, while Oxford trails in eighth position.

Cambridge tops the Demography and Skills pillar, ranking first in three out of the seven indicators that constitute this pillar: innovation, demand for jobs and university hub. Oxford comes third overall for demography and skills. However, it ranks first for educated population, one of the other indicators in this pillar.

Surprisingly, Cambridge and Oxford rank on the lower end of the scale for superfast broadband, with 66% and 67% of the area serviced by superfast networks.

| Rankings of the top five urban hubs by percentage of HGSBs in business community | | |
|---|---|---|
| 1 | Reading | 5.5% |
| 2 | Oxford | 4.8% |
| 3 | Belfast | 4.2% |
| 4 | Ipswich | 4.0% |
| 5 | Cambridge | 3.9% |

Oxford and Cambridge are mid-league performers when considering the number of HGSBs currently located in each urban hub. This suggests the concentration of skills and innovation is not translating into local HGSB creation. With such a wealth of talent and creativity on their doorstep, there is a clear opportunity for both cities to build on their outstanding academic heritage and become a great place to start a HGSB.

Interestingly, both cities move into the top five when looking at the percentage of HGSBs within their local communities.

## Conclusion

HSGBs have been a constant engine for economic growth in recent years. There is an opportunity for these companies to take on an even greater role in rebalancing our economy and bringing economic growth and prosperity to our regions.

The 32 towns and cities in our league table have the opportunity to be home to hundreds and thousands of these businesses. In return, these 32 towns and cities will benefit from the job creation, economic growth and optimism that HGSBs bring with them.

Last year's report made a number of policy recommendations to help create the right framework for HGSBs to thrive and be a force for regional revival. It's time to get behind HGSBs, and we call on Government to make this happen.

To download a copy of the
**Octopus High Growth Small Business Report 2015**
please go to
highgrowthsmallbusiness.co.uk

# About the contributors

### Octopus

Octopus transforms the industries that really matter, like investments, healthcare and energy. We do extraordinary things so that our customers see change for the better. Octopus is a fast-growing UK fund management business with leading positions in several specialist sectors, including smaller company investing, healthcare property, energy and property finance.

Founded in 2000, Octopus manages more than £5.5 billion of funds on behalf of 50,000 investors – both retail and institutional. Over the years we have invested in more than 500 small and medium-sized enterprises, including household names such as LOVEFiLM, graze.com and Zoopla Property Group. Our investments have helped these businesses to create thousands of new jobs.

octopusinvestments.com

### Centre for Economics and Business Research (Cebr)

The Centre for Economics and Business Research is an independent consultancy with a reputation for sound business advice based on thorough and insightful research.

Since 1992, Cebr has been at the forefront of business and public interest research. Cebr provides analysis, forecasts and strategic advice to major UK and multinational companies, financial institutions, government departments and agencies and trade bodies.

cebr.com

# About this report

All data and graphs are prepared by Cebr. The 32 urban hubs that constitute the league table have been selected based on their population density and economic output.

For further information about the methodology and research data included in this report, please contact the Centre for Economics and Business Research (Cebr).

# Contact us

If you would like to talk to Octopus about this report, or our support for UK smaller companies, please contact our Corporate Communications team.

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