



# PARLIAMENTARY SNAPSHOT

## 2017

This is the fourth Parliamentary Snapshot. It uncovers MPs' views on policies impacting entrepreneurs, providing unique insights on the opinions and working knowledge of the House of Commons. Once again, this report is supported by Bircham Dyson Bell (BDB).

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## FOREWORD

Few doubt that we're entering a challenging era for businesses of all sizes. But for entrepreneurs, those challenges can feel particularly acute. As they deal with the challenge of starting and scaling their business, there's a lot to learn and plenty of potential pitfalls.

At the best of times, entrepreneurs need help and support from a wide range of individuals and organisations, public as well as private, financial as well as advisory. In times of turbulence, such support becomes all the more critical.

No business is an island. As well as confidence in their own abilities, entrepreneurs need to have faith in the general outlook for businesses and the economy, which is why politics matters.

There can be no hiding that while views about Brexit vary, it is casting a disruptive shadow, potentially for some time to come. It is clear from the latest Parliamentary Snapshot that views about the type of Brexit that would offer the best opportunities for business vary widely, and largely along party lines.

This, in turn, impacts on the type of support that Parliamentarians think business needs – low tax versus public spending – again largely along party lines. With this as a barometer, politics appears more divided than ever. The vision being offered provides a stark choice to the electorate. Perhaps too stark for many.

But businesses need to get on with the job at hand – growing, investing, employing people and making returns. For them, the practicalities are important so the consensus around investment in skills is critical, not least to the Government's own priority of improving productivity.

Across the parties there is a recognition that having a skilled workforce is essential. That is why MPs across the House of Commons are united in spending more to improve the skills of the domestic workforce and making it easier for entrepreneurs to move to the UK. We have seen improved sentiment towards making it easier for businesses to hire skilled workers.

Our experience as a law firm means we are keenly aware that when helping entrepreneurs to base themselves in the UK, making the whole process as seamless as possible is crucial. They have other things to get on with!

London may be one of the most attractive cities in the world to live and work but the Government is trying to rebalance the economy to boost other cities and decentralise politically and economically. The Northern Powerhouse, which the Snapshot shows has political support, together with the new Mayors in England, have the opportunity to make a real economic difference and capture local entrepreneurial initiative.

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**“No business is an island. As well as confidence in their own abilities, entrepreneurs need to have faith in the general outlook for businesses and the economy, which is why politics matters.”**

There is little doubt that business will increasingly challenge the Government to put the right help and support in place, especially as it tries to cope with and make the most of Brexit. The Government is open to hearing views from business, and this is an opportunity that needs to be grasped.

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**HOLLIE GALLAGHER**

Partner  
Bircham Dyson Bell

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## INTRODUCTORY REMARKS

Entrepreneurs are everywhere. But a major factor on whether they flourish or fail is the quality of our entrepreneurial ecosystem, which politicians have a vital role to play in helping or hindering.

The days of picking winners are thankfully over, but politicians are still responsible for the rules under which the private sector operates. For better or worse, politicians have a profound impact on individuals' decisions on whether and when to start, scale or sell a business.

Nations with stringent job protection rules, for example, tend to have less dynamic economies. Those with bankruptcy regulations that punish entrepreneurs for failure tend to also reduce their willingness to take risks. And intellectual property regulation can systematically influence countries' innovation patterns.

Our unique Parliamentary Snapshot once again reveals where Britain's two main parties are divided on how best entrepreneurial activity can be fostered, and where they are united. Now in its fourth year, it shows where sentiment has shifted and where ignorance remains.

The decisions our elected representatives make will have even weightier consequences in a post-Brexit Britain. If Britain is to maintain – or indeed exceed – its position as the fifth most entrepreneurial country in the world, we need favourable policies and targeted initiatives under which founders can flourish.

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**ANNABEL DENHAM**

Editor  
The Entrepreneurs Network

## KEY FINDINGS

### I) REMAIN TO BE SEEN

Across the House of Commons, 42% of MPs think remaining in the EU would be net positive, 36% think withdrawing through a “soft” Brexit would be positive and 38% think leaving through a hard Brexit would be positive. But for both Remainers and Brexiteers, the devil’s in the detail.

Labour MPs still think remaining in the EU would be best for entrepreneurship in the UK, with 71% positive and just 10% negative. On hard Brexit, 84% are negative and just 8% are positive. In contrast, 69% of Conservative MPs think staying in the EU would be negative for entrepreneurship and just 10% think it would be positive. Two thirds of Conservative MPs, 66%, think a hard Brexit would be best for entrepreneurship in the UK.

Labour’s leadership and many in the Labour Party are honouring the will of the majority of the people at the Referendum, but most think it will be detrimental to entrepreneurship in the UK. And while many Conservative MPs campaigned to remain in the EU or to at least stay in the Single Market, the majority are now behind a hard Brexit.

That two-thirds of Conservative MPs think a hard Brexit would benefit entrepreneurship in the UK is a surprising finding. A hard Brexit is widely understood to mean losing full access to the single market and customs union, with the UK falling back on World Trade Organisation (WTO) rules for trade with EU countries.

**“Two thirds of Conservative MPs think a ‘hard’ Brexit would be best for entrepreneurship in the UK.”**

### THE HARDER THEY FALL

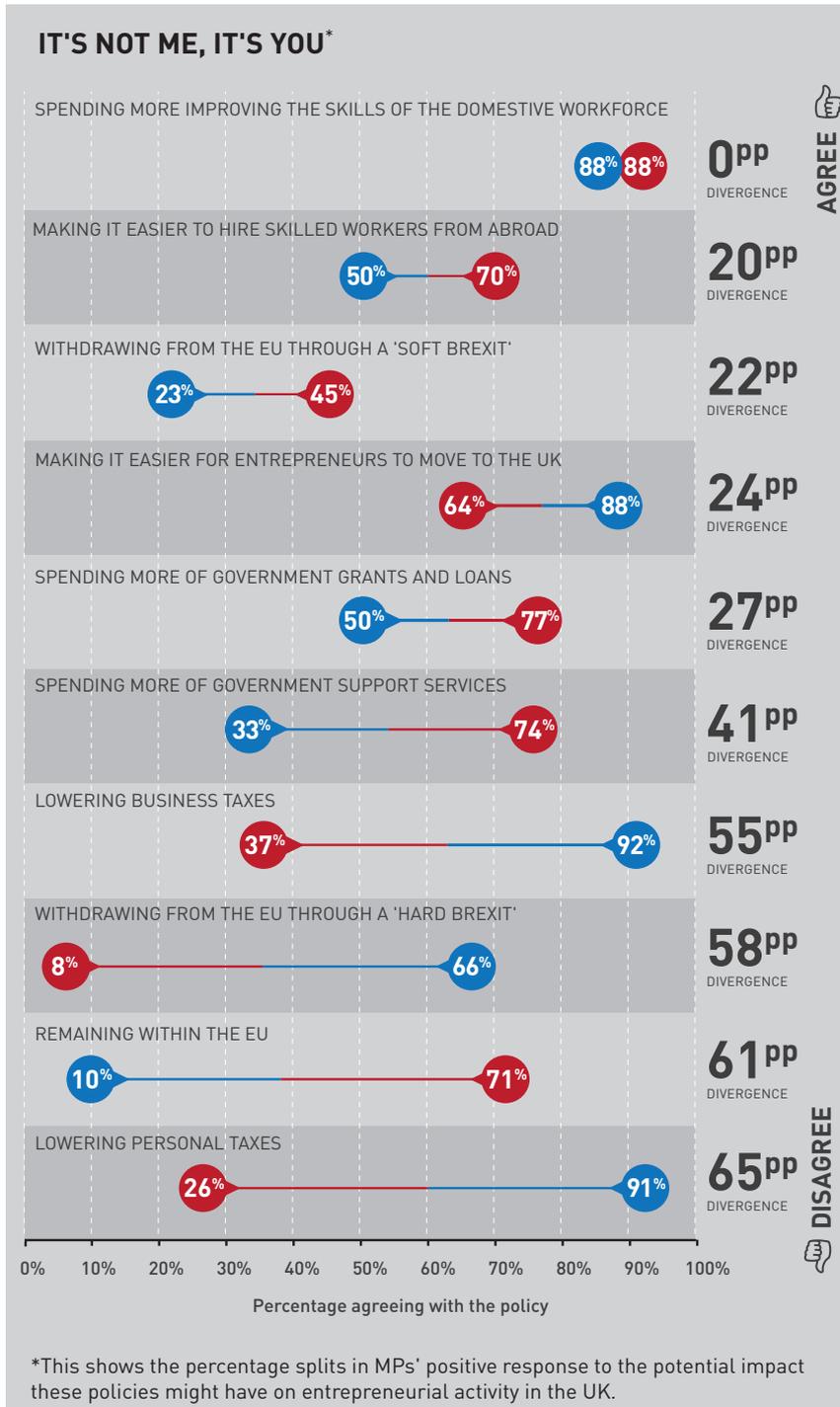
	LABOUR		CONSERVATIVE	
	POSITIVE	NEGATIVE	POSITIVE	NEGATIVE
REMAINING	71%	10%	10%	69%
SOFT BREXIT	45%	35%	23%	53%
HARD BREXIT	8%	84%	66%	10%

### II) TWO SWORDS’ LENGTH

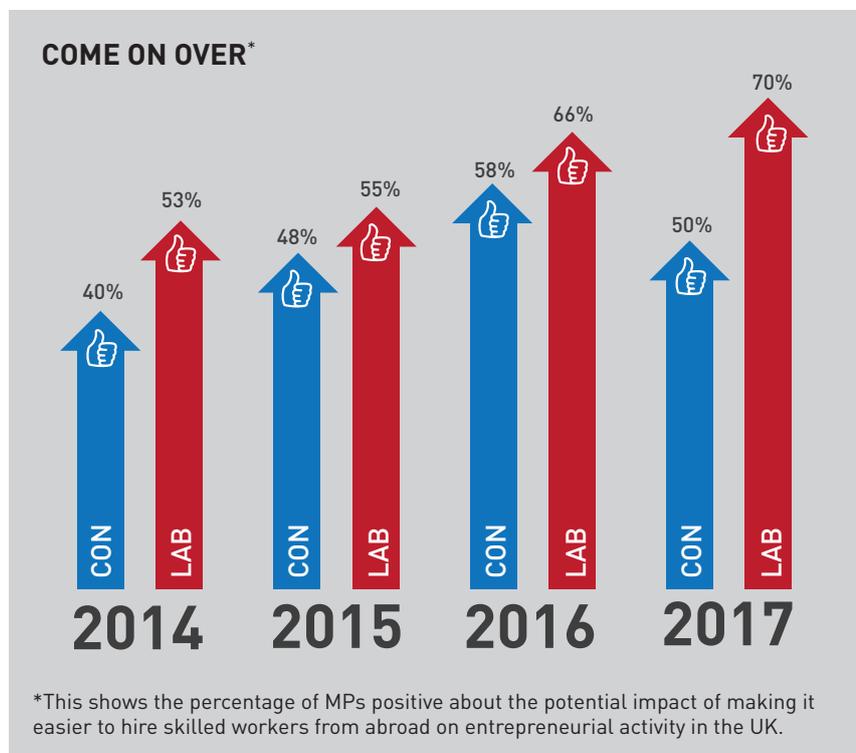
This is our fourth Parliamentary Snapshot, and once again we found ourselves surveying a new Parliament. But when it comes to entrepreneurship, the two main parties are divided along familiar ideological lines.

The parties are more divided over lowering personal taxes than any other policy, but since last year the percentage of Labour MPs positive about the effect of reducing business taxes for entrepreneurship in the UK has dropped from 59% to 37%. In fact, 30% think lowering business taxes would be negative for entrepreneurship. This suggests that either the 47

new Labour MPs that came in this year take a different view to established Labour MPs, and/or a significant number of Labour MPs have changed their mind – perhaps emboldened by the success of party leader Jeremy Corbyn’s more left-wing policies – about the role of tax cuts in spurring entrepreneurship. This left-right split is reflected in the biggest Labour/ Conservative split on the positive impact of lowering personal taxes.



### III: RAISING THE DRAWBRIDGE



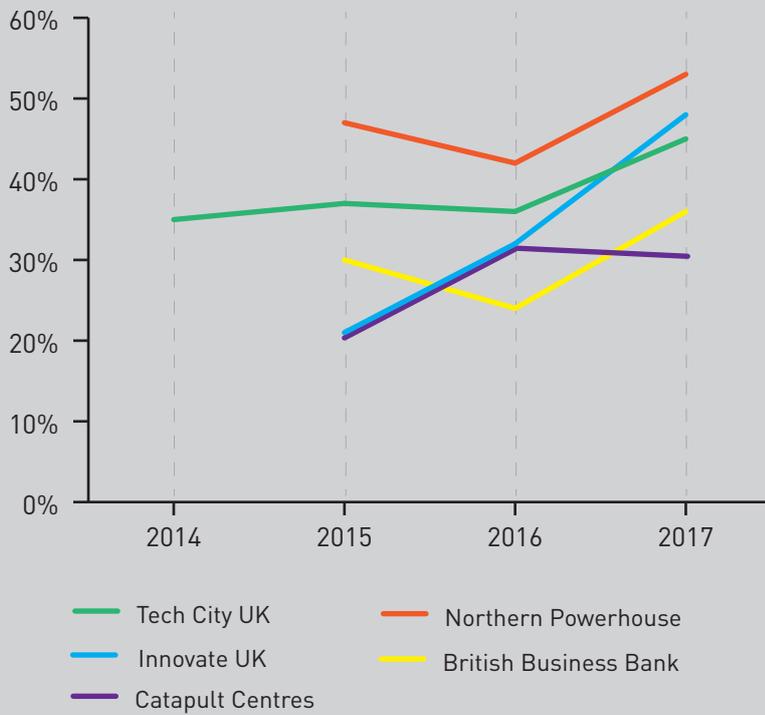
MPs from the two main parties aren't at complete loggerheads. Arguably the best finding in this survey is the continued support of MPs towards making it easier for skilled workers to move to the UK. Given the anti-immigration rhetoric swirling around the referendum debates, a drop in support for this policy might have been expected, but if anything the opposite has happened.

Since 2014, we have seen an increase – 40% to 50% – of Conservative MPs believing that making it easier to hire skilled workers from abroad would be beneficial for entrepreneurship in the UK, despite it dropping back from last year. More significantly, Labour MPs have shown steady support for it, rising year-on-year from 53% to 70%. This is a sizeable shift in sentiment and might be at odds with Labour's leadership, who some commentators think back Brexit for a variety of left-wing reasons,<sup>1</sup> including the ability to reduce immigration because of the belief that immigration reduces the wages of domestic workers.

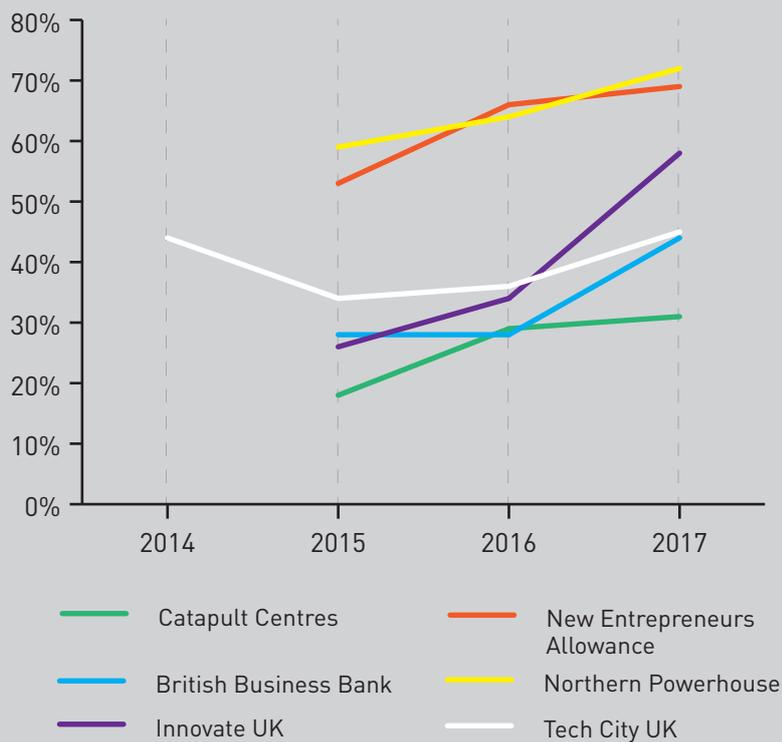
1 Ian Dunt, Everything you need to know about Lexit in five minutes, politics.co.uk (17 November 2017): <http://www.politics.co.uk/blogs/2017/11/17/everything-you-need-to-know-about-lexit-in-five-minutes>

IV: TAKING THE INITIATIVE

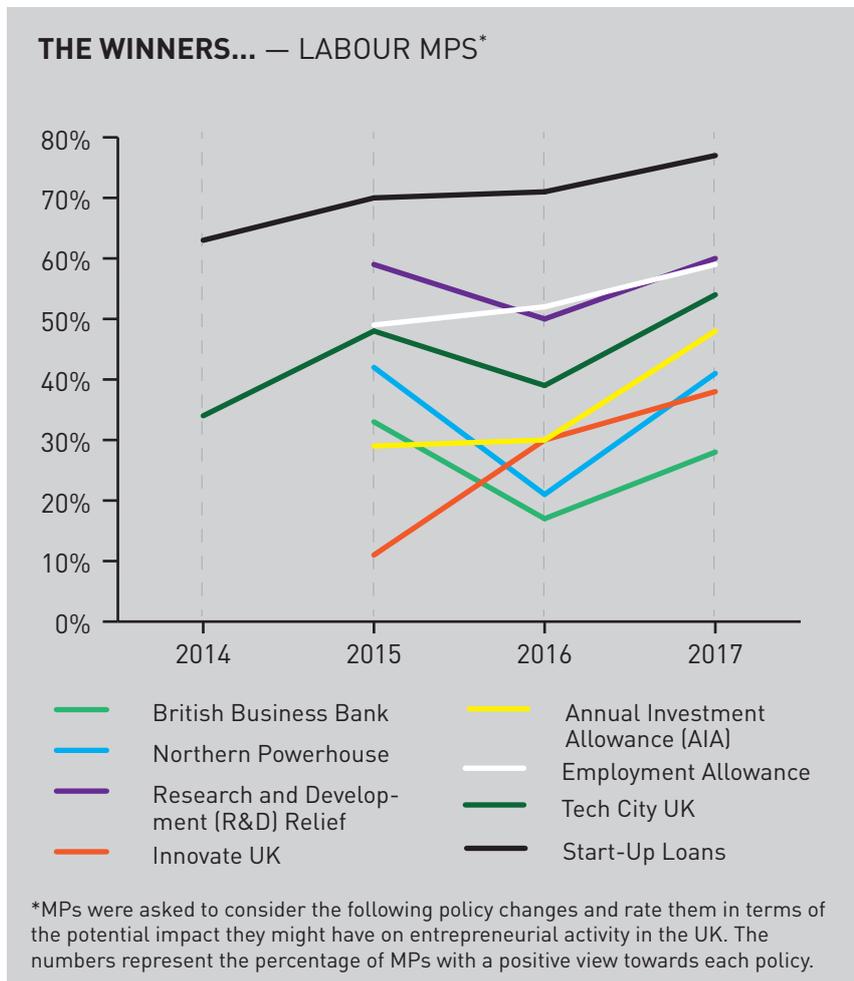
**THE WINNERS... — ALL MPS\***



**THE WINNERS... — CONSERVATIVE MPS\***



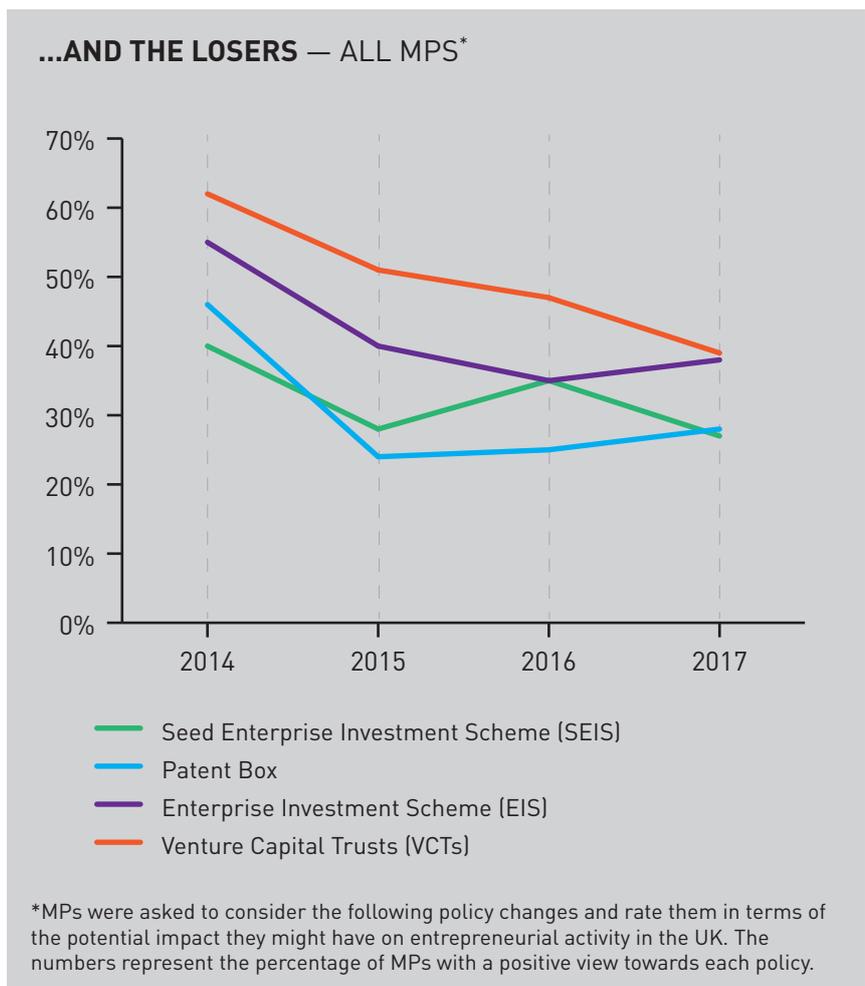
\*MPs were asked to consider the following policy changes and rate them in terms of the potential impact they might have on entrepreneurial activity in the UK. The numbers represent the percentage of MPs with a positive view towards each policy.



Interest in entrepreneurship has surged in recent years, and with it a raft of initiatives designed to support companies with advice and investment as they start and scale. Over the years of this survey, MPs’ sentiments have shifted towards a number of initiatives. This year, the big policy/initiative winners across the House of Commons have been Tech City UK, Innovate UK, Catapult Centres, the Northern Powerhouse and the British Business Bank.

Breaking down the data by party, we see that Conservative MPs saw a rise in support for Innovate UK, the Northern Powerhouse, the British Business Bank and the New Entrepreneurs Allowance. Of particular interest is the rise in support for the British Business Bank, which jumped from 28% to 44% since last year.

Labour MPs have become more positive towards Tech City UK, Innovate UK, the Northern Powerhouse, the British Business Bank, Start-Up Loans, Employment Allowance, Annual Investment Allowance (AIA) and Research and Development (R&D) Relief. Of particular interest is the rise from last year towards Tech City UK (39% to 51%), the Annual Investment Allowance (30% to 46%), R&D Relief (50% to 60%), the Northern Powerhouse (21% to 39%) and the British Business Bank (17% to 27%).



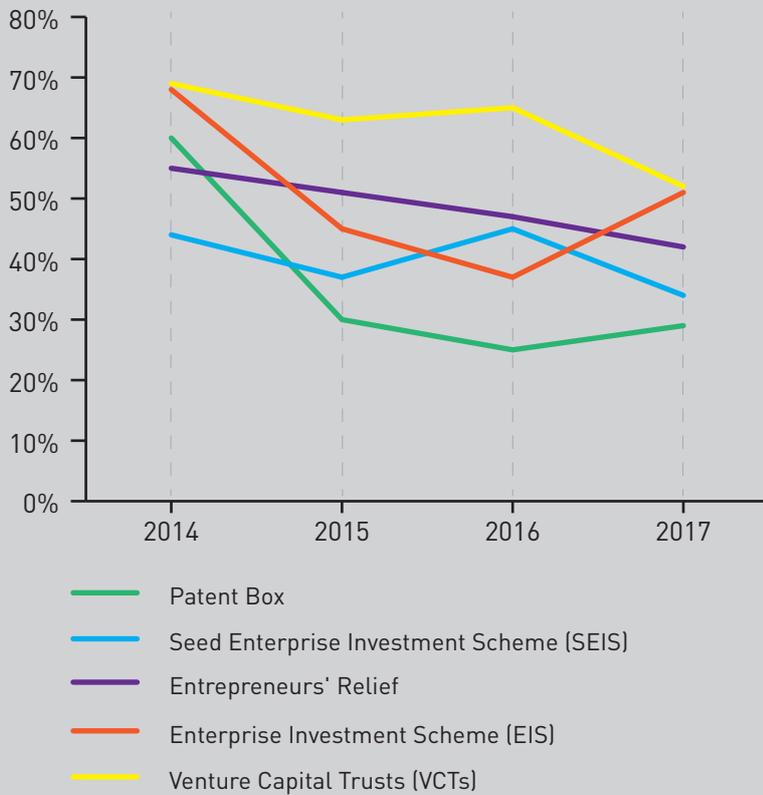
The big policy/initiative losers across the House of Commons have been Venture Capital Trusts, the Enterprise Investment Scheme, Patent Box and the Seed Enterprise Investment Scheme.

For Conservative MPs, we can add Entrepreneurs’ Relief as a policy that’s dropped in popularity, at least since 2014. The significant drops in support for Conservative MPs since last year have been towards Venture Capital Trusts (65% to 52%) and Seed Enterprise Investment Scheme (45% to 34%).

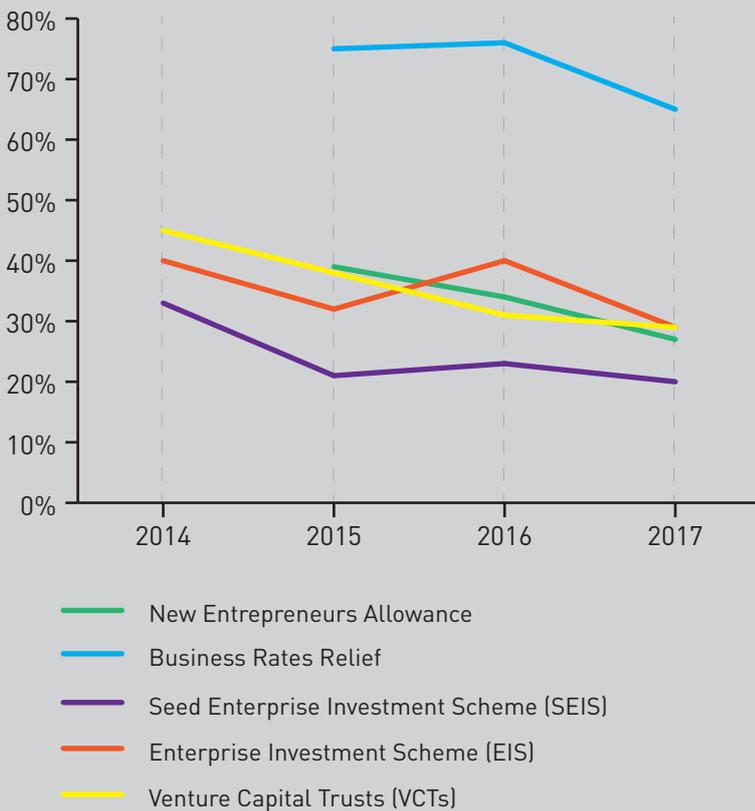
Labour MPs have shown a drop in support for Venture Capital Trusts, the Enterprise Investment Scheme and Seed Enterprise Investment Scheme, as well as Business Rates Relief and the New Enterprise Allowance. The significant drop in support for Labour MPs since last year has been for the Enterprise Investment Scheme (40% to 28%).

Perhaps the biggest shock for anyone familiar with starting, funding and growing a business in the UK has been the decline in support for tax breaks to support for entrepreneurship. The Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Venture Capital Trusts are believed by scaling entrepreneurs to be critical to their success. The overall decline in support is mostly based on MPs’ ignorance – with most claiming not to have heard of them. This is still very concerning.

**...AND THE LOSERS — CONSERVATIVE MPS\***



**...AND THE LOSERS — LABOUR MPS\***



\*MPs were asked to consider the following policy changes and rate them in terms of the potential impact they might have on entrepreneurial activity in the UK. The numbers represent the percentage of MPs with a positive view towards each policy.

## V: IN THE DARK

Our first Parliamentary Snapshot, conducted in 2014, revealed a woeful image of an under-informed legislative body. With Brexit providing Westminster with an opportunity to insert new policies or prioritise existing ones to ensure our entrepreneurs continue to prosper, it is vital our elected representatives are up-to-date on how best this can be achieved.

We cannot expect MPs to be familiar with every initiative, and it is encouraging that MPs' knowledge of some schemes designed to support entrepreneurship is continuing its upward trend despite new Members entering the House of Commons. Since last year, the Enterprise Investment Scheme has seen the greatest percentage decrease in the number of MPs who don't know about it, dropping 18 percentage points from 61% to 43% since last year; second is Innovate UK, which dropped 16 percentage points from 56% to 40%; and third is Tech City UK (soon to be re-branded as Tech Nation), which dropped 10 percentage points from 52% to 42%. All of this is to be celebrated. However, we found a significant reversal for Venture Capital Trusts, which have risen 12 percentage points, from 42% to 54%. This a worrying trend and suggests the venture capital industry has work to do in explaining to current MPs how they help entrepreneurs.

## KNOWLEDGE IN POWER

POSITION	INITIATIVE	MPS* (%)
1ST	Patent Box	63
2ND	Catapult Centres	62
3RD	Seed Enterprise Investment Scheme (SEIS)	61
4TH	Entrepreneurs' Relief	59
5TH	Venture Capital Trusts (VCTs)	54
6TH	Business is Great	53
7TH	Annual Investments Allowance (AIA)	51
8TH	British Business Bank	48
—	New Enterprise Allowance	48
10TH	Enterprise Investment Scheme (EIS)	43
11TH	Tech City UK	42
12TH	Innovate UK	40
13TH	Employment Allowance	27
—	Research and Development (R&D) Tax Relief	27
15TH	Start-Up Loans	21
16TH	Business Rates Relief	15
17TH	Local Enterprise Partnerships (LEPs)	14
—	Regional Growth Funds (RGF)	14
19TH	Northern Powerhouse	13
20TH	Enterprise Zones	12

\*This column details the percentage of MPs who have never heard of a particular initiative or don't know enough about it to judge whether or not it's effective or not.

# DELVING INTO DETAIL

## I) SPENDING MORE ON IMPROVING THE SKILLS OF THE DOMESTIC WORKFORCE

The policy direction that has the most support across the House of Commons is spending more on improving the skills of the domestic workforce, with 89% of respondents believing that this would have a positive impact on entrepreneurial activity in the UK and just 1% of MPs viewing it as negative. Conservative MPs are 88% positive and 1% negative, while Labour MPs are 88% positive and 2% negative. Spending more on improving the skills of the domestic workforce has also been top in the three previous iterations of this survey.

## II) MAKING IT EASIER FOR ENTREPRENEURS TO MOVE TO THE UK

The policy direction that has the second most support across the House of Commons is making it easier for entrepreneurs to move to the UK, with 79% of respondents believing that this would have a positive impact on entrepreneurial activity, and just 4% thinking it would have a negative impact. This splits down by party as 88% of Conservative MPs positive and 64% of Labour MPs. Last year, making it easier for entrepreneurs to move to the UK was also the policy direction considered to potentially have the second most positive impact.

## III) LOWERING BUSINESS TAXES

In joint-third position is lowering business taxes, with 66% thinking doing so would have a positive impact on entrepreneurial activity and 13% thinking it would have a negative impact. This splits across party lines: 92% of Conservative MPs thought it positive, compared with just 37% of Labour MPs. And while no Conservative MPs thought it would have a negative impact, 28% of Labour MPs thought it would be negative. The belief that lowering business taxes would have a positive impact on entrepreneurial activity in the UK remains similar to previous years.

## IV) SPENDING MORE ON GOVERNMENT GRANTS AND LOANS

Two-thirds, 66%, of MPs think spending more on Government grants and loans would have a positive impact on entrepreneurial activity in the UK, with 12% thinking it would have a negative impact. Conservative MPs are less convinced, with 50% positive and 21% negative; compared to 77% positive and 4% negative for Labour MPs.

## V) MAKING IT EASIER TO HIRE SKILLED WORKERS FROM ABROAD

Nearly a third, 62%, of MPs think making it easier to hire workers from abroad would have a positive impact on entrepreneurial activity in the UK

– 50% of Conservative MPs think it would be positive and 70% of Labour MPs. The views of MPs have trended positive over the years. In 2014, 49% were positive, 40% of Conservative MPs and 53% of Labour MPs; in 2015, 55% were positive, 48% of Conservative MPs and 55% of Labour MPs; and in 2016, 63% were positive, 58% of Conservative MPs and 66% of Labour MPs.

#### **VI) LOWERING PERSONAL TAXES**

While the combined figure – 60% positive and 13% negative – would suggest most MPs support lowering personal taxes to boost entrepreneurial activity, there is a notable split between Conservative and Labour MPs. This was the second most popular policy among Conservative MPs, with 91% thinking it positive, compared to just 26% of Labour MPs. In fact, 30% of Labour MPs thought lowering personal taxes would be negative for entrepreneurship in the UK.

#### **VII) SPENDING MORE ON GOVERNMENT SUPPORT SERVICES**

A small majority of MPs, 57%, think spending more on government support services would have a positive impact on entrepreneurial activity, while 15% think that it would have a negative impact. Labour MPs are more supportive than Conservative MPs, with 74% of Labour MPs positive (8% negative), and 33% of Conservative MPs positive (25% negative).

#### **VIII) REMAINING WITHIN THE EU**

On the question of Britain's relationship with the European Union, less than half, 42%, of MPs thought remaining would have a positive impact on entrepreneurial activity, and a similar number, 40%, thought it would have a negative impact. Conservative MPs were especially unsupportive, with just 10% thinking it would be positive and 69% thinking it could be negative. In contrast, well over two-thirds, 71%, of Labour MPs thought it would be positive and just 10% thought it would be negative.

#### **IX) WITHDRAWING FROM THE EU THROUGH A HARD BREXIT**

Across the House of Commons, 38% thought a hard Brexit would have a positive impact on entrepreneurial activity in the UK, but 47% thought it would be negative. Again, the two parties were split – this was the fifth most popular policy among Conservative MPs, with 66% thinking it would be positive and 10% thinking it would be negative. But Labour MPs were near-unanimously negative: just 8% thought it would be positive and 84% thought it would be negative.

#### **X) WITHDRAWING FROM THE EU THROUGH A SOFT BREXIT**

Withdrawing from the EU through a soft Brexit was the least popular of the policy changes listed in this survey. Just 36% thought it would have a positive impact on entrepreneurial activity, compared with 45% negative. Labour MPs were more positive (45%) than they were negative (35%). Conservative MPs, meanwhile, were more negative (53%) than they were positive (23%).

# INITIATIVES, INCENTIVES, IGNORANCE

The Parliamentary Snapshot provides the only overview of MPs' views on initiatives designed to support entrepreneurs. Year after year, it has revealed a lack of awareness of key schemes to support entrepreneurs. However, the results this year reveal a trend of MPs displaying more knowledge in the past.

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## 1ST: BUSINESS RATE RELIEF (BRR)

### HEADLINE STATS:

- 78% think it effective.
- 5% think it has no impact.
- 15% have never heard of, or know too little to say whether it is effective.
- 1% think it ineffective.

**WHAT IT IS:** Business Rate Relief offers business owners discounts from their local council on their business rates. It includes Small Business Rate Relief, Rural Rate Relief, Charitable Rate Relief, Enterprise Zones, and Exempted Buildings and Empty Buildings Relief.

**WHAT WE THINK\*:** The likely reason BRR is believed by MPs to be the most effective initiative designed to support entrepreneurs is due to sustained complaints from small business owners about the negative impact of business rates, and lobbying from small business groups echoing their concerns.

The subject of business rates has attracted even greater controversy in 2017, due to the first revaluation of the levy for seven years, which has hit 30,000 small businesses with rates increases of up to £15,000. Even though the incidence in the long run falls principally on landowners, there is a compelling case to be made for more regular revaluations so businesses are able to plan for changes.

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## 2ND: ENTERPRISE ZONES

### HEADLINE STATS:

- 75% think it effective.
- 9% think it has no impact.

\*The "we" represents the view of The Entrepreneurs Network throughout this section, and not the view of the sponsors.

- 12% have never heard of, or know too little to say whether it is effective.
- 3% think it ineffective.

**WHAT IT IS:** Enterprise Zones offer entrepreneurs discounted business rates, superfast broadband, simplified planning, enhanced capital allowances and government support.

**WHAT WE THINK:** There has been a positive response by beneficiaries to the measure and an increase in the number of Enterprise Zones due to demand. The zones have collectively attracted £2.6bn of private investment and more than 700 new businesses. However, organisations like the Institute for Fiscal Studies are concerned this is mostly displaced economic activity that would have otherwise taken place elsewhere<sup>2</sup>.

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### 3RD: START-UP LOANS

#### HEADLINE STATS:

- 73% think it effective.
- 2% think it has no impact.
- 21% have never heard of, or know too little to say whether it is effective.
- 3% think it ineffective.

**WHAT IT IS:** Launched in 2012, Start Up Loans is a Government-funded scheme that funds and mentors entrepreneurs. Up to £25,000 can be borrowed.

**WHAT WE THINK:** 7,000 Start-Up Loans were awarded in 2016 – perhaps explaining why this is a well-known and liked initiative among MPs. Start-Up Loans are a superficially attractive policy, but the risk of moral hazard can't be ignored. The necessarily reduced due diligence may lead too many entrepreneurs starting businesses that are destined to fail and the reported low repayment rates may not result in a good deal for taxpayers.

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### 4TH: REGIONAL GROWTH FUND (RGF)

#### HEADLINE STATS:

- 70% think it effective.
- 10% think it has no impact.
- 14% have never heard of, or know too little to say whether it is effective.
- 5% think it ineffective.

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<sup>2</sup> Helen Miller, The UK Experience with Sectoral Policies, 2012: [https://www.ifs.org.uk/conferences/hm\\_seville\\_may12.pdf](https://www.ifs.org.uk/conferences/hm_seville_may12.pdf)

**WHAT IT IS:** Created in 2010, the Regional Growth Fund offers grants and loans of up to £1m to eligible businesses.

**WHAT WE THINK:** Awareness of the initiative is high – no doubt due to its original size and scope, though it's now somewhat diminished. Too often, entrepreneurship is associated with Silicon Roundabout or the tech clusters of Cambridge, Manchester or Edinburgh. But high growth businesses exist across the country<sup>3</sup> and initiatives like the Regional Growth Fund should at least be credited with trying to encourage entrepreneurship in more economically deprived areas. However, though the problem it's trying to solve is legitimate, there are questions about the Regional Growth Fund's value for money<sup>4</sup>. As such, more political and intellectual capital should be invested in finding more cost-effective approaches to stimulating entrepreneurship across the country.

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## 5TH: RESEARCH AND DEVELOPMENT (R&D) TAX RELIEF

### HEADLINE STATS:

- 65% think it effective.
- 7% think it has no impact.
- 27% have never heard of, or know too little to say whether it is effective.
- 1% think it ineffective.

**WHAT IT IS:** Research and Development Relief can reduce R&D expenditure by 11% for qualifying companies with fewer than 500 employees.

**WHAT WE THINK:** R&D tax credits are a valuable Government tax relief that reward UK companies for investing in innovation. Nearly £2bn per year is currently being claimed through the scheme: on average SMEs can claim £46,000 per year. LSE researchers have shown that UK R&D would be 10% lower in the absence of tax breaks<sup>5</sup>. Schemes like this may be critical to increasing business investment and part of improving UK productivity.

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## 6TH: EMPLOYMENT ALLOWANCE

### HEADLINE STATS:

- 64% think it effective.

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3 High Growth Small Business Urban League Table, Cebr, 14 March 2017: <https://cebr.com/reports/high-growth-small-business-urban-hub-league-table/>

4 Matthew Ward, Briefing Paper Number CBP5874, 2 November 2016: [researchbriefings.files.parliament.uk/documents/SN05874/SN05874.pdf](https://researchbriefings.files.parliament.uk/documents/SN05874/SN05874.pdf)

5 Kieu-Trang Nguyen and John Van Reenen, Tax relief for Research and Development is a Rare Example of an Innovation Policy that Actually Works, 2016 <http://blogs.lse.ac.uk/businessreview/2016/03/11/tax-relief-for-research-and-development-is-a-rare-example-of-an-innovation-policy-that-actually-works/>

- 8% think it has no impact.
- 27% have never heard of, or know too little to say whether it is effective.
- 1% think it ineffective.

**WHAT IT IS:** The Employment Allowance gives eligible employers £3,000 a year off their National Insurance (NI) bill through a reduction in Employers' (Secondary) Class 1 NI.

**WHAT WE THINK:** This is understandably a popular scheme among employers, with close to 1.2m benefiting from the allowance in the 2016-17 tax year. The NI regime is unnecessarily complex, with compliance and administration imposing a significant cost on businesses and disproportionately affecting smaller companies. Therefore, rather than constantly tinkering, the Government should reform NI contributions, by integrating employees' NI, income tax and employers' NI into a single tax on income. After all, it's ultimately borne by employees through lower wages and this would increase the transparency of the tax incidence.

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## 7TH: LOCAL ENTERPRISE PARTNERSHIPS (LEPS)

### HEADLINE STATS:

- 62% think it effective.
- 11% think it has no impact.
- 14% have never heard of, or know too little to say whether it is effective.
- 13% think it ineffective.

**WHAT IT IS:** Local Enterprise Partnerships are business-led partnerships between the private sector and local authorities established with the purpose of steering growth strategically in local communities. There are now 38 across the UK, funded through Growth Deals agreed with the UK Government, and ranging in size according to local needs.

**WHAT WE THINK:** Local Enterprise Partnerships were introduced to replace Regional Development Agencies, but since their launch some experts have criticised them as overly bureaucratic, driven by the public sector, a postcode lottery or offering poor value for public money. A National Audit Office report from March 2016 found "LEPs themselves have serious reservations about their capacity to deliver and the increasing complexity of the local landscape, and there is a risk that projects being pursued will not necessarily optimise value for money."<sup>6</sup> Nevertheless, the last thing businesses need is even more changes in delivery agencies; instead, Local Enterprise Partnerships need to be made to work as well as possible with the funding available.

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<sup>6</sup> Local Enterprise Partnerships, National Audit Office, 23 March 2016: <https://www.nao.org.uk/wp-content/uploads/2016/03/Local-Enterprise-Partnerships.pdf>

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## 8TH: NORTHERN POWERHOUSE

### HEADLINE STATS:

- 53% think it effective.
- 19% think it has no impact.
- 13% have never heard of, or know too little to say whether it is effective.
- 14% think it ineffective.

**WHAT IT IS:** The Northern Powerhouse is a series of policies to support economic growth in Northern cities.

**WHAT WE THINK:** MPs' sentiment towards the scheme has risen – perhaps due to renewed enthusiasm, or perhaps George Osborne's departure means his critics can judge the initiative on its own merits.

The Northern Powerhouse initiative combines a genuine desire to see renewal outside the South East with practical solutions to reduce the economic gulf. Since the former Chancellor's announcement in June 2014, interventions have been announced to help turn rhetoric into reality – improving transport connections, backing creative clusters and devolving power. The initiative has rightly continued under the new Prime Minister, with the newly-elected mayors of Liverpool, Greater Manchester and Tees Valley now working to boost northern prosperity.

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## 9TH: INNOVATE UK

### HEADLINE STATS:

- 48% think it effective.
- 10% think it has no impact.
- 40% have never heard of, or know too little to say whether it is effective.
- 2% think it ineffective.

**WHAT IT IS:** Innovate UK includes funding competitions in emerging and enabling technologies, infrastructure systems, health and life sciences and manufacturing and materials. The initiative hit the headlines early this year, when it was rolled into a £6bn research organisation for science funding, UK Research and Innovation (UKRI).

**WHAT WE THINK:** Public support by UK research councils for private R&D has a strong positive impact on firm growth. Evidence presented to the Science and Technology Select Committee suggests that support from Innovate UK increases both employment and turnover growth in the short and medium term<sup>7</sup>.

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## 10TH: TECH CITY UK

### HEADLINE STATS:

- 45% think it effective.
- 10% think it has no impact.
- 42% have never heard of, or know too little to say whether it is effective.
- 3% think it ineffective.

**WHAT IT IS:** Tech City UK was originally set up to attract foreign direct investment and put East London's growing tech scene on the map. It has since extended its remit to accelerating the growth of the digital economy across the UK. After this Parliamentary Snapshot was undertaken, the UK Government announced an extra £21m investment over four years, which includes more Tech Nation Visas and a rebrand to Tech Nation.

**WHAT WE THINK:** Five years ago, there were fewer than 100 start-ups around Silicon Roundabout. Today, there are estimated to be around 3,200 registered companies per square km in the EC1V postcode alone. Over the years, the Tech City initiative has come in for criticism by some commentators for piggybacking on an already successful ecosystem; however, this isn't entirely fair. Entrepreneurial ecosystems are best supported in areas where the private sector has already proven there is a market. Although we can't be sure, a case can be made that Tech City UK in its role as a convener may have helped legitimise technology as a sector and attracted creatives, developers and programmers to the ecosystem.

However, too little is being done to promote tech clusters beyond London, Cambridge and Manchester – something that the Tech Nation rebrand hopes to solve. For example, we would like to see more than the current seven start-ups outside of London in any future iterations of its Upscale programme. One area where Tech City UK has succeeded is in its Tech Nation Visa Scheme. After a slow start, it has made a success of the initiative, and foreign entrepreneurs will be able to benefit from the additional 1,000 visas across the various Exceptional Talent visas, though in competition with high talented routes.

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## 11TH: NEW ENTERPRISE ALLOWANCE (NEA)

### HEADLINE STATS:

- 45% think it effective.
- 7% think it has no impact.
- 48% have never heard of, or know too little to say whether it is effective.

**WHAT IT IS:** The New Enterprise Allowance is a scheme designed to assist unemployed people who want to start a business. It provides those on benefits – Jobseeker's Allowance, Employment and Support Allowance,

Income Support and Universal Credit – with mentors, a weekly allowance, or a loan.

**WHAT WE THINK:** The strength of the New Enterprise Allowance lies in its marrying of funding and mentoring. Uptake has been positive – between April 2011 and December 2016, over 100,000 businesses were set up through the scheme. Ultimately, it must be judged on the basis of value for money compared to alternative interventions – in the 2014-15 financial year it cost £31.1m – but it's impossible not to be inspired by case studies like Razan who fled Syria and through the New Enterprise Allowance and was able to set up Yorkshire Dama Cheese<sup>8</sup>.

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## 12TH: ANNUAL INVESTMENT ALLOWANCE (AIA)

### HEADLINE STATS:

- 41% think it effective.
- 6% think it has no impact.
- 51% have never heard of, or know too little to say whether it is effective.
- 2% think it ineffective.

**WHAT IT IS:** The Annual Investment Allowance allows business owners to deduct from profits before tax the full value of most plant and machinery.

**WHAT WE THINK:** Inadequate business investment is believed by many to be a significant cause of the UK's low productivity growth. And though the UK economy is lagging behind the European average in capital investment in its business resources as a share of GDP, levels have increased steadily over the past five years. At the very least, the Annual Investment Allowance should be stabilised, but there is also an argument that it should be raised.

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## 13TH: VENTURE CAPITAL TRUSTS (VCTS)

### HEADLINE STATS:

- 39% think it effective.
- 5% think it has no impact.
- 54% have never heard of, or know too little to say whether it is effective.
- 2% think it ineffective.

**WHAT IT IS:** Venture Capital Trusts offer up to 30% income tax relief on investments up to £200,000, tax free dividends and no Capital Gains Tax.

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<sup>8</sup> How Razan Became an Award-Winning Business Woman with New Enterprise Allowance [https://www.youtube.com/watch?time\\_continue=52&v=CH7EPwFqugo](https://www.youtube.com/watch?time_continue=52&v=CH7EPwFqugo) & [http://yorkshiredamacheese.co.uk/index.php?route=information/information&information\\_id=4](http://yorkshiredamacheese.co.uk/index.php?route=information/information&information_id=4)

**WHAT WE THINK:** Venture Capital Trusts make money by investing in other companies, which are typically small, quoted and looking for further investment to develop their business. Venture Capital Trusts are an important source of funding and guidance for firms in early-stage growth. Though investors put £458m into Venture Capital Trusts in the 2015-16 tax year (the largest amount in a decade), MPs' knowledge and support have steadily dropped. The Venture Capital industry needs to put in efforts to explain to Parliament – particularly Labour MPs – what Venture Capital Trusts are and why the scheme benefits the British economy and society at large.

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## 14TH: ENTERPRISE INVESTMENT SCHEME (EIS)

### HEADLINE STATS:

- 38% think it effective.
- 15% think it has no impact.
- 43% have never heard of, or know too little to say whether it is effective.
- 4% think it ineffective.

**WHAT IT IS:** Launched in 1994 to encourage investment into private companies with high growth potential, the Enterprise Investment Scheme grants individual investors up to 30% tax relief on investing in smaller companies up to a maximum of £1m.

**WHAT WE THINK:** The Enterprise Investment Scheme is seen by many in our network as essential to Britain's entrepreneurial success, as it boosts the flow of growth capital into early-stage, unlisted businesses. However, MP support for the Enterprise Investment Scheme has waned in the past few years. More than 26,000 companies have gone through the scheme so far, raising more than £15.6bn in funds. According to Debbie Wosskow, serial entrepreneur and member of our Female Founders Forum, the tax break "means the risk to an individual writing a cheque to a small business is significantly lowered. That's made a huge difference to the culture of private investing in the UK."<sup>9</sup>

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## 15TH: BRITISH BUSINESS BANK (BBB)

### HEADLINE STATS:

- 36% think it effective.
- 14% think it has no impact.
- 48% have never heard of, or know too little to say whether it is effective.
- 2% think it ineffective.

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<sup>9</sup> Debbie Wosskow, CEO and Founder of Love Home Swap on Entrepreneurship and the Future of Collaborative Consumption, Womanthology: <http://www.womanthology.co.uk/debbie-wosskow-ceo-founder-love-home-swap-entrepreneurship-future-collaborative-consumption/>

**WHAT IT IS:** The British Business Bank is a Government-owned business development bank dedicated to making finance markets work better for smaller businesses.

**WHAT WE THINK:** Response to the British Business Bank has been mixed. On the one hand, TaxPayers' Alliance CEO John O'Connell questions the very notion of taxpayer-funded loans – from banks or alternative finance providers. He says: “There are answers to be found on how to increase lending from commercial banks, but the Government stepping in with a taxpayer-funded alternative should not be one of them”.<sup>10</sup>

However, those in favour argue that the British Business Bank provides a more opportune and diverse small lending market for smaller businesses. The British Chamber of Commerce said it did good work but was underfunded, and Andrew Sandiford recently told the BEIS Parliamentary Select Committee that it was an “unsung hero”<sup>11</sup>. Already the British Business Bank has supported over 40,000 smaller businesses, and its role will become more important given the potential shortfalls in funding from the European Investment Fund after Brexit and likely need for a UK institution to funnel any replacement funds through.

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## 16TH: BUSINESS IS GREAT

### HEADLINE STATS:

- 32% think it effective.
- 14% think it has no impact.
- 53% have never heard of, or know too little to say whether it is effective.

**WHAT IT IS:** The Business is GREAT campaign offers support, advice and inspiration for growing a business.

**WHAT WE THINK:** The simplicity of the campaign made sense, but it appears to have ended without a sense of achieving lasting significance. The Exporting is GREAT strategy, which we are a partner of, is a good idea, but the jury is out on whether it can make a lasting impact on Britain's low level of exporting.

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10 The UK Government Invests £85 Million in Peer-to-Peer Lending Sector Where the Watchdog has 'Concerns', Business Insider, 13 December 2016 <http://uk.businessinsider.com/british-business-banks-investment-in-peer-to-peer-platforms-after-fca-review-2016-12?r=US&IR=T>

11 Access to Finance, House of Commons, Business, Energy and Industrial Strategy Committee, First Report of Session 2016–17, 25 October 2016 <https://publications.parliament.uk/pa/cm201617/cmselect/cmbeis/84/84.pdf>

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## 17TH: ENTREPRENEURS' RELIEF

### HEADLINE STATS:

- 31% think it effective.
- 8% think it has no impact.
- 59% have never heard of, or know too little to say whether it is effective.
- 2% think it ineffective.

**WHAT IT IS:** Entrepreneurs' Relief is a tax break available to those selling or giving away their business, offering business owners a lifetime allowance of £10m of gain taxed at the reduced rate of 10% for individual shareholdings of over 5%.

**WHAT WE THINK:** Entrepreneurs' Relief is understandably popular among successful business owners, though its future has looked precarious at certain points in recent years. Members of our network have argued for the extension of Entrepreneurs' Relief to holdings below 5% so that founders can take on more investment without missing out on the tax break.

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## 18TH: CATAPULT CENTRES

### HEADLINE STATS:

- 31% think it effective.
- 4% think it has no impact.
- 62% have never heard of, or know too little to say whether it is effective.
- 4% think it ineffective.

**WHAT IT IS:** Catapult Centres, which have been around since 2012, are a network of centres designed to transform the UK's capability for innovation in seven specific areas and drive future growth.

**WHAT WE THINK:** Supporting R&D is key to the UK's global competitiveness, and Catapult Centres are designed to provide much needed space and creative environments where engineers, researchers, academics and businesses can come together, discuss and test ideas, and then have the support to bring these ideas to market. However, a recent review by EY, which was released after the MPs were surveyed, concludes that "the Catapult concept has been inconsistent and could have had a significantly greater impact in delivering innovation, economic benefits and value for money that would have been more consistent with the benefits envisaged when the concept was initiated."<sup>12</sup>

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12 UK SBS PS17086 Catapult Network Review, EY [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/662509/Catapult\\_Review\\_-\\_Publishable\\_Version\\_of\\_EY\\_Report\\_\\_1\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/662509/Catapult_Review_-_Publishable_Version_of_EY_Report__1_.pdf)

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## 19TH: PATENT BOX

### HEADLINE STATS:

- 28% think it effective.
- 7% think it has no impact.
- 63% have never heard of, or know too little to say whether it is effective.
- 2% think it ineffective.

**WHAT IT IS:** The Patent Box enables a company to apply a lower rate of Corporation Tax to profits earned from its patented inventions and certain other innovations.

**WHAT WE THINK:** The Patent Box regime was conceived in 2013 as an incentive for companies to commercialise their intellectual property in the UK. Although it had to be modified in 2016 to bring it in line with recommendations from the OECD Forum on Harmful Tax Practices, it's regarded by experts as an important part of the Government's growth agenda, providing incentives to develop, commercialise and retain innovative technology. However, though Patent Box in some cases attracts FDI and influences companies to undertake R&D in the UK, small companies and individuals are not aware of it and even large companies find the process complicated.<sup>13</sup>

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## 20TH: SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

### HEADLINE STATS:

- 27% think it effective.
- 9% think it has no impact.
- 61% have never heard of, or know too little to say whether it is effective.
- 2% think it ineffective.

**WHAT IT IS:** Younger sibling to the Enterprise Investment Scheme, the Seed Enterprise Investment Scheme was introduced in 2011 and offers 50% on up to £150,000.

**WHAT WE THINK:** The Seed Enterprise Investment Scheme is a hugely successful scheme for investors and start-ups alike. As CEO of the UK Business Angel Association, Jenny Tooth OBE, states: "SEIS has been remarkably successful in incentivising investment into smaller companies."<sup>14</sup> Given its widespread praise among entrepreneurs and investors, it is concerning so few MPs have heard of it.

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13 Building the Evidence Base on the Performance of the UK Patent System, Intellectual Property Office, 2017: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/639203/building-evidence-performance-patent-system.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639203/building-evidence-performance-patent-system.pdf)

14 Untapped Unicorns, March 2017: <http://tenentrepreneurs.org/research/untapped-unicorns/>

## CONCLUDING REMARKS

For business owners of all sizes Brexit is the big concern, and hopefully Conservative MPs revert to a softer version – even if it's only part of a transitional arrangement. Of course, some entrepreneurs in our Network voted for Brexit, but it's our understanding that the majority of these envisioned something akin to a Norway-style departure that maintains access to the single market.

Nevertheless, this report is about more than Brexit. MPs remain supportive of allowing foreign talent to come to Britain: whether to build their business or to work for the many amazing start-ups and scale-ups. Across the world, governments are increasingly devising policies to attract the attention of highly-skilled individuals. Immigration is good for the UK and efforts to encourage it are essential to maintain our global competitiveness – MPs are not blind to this fact.

The knowledge gap has narrowed since our first Parliamentary Snapshot, conducted in 2014, but MPs still need to brush up on key schemes like the Seed Enterprise Investment Scheme, Entrepreneurs' Relief, Patent Box and Venture Capital Trusts so that they can vote with good judgement on legislation impacting these initiatives and share information about them to entrepreneurs in their constituencies.

At The Entrepreneurs Network, ensuring that Parliament is kept up-to-date on what is needed to create and sustain the most favourable conditions for entrepreneurship is part of our raison d'être. That's why we took on the role of Secretariat for the All-Party Parliamentary Group for Entrepreneurship, and in this privileged position we want to help inform parliamentarians about these initiatives. We still have much to do and welcome partnerships that make us more effective.

Whether you're an entrepreneur or supportive of entrepreneurship in the UK, we can all do our bit. We all need to be more vocal so MPs aren't just supportive of entrepreneurship, but truly understand the drivers of what makes Britain one of the best places in the world to start and grow a business.

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### PHILIP SALTER

Founder

The Entrepreneurs Network

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**“Immigration is good for the UK and efforts to encourage it are essential to maintain our global competitiveness — MPs are not blind to this fact.”**

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## BACKGROUND

- YouGov completed online interviews with a representative sample of 100 MPs;
- The interim survey was completed between 20 June – 13 July 2017;
- All results are based on a sample and are therefore subject to statistical errors normally associated with sample-based information;
- Any percentages calculated on bases fewer than 40 unweighted respondents must not be reported as they do not represent a wide enough cross-section of the target population to be considered statistically reliable;
- Results for MPs are weighted by party, gender, electoral cohort, and geography to give a sample that is representative of the House of Commons;
- Based on a 95% confidence level results are correct to +/- 10%.
- Previous MP surveys were conducted between 7-19 May 2014, 2-16 June 2015 and 10-19 May 2016.

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## PRODUCED BY



The Entrepreneurs Network is a think tank for the ambitious owners of Britain's fastest growing businesses and aspirational entrepreneurs. Through research, events and the media, we bridge the gap between entrepreneurs and policymakers to help make Britain the best place in the world to start and grow a business. We are the Secretariat of the All Party Parliamentary Group (APPG) for Entrepreneurship.

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## SUPPORTED BY



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## POLICIES PRIORITIES\*

### ALL MPS

POSITION	INITIATIVE	NET POSITIVE (%)
1ST	Spending more improving the skills of the domestic workforce	89
2ND	Making it easier for entrepreneurs to move to the UK	79
3RD	Spending more of government grants and loans	66
—	Lowering business taxes	66
5TH	Making it easier to hire skilled workers from abroad	62
6TH	Lowering personal taxes	60
7TH	Spending more of government support services	57
8TH	Remaining within the EU	42
9TH	Withdrawing from the EU through a 'hard Brexit'	38
10TH	Withdrawing from the EU through a 'soft Brexit'	36

### CONSERVATIVE MPS

POSITION	INITIATIVE	NET POSITIVE (%)
1ST	Lowering business taxes	92
2ND	Lowering personal taxes	91
3RD	Spending more improving the skills of the domestic workforce	88
—	Making it easier for entrepreneurs to move to the UK	88
5TH	Withdrawing from the EU through a 'hard Brexit'	66
6TH	Making it easier to hire skilled workers from abroad	50
—	Spending more of government grants and loans	50
8TH	Spending more of government support services	33
9TH	Withdrawing from the EU through a 'soft Brexit'	23
10TH	Remaining within the EU	10

### LABOUR MPS

POSITION	INITIATIVE	NET POSITIVE (%)
1ST	Spending more improving the skills of the domestic workforce	88
2ND	Spending more on government grants and loans	77
3RD	Spending more on government support services	74
4TH	Remaining within the EU	71
5TH	Making it easier to hire skilled workers from abroad	70
6TH	Making it easier for entrepreneurs to move to the UK	64
7TH	Withdrawing from the EU through a 'soft Brexit'	45
8TH	Lowering business taxes	37
9TH	Lowering personal taxes	26
10TH	Withdrawing from the EU through a 'hard Brexit'	8

\*MPs were asked to consider these policy changes and rate them in terms of the potential impact they might have on entrepreneurial activity in the UK.

## INITIATIVE PRIORITIES\*

### ALL MPS

POSITION	INITIATIVE	NET POSITIVE (%)
1ST	Business Rates Relief	78
2ND	Enterprise Zones	75
3RD	Start-Up Loans	73
4TH	Regional Growth Funds (RGF)	70
5TH	Research and Development (R&D) Tax Relief	65
6TH	Employment Allowance	64
7TH	Local Enterprise Partnerships (LEPs)	62
8TH	Northern Powerhouse	53
9TH	Innovate UK	48
10TH	Tech City UK	45
—	New Enterprise Allowance	45
12TH	Annual Investments Allowance (AIA)	41
13TH	Venture Capital Trusts (VCTs)	39
14TH	Enterprise Investment Scheme (EIS)	38
15TH	British Business Bank (BBB)	36
16TH	Business is GREAT	32
17TH	Entrepreneurs' Relief	31
—	Catapult Centres	31
19TH	Patent Box	28
20TH	Seed Enterprise Investment Scheme (SEIS)	27

### CONSERVATIVE MPS

POSITION	INITIATIVE	NET POSITIVE (%)
1ST	Business Rates Relief	86
2ND	Enterprise Zones	77
3RD	Northern Powerhouse	72
4TH	Start-Up Loans	71
5TH	New Enterprise Allowance	69
6TH	Employment Allowance	68
—	Regional Growth Funds (RGF)	68
—	Local Enterprise Partnerships (LEPs)	68
9TH	Research and Development (R&D) Tax Relief	66
10TH	Innovate UK	58
11TH	Business is GREAT	52
—	Venture Capital Trusts (VCTs)	52
13TH	Enterprise Investment Scheme (EIS)	51
14TH	Tech City UK	45

\*MPs were asked to rate these initiatives designed to support entrepreneurship based on how effective MPs they think they are.

15TH	British Business Bank (BBB)	44
16TH	Entrepreneurs' Relief	42
17TH	Annual Investments Allowance (AIA)	36
18TH	Seed Enterprise Investment Scheme (SEIS)	34
19TH	Catapult Centres	31
20TH	Patent Box	29

## LABOUR MPS

POSITION	INITIATIVE	NET POSITIVE (%)
1ST	Start-Up Loans	78
2ND	Regional Growth Funds (RGF)	74
3RD	Enterprise Zones	73
4TH	Business Rates Relief	67
5TH	Research and Development (R&D) Tax Relief	60
6TH	Local Enterprise Partnerships (LEPs)	59
7TH	Employment Allowance	58
8TH	Tech City UK	51
9TH	Annual Investments Allowance (AIA)	46
10TH	Northern Powerhouse	39
11TH	Innovate UK	37
12TH	Enterprise Investment Scheme (EIS)	28
—	Venture Capital Trusts (VCTs)	28
14TH	British Business Bank	27
—	Patent Box	27
16TH	Catapult Centres	26
—	New Enterprise Allowance	26
18TH	Entrepreneurs' Relief	20
19TH	Seed Enterprise Investment Scheme (SEIS)	19
20TH	Business is GREAT	12



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