Shropshire Chamber of Commerce

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Dear Stakeholders,

Policy Briefing: Removing Cash Flow Barriers to Growth for Shropshire SMEs

I am writing to highlight a significant issue affecting how public grants and innovation funding are accessed by SMEs across Shropshire. While programmes such as Innovate UK and local growth funds are designed to support business growth, their **payment-in-arrears** and **match-funding** requirements often create major cash flow challenges for smaller businesses.

Rather than enabling growth, these funding structures can prevent many SMEs from taking part in valuable opportunities.

The Challenge

Shropshire's economy is dominated by micro-businesses, rural enterprises, and family-run firms that often lack the resources available to businesses in larger cities. Key barriers include:

- **Upfront Costs:** Businesses must typically cover project costs in full before claiming grant funding, often waiting several months for reimbursement.
- **Match Funding Requirements:** Many grants require firms to contribute 30% to 50% of project costs, creating a substantial barrier for smaller companies.
- **Delayed Final Payments:** The last 10% of funding is frequently withheld until final audits and approvals are completed, tying up valuable working capital.
- **Administrative Burden:** Managing claims, compliance, and reporting requirements takes time and resources away from running and growing the business.

As a result, many Shropshire businesses are unable to access funding that could drive innovation, productivity, and job creation.

Potential Solutions

While national funding rules may be difficult to change, there are practical local measures that could help:

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1. **A Shropshire Grant Bridging Fund**
   Short-term finance linked to approved grant offers, helping businesses manage upfront project costs until grant payments are received.

2. **A Regional Match-Funding Network**
   Connecting local investors with promising businesses that need support to meet grant co-funding requirements.

3. **A Shared Grant Compliance Service**
   Providing SMEs with access to grant-specialist financial expertise, reducing administration and speeding up claims.

4. **A Pre-Approved Supplier Framework**
   Encouraging suppliers to offer payment terms aligned with grant reimbursement schedules, helping ease cash flow pressures.

Requested Next Steps

To maximise the impact of public funding in Shropshire, I would welcome support in exploring ways to improve access to working capital for SMEs.

- **MPs:** Raise the issue of payment-in-arrears funding with the Department for Business and Trade.
- **British Chambers of Commerce:** Support policy discussions and help identify finance providers that could back a bridging fund.
- **Local Authorities:** Consider piloting a local grant bridging scheme using regional economic development funding.

I would welcome the opportunity to discuss these proposals further and explore how we can ensure more Shropshire businesses can benefit from available funding opportunities.

Yours sincerely,

Ruth Ross