Report to: Place and Economic Development Sub-Committee, 29th January 2018

Report of: Deputy Director for Economic Development and Planning

Subject: EXTENSION TO WORCESTER CITY COUNCIL BUSINESS GRANT PROGRAMME

1. Recommendation

1.1 The Place and Economic Development Sub-Committee allocate an additional £20,000 from the City Plan Fund for the Worcester City Council Business Start Up and Growth Grants Programme.

2. Background

2.1 Worcester City Council has been running a business grant programme since 2010 to support start up and growth businesses. Since 2013, this programme has been run in conjunction with the Enterprising in Worcestershire programme, which provides a package of support for both start up and growth businesses and has match funding from the European Regional Development Fund (ERDF).

2.2 The current ERDF Enterprising Worcestershire programme commenced in September 2016 and is due to run until 2019. The programme is managed by Worcestershire County Council. There are 7 schemes in the programme: Proof of Concept; Business Energy Efficiency; Low Carbon Opportunities; Cyber Security; Investing in Growth; Business Accelerator; and Business Start Up. Each scheme offers a combination of business support and grant funding and is open to all Worcestershire based businesses, subject to meeting the eligibility criteria. Businesses eligible for grant funding are those trading Business to Business (B2B).

2.3 In July 2016 Worcester City Council Cabinet approved £60,000 of New Home Bonus to offer business start up and growth grants to those businesses which are ineligible under the ERDF Enterprising Worcestershire scheme. These businesses are typically those which trade with consumers (B2C) or do not meet other ERDF grant eligibility criteria e.g. length of trading, grant amount. The period for the grant programme is 2016 – March 2019.

2.4 In November 2017 the Policy and Resources Committee agreed an amendment to the criteria, to allow ERDF eligible businesses to apply for the Worcester City Council business grant, in those instances where funding is no longer available.

2.5 The £60,000 funding allocated in 2016 for the Worcester City Council grant programme was based on the performance of the previous scheme (2013 – 2016) and anticipated demand. However, the programme is currently exceeding budgeted spend and there are not sufficient funds to continue through to March 2019.
2.6 The performance of the grant programme to date is as follows:

2.6.1 Grant paid/approved

<table>
<thead>
<tr>
<th>Scheme</th>
<th>2016/17</th>
<th>2017/18 (Q1 – 3)</th>
<th>Approved – awaiting claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Start Up</td>
<td>13</td>
<td>£10,637</td>
<td>3</td>
</tr>
<tr>
<td>Growth Grants</td>
<td>4</td>
<td>£9,398</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17</strong></td>
<td><strong>£20,035</strong></td>
<td><strong>8</strong></td>
</tr>
</tbody>
</table>

2.6.2 Private Sector Match
The private sector match generated to date, from the scheme, is as follows:

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Value of grants awarded</th>
<th>Private Sector Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Start Up</td>
<td>£13,335</td>
<td>£23,857</td>
</tr>
<tr>
<td>Growth Grants</td>
<td>£23,396</td>
<td>£37,828</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£36,731</strong></td>
<td><strong>£61,685</strong></td>
</tr>
</tbody>
</table>

2.6.3 Job Creation
The following FTE (full time equivalent) jobs have been created/safeguarded by businesses receiving grants from the programme:
Business Start Up - 31
Business Growth – 51 + casual/freelance jobs

2.6.4 Grant spend
(i) The business start up grant has typically been used for the purchase of office and IT equipment and marketing activities.
(ii) The growth grant has typically been used to facilitate business growth e.g. premises refurbishment, equipment and/or increase sales and number of customers e.g. marketing and promotional activities.
(iii) The amount of money spent by grant recipients (grant money and match), with Worcester based businesses (independents and chain stores), was as follows:
Business Start Up - £8,913
Business Growth - £21,990
Total= £30,903

2.7 Publicity
The grant programme has been publicised through a number of channels, as follows:

2.7.1 Worcestershire Business Central
This organisation is the main business information service for the county promoting the range of advice, grants and support programmes available. A significant number of enquiries are received via Worcestershire Business Central and the organisation recognises the importance of the scheme, as follows:
“The grant funding scheme offered by Worcester City Council is a vital part of the business support offering for Worcestershire and is able to support the growth plans of the local business, especially those which are not eligible for the European Regional Development Funds in the County.

Worcestershire Business Central works closely with the Worcester City Council Economic Development team on business engagement and support activities. The city council grant scheme hugely benefits these activities, as many of our enquiries relate to funding. This means our business engagement team can offer a holistic package of support by referring businesses to either the ERDF or Worcester City Council scheme. If this scheme did not exist, then it would limit our ability to support businesses, especially those in the B2C sector.”

2.7.2 Worcester City Council
The scheme is promoted via direct contact (e.g. from information gained from planning applications, local intelligence), website, twitter, printed leaflets and City Life (See Appendix 1).

2.7.3 Publications
Information about the scheme has been included in e-newsletters, produced by partners e.g. Worcestershire Business Central, and in case studies prepared by Worcester City Council communications team and featured in local newspapers (See Appendix 1).

2.7.4 Networking and events
Attendance at networking events e.g. Herefordshire and Worcestershire Chamber of Commerce expo; Worcestershire Festival of Business; Worcestershire Innovation Network; recruitment fairs; University of Worcester enterprise events; Worcestershire Business Central conference.

2.7.5 Intermediaries
Information about the scheme circulated to intermediaries such as banks, accountants, solicitors, commercial developers, Blue Orchid, Worcester BID and FSB.

2.8 Current budget status
The amount of grant funding spent/committed is £45,732 leaving a balance of £14,268. There are several ‘live’ enquiries with further applications anticipated in the next quarter. It is anticipated that the budget will be fully committed by Q1 2018/19.

There are a number of reasons for the increased demand for the grant programme:

(i) Increased awareness resulting from promotional activity.
(ii) Change in profile of applications with move from start up to growth grants. This reflects the same trend as the ERDF programme whereby there is more interest from established businesses as opposed to people starting a business.
(iii) The transition period between the previous ERDF scheme, which finished in 2015, and the start of the new scheme in 2016 was longer than anticipated. This meant there were more enquiries to the Worcester City Council scheme.
(iv) The criteria for the new ERDF grants are more restrictive e.g. minimum grant for business accelerator is £5,000. This has meant that a number of B2B are not eligible and so have applied to Worcester City Council instead.
The funding for two of the ERDF schemes is fully spent and it will be several months before this is resolved. There is likely to be increase in demand for the Worcester City Council scheme.

1. **Preferred Option**

1.1 Worcester City Council allocates an additional £20,000 from the City Plan Fund for the Worcester City Council Business Start Up and Growth Grants Programme to ensure there is sufficient budget to continue until March 2019.

2. **Alternative Options Considered**

2.1 To do nothing would mean that the grant programme would cease when the current funding has been fully committed. Worcester City Council would lose an important resource to engage with and support local businesses.

2.2 To reduce the amount of additional funding would mean there is the risk that the programme would finish before March 2019.

3. **Implications**

3.1 **Financial and Budgetary Implications**

It is proposed that Worcester City Council contribute £20,000 from the City Plan Fund allocation set aside for the delivery of the City Plan.

3.2 **Legal and Governance Implications**

None directly arising from this report. Applicants would still be required to comply with the terms and conditions of the existing grant programme.

3.3 **Risk Implications**

The Economic Development team has a track record of delivering the business start up and growth grant programme.

3.4 **Corporate/Policy Implications**

This initiative is aligned with the Worcester City Plan 2016 – 2021 relating to ‘A Prosperous City’:

(i) Existing businesses retained and growing
(ii) New businesses moving in and delivering success in Worcester
(iii) Increase in start-up businesses that last over 12 months.

3.5 **Equality Implications**

None directly arising from this report. The grant scheme is open to all businesses, subject to meeting the criteria.

3.6 **Human Resources Implications**
None directly arising from this report. The scheme is managed using existing resources.

3.7 Health and Safety Implications

None directly arising from this report.

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Background Papers: Appendix 1 – summary of articles in publications.