

Report



Leader of the Council

Part 1

Date: 25 August 2021

Subject Business Development Fund 2021/22

Purpose To seek approval from the Leader as Cabinet Member for Economic Growth and Investment for the proposed use of the Council's Business Development Fund for the current financial year 2021/22

Author Regeneration Manager

Ward City Wide

Summary The Council operates a Business Development Fund (BDF), a key facet of its package of business support activity. The fund has a general aim of stimulating economic development in the city. Eligibility and conditions reflect current strategic objectives for the local economy, as set forth in the Council's Economic Growth Strategy.

The Covid-19 pandemic has drastically altered the landscape of economic development, and prompted a full review of priorities going forward. Whilst the context for business remains one of one change, there are tentative hopes that Newport has entered a sustained phase of economic recovery. It is important therefore that the Business Development Fund responds to this economic context and provides support to the local economy in the most beneficial way.

The Business Development Fund traditionally offers direct financial support to new or existing SMEs in the form of small grants. Grants offered to eligible businesses can support them towards costs such as rent or purchase of equipment.

The Economic Regeneration team was unable to take forward the 2020/21 allocation of the BDF due to the diversion of resources to the administration of emergency discretionary support grants throughout the extended period of lockdown. Despite this, the Covid-19 crisis has intensified both the volume of the city's SMEs seeking support and the team have recorded a significant upsurge in the number of enquiries from businesses seeking support over the past year.

The Business Development Fund for 2021/22 will therefore proceed along the lines of previous years, by targeting support to start-up and expanding SME businesses. Through the aftermath of the health crisis and beyond, there will be a need to react to emerging economic challenges, and assist businesses seeking to embrace new ways of working. In order to support the Council's aims around economic recovery, fairness and equality, and the Wellbeing of Future Generations, the Council will offer a greater level of support to new SMEs able to demonstrate a contribution towards innovation and progressive business.

By continuing to encourage and support business start-ups, particularly in the city centre, this financial assistance naturally focuses on business resilience – the key issue for many

at this uncertain time. The report therefore requests the delegated authority to open the BDF for applications immediately, with the flexibility to reallocate funding in response to emerging priorities, subject to approval by the Leader, as Cabinet Member.

Proposal To approve the proposed use of the Business Development Fund for the Financial Year 2021-22.

Action by Regeneration Manager

Timetable Immediate

This report was prepared after consultation with:

- Cabinet Member for Economic Growth and Investment
- Head of Regeneration, Investment and Housing
- Head of Law and Regulation
- Head of Finance
- Head of People and Business Change

Signed

Background

The Business Development Fund has been a successful arm of the Council's support for economic development. Many businesses have benefitted from the cross-sector support provided by this fund. In previous financial years, the Business Development Fund has focused financial support for businesses in two high-risk categories – those in the initial phase of starting trading on those undergoing expansion. These groups are at higher risk of encountering challenges and failure. Past use of the fund has also concentrated particular support for businesses trading in the city centre. This focus has meant the fund has naturally had a focus on the resilience of the local economy.

Newport exhibits historically high start-up rates across the city. These new businesses are however inherently vulnerable particularly within the crucial first period of trading. The BDF offers support towards the immediate costs of rent and equipment purchases, although other discretionary uses for support where an applicant's business plan identifies a clear requirement are also eligible. The Fund has also supported the marketing of the city to investors and a growing programme of business-focused events, as well as the purchase of software used to support the service.

The past year has been one of extraordinary challenge for businesses. Despite the provision of significant emergency aid to the Welsh economy, many businesses have faced unprecedented ongoing uncertainty in the aftermath of Covid-19. With the departure of the UK from the European Union, and disruption from the wider social, environmental and economic impacts of the pandemic set to continue, responding to the needs of the local economy is a priority for Newport to recover and reposition its economy effectively.

The impact of Covid-19 has prompted an upsurge in enquiries for business support across Newport and the wider city region. Despite extended restrictions and uncertainty, the number of enquiries for support remains far in excess of recent years, with over 400 enquiries for support prior to the launch of the fund for this year. This surge reflects the change in the economic landscape prompting both new opportunities and challenges. Many of these enquiries will have started due to employment in the local area contracting.

It is therefore important that the launch of the Business Development Fund for 2021/22 focuses on meeting an unprecedented demand for support from SMEs, provide support for those in the process of starting or expanding, and remains focused on promoting economic resilience and recovery. A short survey was carried out to those making enquiries in Spring 2021, to understand need and identify priorities for support. The survey identified the following –

- The majority of enquiries relate to new or expanding businesses (79%)
- The number of businesses working from home (55%) now exceeds those occupying or seeking commercial premises (45%)
- Enquiries are concentrated in the more populous wards of the city, with industrial estates the most popular choice for commercial property (20%). Only 13% are occupying, or proposing to occupy, space in the city centre.
- 18% are seeking to move away from trading from the home to trading from a commercial space.
- The main challenges identified were funding towards running costs (55%), purchase of equipment and hardware (52%), and social media and marketing (43%). Very few sited Covid adaptation (5%) or other innovation (11%) as requirements.
- In terms of progressive business, 50% mentioned a commitment to environmental measures, 19% to the Living Wage, and 47% towards training and skills development.

To reflect this context, the Business Development Fund will introduce the following changes for the coming year:

- The focus of grant activity in recent years has been concentrated on reducing the number of vacant commercial premises across the city however Covid-19 has rapidly reshaped the way businesses use and lease premises. The Business Development Fund will therefore be open to both home businesses, and those occupying any underutilised space within buildings, such as vacant upper

floors. This extension was trialled in the financial year 2019/20, prior to the pandemic, with a successful outcome. This change will require a further adjustment to the performance indicator for business support.

- The economic recovery is an opportunity to better align the economy to national priorities such as addressing poverty, reducing waste, digital maturity and ambitions to achieve Net Zero carbon before 2050. There is an emerging awareness across business sectors of the importance of these issues. The Council will increase the ceiling of grant support for businesses able to demonstrate a real contribution towards these agendas for 2021/22.
- Ongoing economic uncertainty means many start-ups will be part-time enterprises, at least at first. In previous years, the creation of at least one full-time job has been a requirement to access the funding. In light of the current circumstances, it is proposed to accept applications that create part-time employment, with the grant available reduced pro-rata to the FTE job created. This will allow the Council to support 'test trading' and more flexible working for those who may have an existing employment alongside their new business venture.
- Flexibility of use will be critical in this period of uncertainty, and should new priorities arise through the ongoing crisis facing the local economy, the fund will be adapted to meet these new priorities subject to available budget and approval by the Leader of any changes to eligibility criteria.

Financial Summary (Capital and Revenue)

The financial year 2019/20 is the first year the Business Development Fund did not achieve full spend. The number of applications and expressions of interest was lower than the norm for the majority of the financial year, reflective of the wider economic slow-down that has accompanied the UK exit from the European Union. Despite this contraction in the number of enquiries, a greater number of businesses (21) received direct grant support in 2019/20, as were supported in the previous year (16).

In 2020/21, there was little other expenditure from the BDF apart from the award of £43,000 for the Newport Now Business Improvement District to assist with their Covid response for their members. This included the roll out of Covid Safe kits for independent businesses consisting of social distancing floor markers and signage, and a new digital platform to enable businesses to create digital shop windows whilst their physical premises are closed.

	Year 1 (2021/22) £	Year 2 (2022/23) £	Year 3 (2023/24) £	Year 4 (2024/25) £	Notes including budgets heads affected
Costs					
BDF Grants and Other/ Operational Costs	£365,649				
(Income) Net costs					
Core Budget	£60,000				
Additional Funding from Cabinet	£250,000				
	£55,649				

Reserved Funds					
(Savings) Net impact on budget					

1. Budget

The Business Development Fund has a significant increase due to the current economic context. The increase to the core 21/22 budget includes the following:

- An additional £250,000 allocated to Business Services by Cabinet to support economic recovery.
- £55,649 carried forward from the Business Development Fund underspend from 2020/21.

2. Grants

The key focus for the fund is the allocation of Business Grants. The budget for the current financial year will increase to £300,000. The maximum grant available, on a per business basis, (independent or franchisees only), will be £5,000 within the city centre and £2,500 across the wider city area.

For those businesses able to demonstrate a significant contribution towards progressive business, as specified in the eligibility criteria, the maximum grants will increase to £10,000 in the city centre and £5,000 across the wider city.

As mentioned above the Council will support part-time job creation, however the maximum sums will reduce pro-rata to the FTE equivalent of the jobs created. For example, for a job created at 50% FTE (18.5 hours per week), the maximum grant would be £2,500 in the city centre or £1,250 in the wider city, rising to £5,000 or £2,500 if eligible for the progressive business additional award.

The following categories of goods and services are eligible for grant support:

- **Fixed Property Costs** – including rent and service charges for new, larger or additional floor space.
- **Plant and Equipment** - including purchases by existing businesses seeking to make new products.
- **Digital Maturity** – including purchase of ICT equipment, plus costs relating to improving online presence, market reach and enabling digital commerce.
- **Other** – at the Council’s discretion, any other essential costs identified within the applicant’s business plan may be eligible for support (examples may include statutory training and/or professional fees).

Funding will cover 50% of the relevant cost, up to the relevant maximum eligible amount. All grant assistance is retrospective, and paid only upon substantiation of payment of up-front costs by the business. The approval of all grants will be subject to compliance with set terms and conditions and approved by the Economic Regeneration Team.

3. Operational and Other Costs

There are a number of ancillary costs to providing business services, which will continue for 2021/22. These include the software packages used to provide the service as well as a growing calendar of events. The level of funding apportioned to these 'other' costs is unknown and will be reactive on a case-by-case basis, but all strictly within the total funding envelope.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Breach of Grant Terms and Conditions	M	M	The team will continue to review business plans and financial statements before awarding any grants to ensure the company has a viable business and therefore reasonable chance of success. The applicant will need to prove they have a commercial lease and demonstrate how they will deliver the required outputs. Should the business cease trading or not deliver the outputs expected for the full year, the business must repay their grant (on a pro-rata basis).	Regeneration Manager
Covid-19	M	H	Additional layers of checks to ensure businesses supported through the fund have completed their required risk assessments as employers and are making all reasonable effort to ensure they are "Covid-19 Secure".	Regeneration Manager
Insufficient demand for grants	L	H	Newport is identifiably a good location to start a business as evidenced by the Fund being fully committed within the previous years. Economic Regeneration officers will promote the availability of grants via a range of events and social media as well as direct contact with businesses. Circumstances are challenging but will also drive innovation and entrepreneurship amongst businesses as they adapt to the 'new normal'. The Council has received over 400 expressions of interest to date.	Regeneration Manager
Business Services Resources	H	H	The increase in the current year grant budget will place significant pressure on the business services team to assess, award and monitor grants. The recruitment of two graduate support posts is	Regeneration Manager

			required as a result. The cost of these posts will be met from the wider Economic Regeneration budget.	
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* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The Newport City Council Business Grant has the potential to add value to the Council’s strategic priorities and policies for the continued regeneration and economic development of the City. Whilst the city’s development and regeneration is a long-standing Place priority for the Council, the profound economic impact of Covid-19 places it in even greater importance. The Fund will stimulate new business and create jobs, reduce the extent of long-term vacant space in the city centre, and help improve the city’s economic performance at a time when it needs it most. It will help maintain confidence in the city centre and encourage further investment to take place.

The Business Development Fund will make an important contribution to the Council’s Strategic Covid-19 Recovery Objectives through Objective 2: Supporting Environment and Economy. The focus on start-ups with additional support for those taking up space in the city centre will maintain progress on city regeneration and assist businesses to adjust to the new normal by providing investment towards new ways of working. As anecdotal evidence also suggests the unprecedented demand for start-up support is driven in part by threats to existing jobs in the wake of the pandemic, the Fund will also support Objective 4: Supporting Citizens Post Covid-19 by providing opportunity and an avenue to reduce poverty.

The fund will also support the aims of the Economic Growth Strategy, which sets out a ten-year programme for delivering growth across the city through capital redevelopment, upskilling, training and business support. Support for start-ups is a key theme within the emerging Economic Recovery addendum to the Economic Growth Strategy, ensuring Newport remains a key location for business creation within the Cardiff Capital Region. The specific economic recovery priorities published in addendum to the Economic Growth Strategy also recommend a focus on encouraging start-ups and supporting SMEs.

Finally, the proposed uses of the Business Support Fund resonate well with the aims set forth within the Council’s City Centre Masterplan. The Business Support Fund use will support Newport’s perception as a ‘Diverse City’ and ‘A City of Quality Places’.

Options Available and considered

1. To spend the allocated grant as outlined above in order to support and promote businesses throughout Newport, and the wider economic recovery
2. Not to allocate the grant fund in the manner proposed, and consider alternative uses

Preferred Option and Why

Option 1 - The preferred option is to spend the money as outlined above in order to support and promote businesses throughout the city. The Fund purposes will assist businesses in the vulnerable periods when starting-up or expanding, in a time of unprecedented global uncertainty. The proposed uses also align fully with identified corporate priorities.

Comments of Chief Financial Officer

The Business Development Fund is an established scheme with an annual recurring budget of £60k giving assistance to SMEs which helps to stimulate the local economy. In order to support the economic recovery out of the Covid pandemic, an additional “one off” sum of £306k has been added to the existing budget in this financial year. As a result, there will be no adverse financial impact in delivering the

scheme as all grant awards will be made from existing budget provision. It is important to note the level of one-off funding being provided in the 2021/22 financial year. Looking forward to future years, there is no guarantee that similar levels of funding will be made available and, therefore, it is important that the financial commitments made to eligible businesses are on a one-off basis.

Comments of Monitoring Officer

The proposed use of the Business Development Fund is in accordance with the Council's powers under Section 2 of the Local Government Act 2000 in terms of improving the social and economic well-being of the City. The stimulation of economic growth and investment within the City is a key element of the Council's Corporate and Improvement Plans and is also in accordance with the overriding objectives and goals of the Well-Being of Future Generations Act 2015. The Fund will help to deliver the Council Strategic Covid-19 recovery aims and the addition of wider objectives in relation to reduction of poverty and waste are consistent with the Council's socio-economic and sustainability duties. The use of the Fund for the provision of direct grant funding for new and expanding businesses will involve targeted financial support for individual firms and businesses but the levels of funding being provided and the types of SME's being assisted should fall within de minimis and state aid block exemptions and, therefore, this should not infringe the UK's new domestic subsidy control regime under the post-Brexit UK-EU Trade and Cooperation Agreement.

Comments of Head of People and Business Change

The Business Development Fund will support the economic well-being of communities in Newport.

When writing this report the report writer has fully considered the council's and the PSB's well-being objectives, the well-being goals and the sustainable development principle of the Well-being of Future Generations Act when developing this report.

From an HR perspective there are no staffing implications to this proposal.

Comments of Non Executive Members

Councillor J Guy

I fully support the issue as described.

Scrutiny Committees

N/A

Fairness and Equality Impact Assessment:

• Wellbeing of Future Generation (Wales) Act

The long-term economic resilience of the city is central to the Business Development Fund, which therefore fully aligns with the aspirations for Wales set forth in the Well-being of Future Generations Act. The following section demonstrates how development of the Fund has applied the sustainable development principle (5 ways of working) and how its objectives support the goals of the Act:

Long term:

- Long term: Providing businesses with financial support in the short term will enable businesses to grow and sustain jobs in the longer-term, leading to a more prosperous and resilient Newport and a more prosperous Wales.

Prevention:

- Prevention: The Business Support Grant will enable new businesses to fill empty spaces and prevent further decline of the city's largely privately owned commercial estate. Job creation will help reduce unemployment rates, preventing the impact of that and leading to a more prosperous Wales. The pandemic has threatened many jobs across Wales, and the opportunity to start a new business in response will help prevent poverty and exclusion.

Integration:

- Integration: Creating more businesses will improve the well-being of Newport's residents by providing more equal job prospects through both new companies and existing companies, helping to keep the unemployment level down and providing opportunities for school leavers. The Fund is fully integrated with the Council's wider policy framework and complements its adopted strategic priorities, as summarised below:
 - NCC's Improvement Plan 2016/18, in particular the improvement objective 'City Regeneration and Development'
 - The 10 year Economic Growth Strategy and its aims for the long-term economic growth of Newport.
 - Newport's Well-being Plan 2018-23: Objective 'People feel good about living, working, visiting and investing in Newport', and its three economic Priorities

Collaboration:

- The Business Development Fund only functions through direct engagement with businesses, both on an individual basis and through networking and events. Consultation was carried out giving the opportunity for the 400 people expressing an interest in accessing the fund to identify their priority areas for support. The Business Development Fund offer has therefore been shaped in collaboration with the new enterprises that stand to benefit.

Involvement:

- Involvement: All the recommendations in this report fully support the findings of the recent Your Newport Survey in which emphasis on city centre employment, and more employment generally is highlighted. Business support is available on a sector-neutral basis and includes access to detailed advice and mentoring as well as direct financial assistance. This helps develop a more prosperous, resilient Wales with sustainable and cohesive communities.

Goal 1: A Prosperous Wales: the economic development of commercial districts supports the goal of a prosperous Wales. Creating vibrant and attractive town centres helps increase footfall and spend, supporting local business growth and an increase of local job opportunities. Increasing visitor numbers to urban centres, which are well-served by sustainable transport connectivity, furthers support the goal of a prosperous Wales.

Goal 2: A Healthier Wales: Improving economic activity and opportunity correlates with improved health incomes for individuals. The increased level of support afforded to businesses within the city centre will help address these priorities.

Goal 3: A More Equal Wales: By stimulating job creation and introducing a new requirement to pay the Living Wage, the Plan seeks to improve the opportunity of local people to access better employment or progress to better jobs. The Fund will improve household incomes and further equality of opportunities in turn. This supports the goal of a more equal Wales.

Goal 4: A Wales of Cohesive Communities: Engaging businesses and local people will contribute to the development of a cohesive community invested in its future. The pandemic has highlighted the importance of the Foundational Economy to local cohesion and well-being, and this sector of the economy is well-placed to take advantage of the support the Fund offers, supporting the goal of cohesive communities.

Goal 5: A Wales of Vibrant Culture and a Thriving Welsh Language: Many local businesses celebrate the heritage and culture of the country, supporting the development of a Wales of vibrant culture and thriving Welsh language. Economic diversification and business growth will help preserve and secure heritage property in Newport currently at risk of decay.

Goal 6: A Globally Responsible Wales: Securing investment for south east Wales is generally positive for the local supply chain, and local businesses. New businesses will naturally engage with both local suppliers and customer bases, and help contribute to a globally responsible Wales.

- **Equality Act 2010**

The Equality Act 2010 contains a Public Sector Equality Duty, which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better-informed decision-making and policy development and services that are more effective for users.

The administration of the Business Development Fund will ensure that the support is available to all eligible users without prejudice, and regardless of status or background, the proposed Fund uses will have a positive impact in this regard. Previous applicants to the Fund reflect the full breadth and diversity of Newport's population. As the funding targets commercial districts across the city to encourage new business and footfall, the fund will improve the physical environment of the city for all users, a further positive impact.

Whilst no specific consultation with younger age groups is relevant, the general comments above regarding the improvement of the city also apply to children and young people. The age profile of Newport (and users of the city centre in particular) is younger than that of many other smaller cities, and improvements to the city and its economy will directly benefit younger people as a result.

- **Socio-economic Duty**

The impact of the Coronavirus pandemic has been disproportionately higher across disadvantaged communities in Wales. Newport has evidenced some of the highest rates of 'at risk' employment, as indicated by the proportion of city jobs furloughed throughout the pandemic. As indicated above, these employment risks, which are concentrated in low-skill and low-wage sectors, are in part the reason for the extremely high demand for start-up business support currently evidenced.

The Business Development Fund will help mitigate this risk to wider employment, which again is disproportionately concentrated in disadvantaged communities. It will provide both opportunity for new and expanding businesses to create jobs and rebalance the economy.

- **Welsh Language (Wales) Measure 2011**

The Council commits to all information relating to the Business Development Fund being available through the medium of Welsh and welcomes applications in Welsh once the Fund launches.

Crime and Disorder Act 1998

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. As part of the checks carried out in advance of awarding assistance, officers liaise closely with commercial standards regulators and take any concerns into consideration prior to making any award. The Council will also undertake appropriate due diligence for the purposes of preventing fraud. Reducing vacant property and encouraging wider prosperity will also indirectly help to decrease the incidence of crime and anti-social behaviour.

Consultation

A summary of the results of a consultation exercise carried out with prospective businesses appears in the body of the report above.

Background Papers

N/A

Dated: 17 August 2021