

Proposal for a Small Business Grant Scheme

Cabinet Member - Cllr Ian Pritchard

Date: 19th September 2018

Contact Officer: Jonathan Percival

Tel Number: 01543 308149

Email: jonathan.percival@lichfielddc.gov.uk

Key Decision? YES

Local Ward Members All



**Economic
Growth,
Environment and
Development
(Overview &
Scrutiny)
Committee**

1. Executive Summary

- 1.1 This report proposes the introduction of a small business grant scheme across Lichfield District. It outlines the proposal and criteria for a scheme, to award up to 50% grant funding ranging from £500 to £1,500 to a qualifying existing business which has been trading for no more than three years or alternatively to persons looking to start a business in Lichfield District.

2. Recommendations

- 2.1 That the Committee notes the proposal and recommends to the Cabinet that it be approved and implemented.

3. Background

- 3.1 Via principally its economic development service, Lichfield District Council works with strategic partners including other local authorities to provide support for existing businesses and those who strive to set up a business within the district. The support on offer comes in a range of forms, covering all stages of a business' life, from the germ of a business idea to expansion.
- 3.2 Alongside this offer, it is considered there is scope to introduce some grant aid-funding which would help overcome certain barriers that new or existing businesses face.
- 3.3 Whilst there is a current grant scheme delivered by the Stoke and Staffordshire Growth Hub, this provides capital grants from £1,500 to £10,000 to businesses undertaking business to business activity and trading for a minimum of 12 months. However this does not serve to meet businesses who have been trading for less than 12 months, undertaking business to consumer activity and in need of a smaller grant. With minimal support on offer locally in the form of a small grant for new and young businesses and a lot of businesses being ineligible for current schemes their needs aren't able to be met.
- 3.4 Research on and engagement with national and regional bodies who previously or currently run small grant schemes has provided evidence to support the proposed scheme and shape the criteria set out. Local evidence to support such a scheme has also been identified via responses from local business to consultations and direct contact with the Council's economic development service.

3.5 It is being recommended that a small business grant scheme shall award up to 50% grant funding ranging from £500 to £1,500 per business/start up towards capital equipment, training or marketing activities for qualifying businesses.

To be eligible, applicants must:

- Where a business is not already established, want to become self-employed and set up a business in Lichfield District, or
- Be a small business (up to 10 employees) in Lichfield District who have been trading for no more than three years.

The proposed scheme shall run on an initial three year programme with £20,000 being allocated per annum and with annual reviews built in. The grant is designed to support individuals looking to start up a business or young businesses looking to grow by overcoming financial barriers, assisting their growth and development. Businesses who are seeking to access this funding must first receive support from the free Enterprise for Success programme. The programme encourages new business start-ups and helps young businesses grow and thrive by offering a range of business workshops with individual business support sessions. The support provides valuable information for applicants to strengthen their business model and strategy, and develop a strong business plan, which is a supporting document in the application process, to positively influence the company's long term survival.

Appendix 1 provides further detailed information on the suggested grant and the procedure for making an application.

3.6 The implementation of a small business grant scheme by Lichfield District Council for local individuals and businesses to access would align with the delivery of priorities within the Council's Economic Development Strategy:

Business engagement

The grant scheme would provide a platform to enhance contact with an increased number of businesses who refer to the Council for business advice and guidance for their growth plans.

Local programme delivery

The grant scheme would complement what is currently on offer from the two local Growth Hubs and other strategic partners for local businesses at the early stage of their business life. Applicants must receive support from the Enterprise for Success programme before receiving the grant, providing valuable support for the strategic development of their business.

Sector specific support

Although not sector specific support, the grant would support the growth of different business sectors within Lichfield District which previously may have been ineligible for business support.

Creating an entrepreneurial culture

The delivery of a small business grant scheme would strengthen the development of new entrepreneurial business opportunities by supporting individuals faced with early 'financial barriers'.

3.7 As stated above in recommending the introduction of a small business grant scheme, evidence to support a scheme has been identified including locally:

Tamworth and Lichfield Business Survey 2015/16

As part of the Tamworth and Lichfield Business Survey 2015/16 local businesses were asked what kind of support they would benefit from and where there was gaps in existing business support offers.

Within the survey, when anticipating seeking future advice for support, the top three categories businesses identified were:

- 1) Availability of financial grants (30%)

2) Sales and Marketing (26%)

3) Apprenticeships (24%)

The top three investment areas businesses identified to support business growth plans were:

1) Sales and marketing (70%)

2) Recruiting new staff (50%)

3) Capital equipment (44%)

With new businesses operating for up to three years least likely to use their existing cash flows/profits to finance their investment plans.

A small proportion of businesses (20%) who have been trading for up to three years expect securing investment to be easy compared with businesses trading for over four years (35-40%). When discussing the topic of customer types, micro businesses are most likely to trade solely with business to consumer customers, with 34% of Lichfield businesses trading solely with business to consumer customers.

The survey results have been used to inform the eligible criteria of the proposed small grant scheme by the grant funding going towards capital equipment, training or marketing activities and available to businesses trading with business to consumer customers.

To complement the local evidence, officers have researched other schemes from across the country to see how these operate and importantly identify what results they bring:

Examples of small business grant schemes across the country

Within the research undertaken, local authorities established and implemented a grant scheme for the following reasons:

- A funding gap being in place for the business demographic of pre start or young businesses
- Being ineligible for other funding sources
- To support individuals overcoming the financial barrier of starting a business

The financial assistance provided by funding schemes of this nature are seen to accelerate proposed growth plans for businesses and individuals who are 'starting up' their business. Examples of previous and current small business grant schemes are provided in **Appendix 2**.

3.8 In terms of the outputs and outcomes these can be described as follows: Discussions have been undertaken with other local authorities who manage these previous or currently active small business grant schemes. The overall outcomes highlighted within examples analysed are as follows:

Job creation

The investment into the business from the schemes being in place has allowed local businesses who have identified a future ambition to expand their team to grow earlier than their businesses natural growth.

Private sector match

The majority of 'match' funding from applicants on other small business grant schemes is received from their own company reserves or cash flow, with businesses able to develop confidence to commit their own investment into a project, boosting the local economy and supporting the growth of local businesses.

Local business community knowledge and engagement

The operation of a grant scheme by a local authority has developed an opportunity to increase engagement, connections and knowledge on the local business community.

Supporting diverse local businesses to grow

A diverse range of businesses have been successful in receiving grant scheme support, encouraging them to grow quicker and more effectively than they would have otherwise done.

Supporting local businesses with long term growth and survival

Businesses who receive support and advice believe it's a valuable learning experience when considering the growth potential of their business with staff considering and refining their business model.

- 3.9 Based on the information provided above members are asked to consider the merits of introducing a small business grant scheme to support new and existing businesses in the district. If a positive recommendation is made to the Cabinet and the Cabinet duly support this, reports on progress of the scheme would be brought to this Committee for members to assess and evaluate.

Alternative Options	<ol style="list-style-type: none"> 1. The Committee recommends amendments to the proposed small business grant scheme outline and criteria. 2. If the proposal is not approved there shall be no small business grant scheme option delivered for new and young businesses within Lichfield District with individuals having to see if they are eligible for other funding sources.
Consultation	<ol style="list-style-type: none"> 1. Evidence for the need of a financial resource is provided by enquiries received from businesses searching for funding sources and, the Lichfield and Tamworth Business Survey 2015/16, with information provided supporting the shape and guide the criteria for the scheme. 2. Consultations have taken place with other local authorities who have previously or currently implement a small business grant scheme has been with best practice shared. 3. A briefing note has been provided to Leadership Team with comments received.
Financial Implications	<ol style="list-style-type: none"> 1. The allocation of £20,000 per annum for an initial three year programme, totalling to an overall amount of £60,000 being allocated to the grant scheme, being met within existing budgets. The proposed scheme shall have reviews built in annually. 2. Officer time will be required with regards to: <ul style="list-style-type: none"> - Answering enquiries and administration of the scheme - Processing applications - Marketing and promotion
Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> 1. The small business grant scheme shall contribute to the priority of a vibrant & prosperous economy as it supports opportunities for local business growth, self-employment and job creation. 2. The priority of healthy and safe communities is supported through local resident's economic wellbeing being improved by the financial resource strengthening local employment, less unemployed residents and business growth creating less financial concern for local residents involved within the businesses.
Equality, Diversity and Human Rights Implications	<ol style="list-style-type: none"> 1. The implementation of a small business grant scheme by Lichfield District Council provides the opportunity for job creation to be undertaken by businesses looking to expand who have received support by the scheme. The initial process for the scheme of receiving strategic business support, pre or post start, from the Enterprise for Success programme assists the long term growth and survival of local businesses.

Crime & Safety Issues	1. None.
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	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Lack of uptake within the grant scheme by local businesses.	By promoting the scheme on all communication platforms, to local business groups and strategic partners to establish wide publicity, and making sure it's a simple process for businesses looking for support.	Yellow
B	Popularity of the scheme and grants requested overall being greater than the allocated amount per annum.	Grant allocation shall be established with the proposals which provide the most realistic positive impact on the local economy being recommended and granted, in line with the allocated amount per annum.	Yellow
C	No impact on business start-up and survival	To review the scheme making sure that amendments made from the initial scheme create a positive impact/outcome on business start-up and survival rates.	Yellow
D	Cost of administering and delivering scheme outweighs the benefits accrued to the economy.	By simplifying the administering of applications and undertake measures which will support the increase in popularity of the scheme to benefit the economy.	Yellow

Background documents
Lichfield and Tamworth Business Survey 2015/16

Relevant web links

Enterprise for Success programme - www.enterpriseforsuccess.co.uk/

East Staffordshire Borough Council 'Business Development Fund' - www.eaststaffsbc.gov.uk/business-and-investment/business-development-fund

Cannock Chase District Council 'Let's Grow Programme' - www.cannockchasedc.gov.uk/business/economic-development/open-business/sources-finance

Richmondshire District Council 'Small Business Grant Scheme' - www.richmondshire.gov.uk/news/latest-news/small-business-grant-scheme/

Worcester City Council 'Business Start-up Scheme' - www.worcester.gov.uk/business-start-up-support

Worcester City Council 'Business Growth Grant Scheme' - www.worcester.gov.uk/business-growth-grant

Orkney Islands Council 'New Business Start-Up Grant' –

www.bgateway.com/images/uploads/general/LOW_RES_3539_OIC_New_Business_Grant.pdf

West Sussex 'Small Business Grant Scheme'

Arun District Council - www.arun.gov.uk/leap

Crawley Borough Council -

www.crawley.gov.uk/pw/Business/Business_Resources_and_Support/Business_Funding_and_Grants/index.htm

Appendix 1: Proposed grant scheme process

Applicants must first receive 'pre-start' or 'post start' support offered by the free Enterprise for Success programme, which Lichfield District Council is a delivery partner in, before being eligible to receive the grant assistance. The assigned business advisor within the programme shall sign a business's application form confirming they have received support.

The programme offers a combination of business advice and courses:

- Pre-start support: 2 day business start-up course (covering aspects such as financial control techniques, market research and writing a business plan) and one-to-one business advice.
- Post start support: Business development workshops (marketing, social media, access to finance, bookkeeping and accounts) and one-to-one business advice.

Following on from receiving support from the Enterprise for Success programme:

- An applicant's application form with supporting documents (business plan and financial projection for the next 2 years) shall be processed by the Economic Development service and recommendations made for Cabinet approval.
- Successful applicants will need to claim all items outlined in their application on one claim payment form, providing proof of expenditure in the form of invoices or receipts within 3 months of the project start date stated on their confirmation letter, which is received when their application is successful for grant funding.
- A 6 month progress report will need to be completed after the project start date set out on their confirmation letter.

Appendix 2: Evidence of previous or current small business grant schemes run by local authorities

East Staffordshire Borough Council Business Development Fund

East Staffordshire Borough Council previously ran 2 rounds of the Business Development Fund which was aimed at East Staffordshire SMEs looking to grow and expand their business or local entrepreneurs seeking financial assistance with a condition being that the project must create jobs.

The programmes offer was:

- Up to 50% grant funding was offered towards eligible project costs
- With new SMEs able to access funding ranging from £500 to £5,000
- With existing SMEs able to access funding ranging from £500 to £10,000.

The target objectives outlined in the initial documentation for this programme was to:

- Support East Staffordshire to achieve sustainable economic growth.
- Strengthen the enterprise culture in East Staffordshire.
- Assist local businesses to grow by offering high quality business advice tailored to their business needs.
- Support local SME's to realise ambitious growth, investment plans and create new employment opportunities for local people.
- Provide 'seedcorn' grant funding to new start-up companies with a viable and ambitious business proposition.
- Create up to 40 new jobs; a significant proportion should be filled by local residents.
- Lever approximately £200,000 of private sector investment to boost the local economy.

The achieved output from round 2 of the programme compared to the target quantitative objectives has exceeded expectations by 90 jobs being created or safeguarded, with the target being 40 new jobs. The private sector money levered to support applications was £254,287, greater than the £200,000 target.

The funding has been seen to encourage business owners to reflect on their business:

- Gain a more thorough understanding of their growth plans via their business plan.
- Encourage them to commit to creating jobs.

With regards to local business engagement and knowledge, the grant scheme has created:

- A growing database of business contacts for the council and increased referrals.
- Established easier communication leads for future interaction with regards to further business support programmes.

	<u>Round 1 (2013/14)</u>	<u>Round 2 (2014/15)</u>
Number of businesses received funding	21	29
Jobs to be created	66	77
Jobs to be safeguarded	6	13
Private sector money levered	£255,564	£254,287
East Staffordshire BC Grant Committed	£150,000	£200,000

Cannock Chase District Council Let's Grow Programme

Cannock Chase District Council currently run the Let's Grow Programme aiming to:

- Provide financial assistance to help SMEs expand and grow with businesses who access the funding able to undertake projects to safeguard existing employment and as a condition create at least one full time job.

The programme offers:

- Up to 50% grant funding towards eligible project costs with a maximum grant of £5,000 to an SME who has been trading for more than 6 months.

So far, as shown in the table below, 22 businesses have successfully received funding from the programme, creating 42.5 jobs and safeguarding 2 jobs. The private sector money levered to support applications makes up 61.9% of the overall money invested into the programme, with 38.1% being committed by the local authority.

	<u>Output so far</u>
Number of businesses received funding	22
Jobs to be created	42.5
Jobs to be safeguarded	2
Private sector money levered	Roughly £142,000
Cannock Chase DC Grant Committed	Roughly £88,000

Richmondshire District Council Small Business Grant Scheme

Richmondshire District Council currently run a small business grant scheme aimed at:

- Supporting small businesses by encouraging them to invest in improvements, aiming to generate an increase in business turnover or job creation within the district.

The scheme offers:

- Maximum support of £1,000, covering up to 75% of total project costs.

To be eligible, businesses have to be established with a base in the district and operate with four or less employees.

No quantitative output targets, such as job creation or private sector money leverage, were set when the current Business Grant Scheme began. In 2013, a local Business Forum consultation concluded with businesses stating that a small grants scheme which is easy to access is needed, with further support for a scheme being from enquiries received.

The Small Business Grant Scheme has been popular since starting in October 2013 with 182 applications being received, and 142 businesses being approved. Businesses are able to provide funding to support the Council's monetary commitment to their application through company reserves, loans etc. with 52% of total project costs coming from private sector money leverage. Since the scheme began, the only changes made during the scheme's active timeline are eligibility criteria and the amount of funding available.

	<u>Output so far</u>
Number of applications received	182
Number of business received funding	142
Private sector money levered	£130,962
Richmondshire DC Grant Committed	£120,628

Worcester City Council Business Start-up and Growth Grant Schemes

Worcester City Council currently run two grant programmes:

- The Business Start-up grant programme
- The Business Growth grant programme

The programmes were set up to offer grants to businesses who were non-eligible for the Enterprising in Worcestershire programme, mainly business to consumer trading businesses.

The aim of the grant schemes are:

- To encourage the occupation of vacant commercial premises
- Help regenerate neighbourhoods
- Stimulate entrepreneurship
- Create new jobs
- Enhance the sustainability of new businesses

The schemes offer:

- Up to £1,000 for business start-ups (within their first year of trading).
- £1,000 to £3,000 for business growth (Been trading for more than one year).

With businesses required to provide at least 50% of the grant for both programmes.

The amount of funding which was allocated within both programmes overall for years 2016-17, 2017-18 and 2018-19 was £60,000. The target set for each year in terms of businesses who've received grant funding is seen in the below table with the current output performance set with the below figures. With regards to the outputs, the total amount of businesses who received funding in 2016/17, 17 businesses, exceeded the target, 14 businesses. For 2017/18, the output fell short, 10 businesses, from the target set of 14 businesses.

From the 16 businesses who have so far received funding from the Business Start-up grant, 31 jobs were created or safeguarded. Within the 11 businesses who have so far received support from the Business Growth grant, 51 jobs have been created/safeguarded. As within other small business grant scheme examples, the amount of private sector money levered is dominant with so far, 62.7% of money within the scheme being from the private sector.

	<u>Output so far (Target)</u>
Number of businesses received funding (2016/17)	Start up – 13, Growth Grants – 4, Total - 17 (14)
Number of businesses received funding (2017/18)	Start up – 3, Growth Grants – 7, Total - 10 (14)
Number of businesses received funding (2018/19)	(12)
Business Start-up, number of jobs created/safeguarded	31
Growth Grants, number of jobs created/safeguarded	51
Private sector money levered	£61,685
Worcester CC Grant Committed	£36,731

Orkney Islands Council New Business Start Up Grant Scheme

In April 2011, a 2 year New Business Start-up Grant pilot programme took place within the Orkney Islands to:

- Provide grant assistance of up to a maximum of £1,500 per applicant towards start-up businesses.

A budget allocation of £40,000 per annum towards a total project cost of £80,000. The grant scheme was created as a funding gap had been identified.

The main aims of the project were focussed on driving up the competitiveness, growth and survival of new businesses in Orkney by:

- Creating employment opportunities
- Support communities in fragile areas
- Encouraging economic diversification
- Encouraging inward investment across the islands
- To help grow the economy

An original target was set for the number of applicants to be 50 applicants, which has been calculated by the overall allocated funding available and maximum amount.

The output of the grant shows that:

- There were 34 successful applicants.
- 42 full time equivalent jobs were created.

Businesses who were looking to access the grant had to provide supportive evidence in the form of a business plan and engagement with the Business Gateway (national business support service in Scotland but delivered by each authority). With the grant scheme in place, between 2011-2013, new business engagement with the Business Gateway grew, as shown in the below table.

Year	Number of new businesses engaging with Business Gateway
2009/10	18
2010/11	32
2011/12	43
2012 to date (Apr-Dec)	40 (9 month period)

West Sussex Small Business Grant Scheme

All West Sussex Councils run a small business grant scheme for:

- Business start-ups to help cover initial costs.
- For small businesses who are looking to grow with the leading delivery partner being West Sussex County Council.

The purpose of the funding is:

- To provide local new businesses a cash injection for either capital or revenue investment in their projects that will lead to employment or business growth outcomes.

The criteria for the scheme is that small businesses with less than 50 employees who operate within the West Sussex area will be able to apply for business support grants of up to £2,000, with at least 50% of the total project costs being provided by the small business.

When the scheme began, managed by Arun District Council with the support from West Sussex County Council, the outcomes from a business grant being in place is shown below with no quantitative output targets in place as they were naturally set by the amount of funding available.

The original cabinet report for the proposed grant scheme outlined:

- How the grants will fill a gap in the current business grant offer.
- Provide a cash injection for either capital or revenue investment in projects that will lead to employment or business growth outcomes.

The job creation referred to in the below outcomes is referencing apprenticeships created with the platform which the grant scheme is run from involving creating apprenticeships within local businesses.

Outcomes:

- Number of businesses applying for the grant.
- Number of businesses being awarded the grant.
- Number of new jobs created (apprenticeships created).

The two examples below from West Sussex local authorities on the latest round of funding shows the importance of private sector leverage, with 64.2% of money committed within the programme being from company funds, loans etc., which local businesses have committed towards their development and growth, having an overall positive impact on the local economy. The local authority only needing to commit 35.8% towards local businesses.

Arun District Council

	<u>Outputs so far</u>
Number of grant applications	53
Number of business received funding	48
Number of new jobs created (apprenticeships created)	8
Private sector money levered	£139,956
Arun DC Grant Committed	£71,428

Although the table below has a lower percentage as Arun District Council of private sector investment, 60.1%, compared with the local authorities funding committed. It does show the commitment local businesses have towards their growth which is provided a 'boost' by a small grant scheme being in place.

Crawley Borough Council

	<u>Outputs so far</u>
Number of grant applications	41
Number of business received funding	28
Number of new jobs created (apprenticeships created)	0
Private sector money levered	£62,025
Crawley BC Grant Committed	£41,175