



Subject:	<b>Supporting Inclusive Economic Growth</b>
Date:	11th September, 2019
Reporting Officer:	John Greer, Director of Economic Development
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<b>Restricted Reports</b>	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Sometime in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

<b>Call-in</b>	
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

<b>1.0</b>	<b>Purpose of Report or Summary of Main Issues</b>
1.1	The purpose of this report is to provide an update on Belfast City Council's support to develop the social enterprise and cooperative sectors in the city and to outline plans to further enhance provision.
1.2	The report also provides an updated analysis of the impact of support provided through the Way to Scale initiative in 2018/19. The update is in line with requests for further information

	<p>following the Growing the Economy update report presented at the 7 August 2019 City Growth and Regeneration Committee meeting. This included a request for details on:</p> <ul style="list-style-type: none"> <li>• how the number of co-operatives in the city might be increased, taking into account the motion on Support for Small and Medium Enterprises which in 2016 had been passed by the Council and the success of the Preston Co-operative Initiative;</li> <li>• the mechanisms in place to ensure the integrity of the Crowdfunding process, together with the cost to the Council of using that platform; and</li> <li>• details of the initial analysis which had been undertaken around last year's Way to Scale programme.</li> </ul>
<b>2.0</b>	<b>Recommendations</b>
2.1	<p>The Committee is asked to:</p> <ol style="list-style-type: none"> <li>i. note the Council's work to date to provide support to the social enterprise and cooperative sectors;</li> <li>ii. consider and approve the allocation of £50,000 from the existing 2019/2020 Economic Development budget to support the delivery of the social enterprise action plan. This funding was approved as part of the "Growing the Economy" delivery plan that was agreed by this Committee on 6th March 2019. This budget will be used to support a Crowdfunder initiative where 10 participants on the new Social Enterprise and Cooperatives programme can gain financial backing through Crowdfunder campaigns; and</li> <li>iii. agree to receive a presentation from Social Enterprise Northern Ireland and Cooperative Alternatives at a future Committee meeting; and</li> <li>iv. note the initial analysis and impact of the support provided through the Way to Scale Initiative in 2018/19.</li> </ol>
<b>3.0</b>	<b>Main Report</b>
3.1	<p>At the Committee meeting on 7th August, members requested further information in relation to the Council's support to encourage the development of the social enterprise and cooperative sectors in the city.</p>

3.2	<p>Members will be aware that, as a result of the Local Government Reform programme, with effect from 1st April 2015, new powers were transferred from central government to local government in Northern Ireland. This included the transfer of local economic development functions from Invest Northern Ireland. As part of this transfer, activities such as enterprise awareness, start a business activity and social entrepreneurship became the responsibility of the council. Since this transfer, council officers have been working to put in place a pipeline of support to encourage the growth and development of new businesses and social enterprises and cooperatives in Belfast.</p>
3.3	<p>The Department for the Economy defines social enterprises as “business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners”.</p>
3.4	<p>Cooperatives UK defines a cooperative as “a successful business that often looks like any other business. What makes them unique is that they are run not by institutional investors or distant shareholders but by their members”.</p>
3.5	<p>In summary, both social enterprises and cooperatives are run like any other business in that they seek to make a profit. This difference is how they treat their profit: social enterprises reinvest in back in the business while cooperatives provide the return to their members.</p>
3.6	<p>The social enterprise and cooperative sector makes a significant contribution to the local economy. Its employment base across the region has grown from 12,200 in 2013 to 24,860 in 2018 and the equivalent growth in the turnover has increased from £592.7m in 2013 to £980m in 2018 (Re-Balancing the NI Economy Report, 2019). It is worth noting that 53% of organisations employ half their workforce from their immediate locality. This places the sector as an important vehicle in delivering the councils Inclusive Growth ambitions, through reducing economic inactivity and delivering greater innovation.</p>
3.7	<p>Over a three-year period, the Council's activity to encourage the development of the social enterprise and cooperative sector has supported 93 participants (82 from social enterprises and 11 from cooperatives) creating 44 new social enterprises and cooperatives (42 social enterprises and 2 cooperatives), generating 82 new jobs and securing over £820,000 in external funding. This activity has represented an investment of £150,000 from the council.</p>

	<p>The programme also helped to increase awareness of the sector through new initiatives such as Social Souk and Social in the City events which brought the sector together to learn from each other, share ideas and experiences and also promote their services to the public.</p>
3.8	<p>The programme has been delivered in partnership with Cooperative Alternatives, Trademark, Work West Enterprise Agency and Social Enterprise Northern Ireland to ensure that the specific needs of both social enterprises and cooperatives are met.</p>
3.9	<p>In Spring 2019, officers undertook additional research into the social enterprise and cooperative sector in order to understand what specific support is required from businesses in these sectors in order to inform future council provision. This research was used in the development of a new Social Enterprise Action Plan which was considered as part of the overall “Growing the Economy” action plan for this year and through to the next five years (subject to annual review). This will focus council resources on raising awareness of the social enterprise and cooperative sectors in the city, ensuring that specialist one to one mentoring support is in place to help new starts and growing businesses, and to help businesses to explore and develop solutions to social issues through sustainable business concepts. The aim of the programme is to create more social enterprises and cooperatives within the city in order to boost the Belfast economy and improve the lives of the residents by creating more and better jobs. The programme will engage a minimum of 80 potential social entrepreneurs in order to recruit a minimum of 45 participants on our dedicated support programmes. Given that, in the previous programmes, there were significantly more social enterprises than cooperatives, there will be a particular focus in this programme on increasing the number of cooperatives. We will achieve this by undertaking specific outreach and awareness-raising activities and working closely with representative and support bodies.</p>
3.10	<p>As part of our ongoing engagement with the social enterprise and cooperative sector, we have identified ongoing challenges around access to finance to overcome barriers to starting and growing the business. Officers have been considering a range of options to address this issue. One option that has been identified is the concept of crowdfunding. Working with Crowdfunder.co.uk, we have developed a pilot Belfast-specific crowdfunding proposition for the social enterprise and cooperative sector. This pilot will provide support for developing and running a crowdfunding campaign for up to 10 social enterprises or cooperatives in the city.</p>

3.11 It is proposed that the Council supports this initiative by offering match funding of up to £5,000 for each of the organisations that deliver a successful campaign i.e. they achieve a crowdfund of a minimum of £2,500 pledges which will then be matched by £5,000 from Belfast City Council to bring the total to £7,500, and they must then attract the remaining £2,500 before all funds are released.

3.12 To access this funding, social enterprises and cooperatives will be in the early stages of developing the enterprise and will be required to go through a competitive process to access the council funding. The total cost of the pilot will be up to £50,000, all of which will directly support the growth and development of the sector. The breakdown of the cost to council can be seen below. If the pilot is successful, the council will have the option to continue delivering the campaign for a further two years, with a payment due to Crowdfunder for the administration of the initiative on their side. Any decisions on the future of the programme will be brought back to this committee for further consideration and approval.

Activity	Pilot year (19/20)	Follow-on year 1	Follow-on year 2
Payment to Crowdfunder	£0	£9000	£9000
Match funding cost	£50k (10x£5k)	£50k (10x£5k)	£50k (10x£5k)
Total	£50k	£59k	£59k

3.13 If the pilot period is successful, there is the flexibility to increase or decrease the number of social enterprises accessing match funding. There is also the potential to increase or decrease the amount of match funding that Belfast City Council provides, depending on budget availability. In order to manage this pilot, it is proposed that the Council funding will not exceed £5,000 in each case. Throughout the delivery of the pilot we will be monitoring the wider social and economic impacts to measure success this includes, job creation and survival rates as a result of support, increased volunteering opportunities and increased community participation.

3.14 This pilot campaign will be managed by Crowdfunder, in partnership with the council's Economic Development Unit. All applicants and backers will go through various automated and manual checks to ensure that they meet the required eligibility criteria, to check the authenticity of the projects and backers and ensure that only genuine and legal projects go live on the platform. A breakdown of all due diligence activity is attached.

3.15	<p>It is important to note that this is only one option for finance available to the social enterprise and cooperative sector. Companies can all avail of loans from organisations including the Ulster Community Investment Trust (UCIT) who offer loans between £1,000 and £500,000 to the social enterprise and cooperative sector, as well as Community and Cooperative Finance – a UK-wide lender – that provides access to loans ranging from from £10,000 to £150,000. In addition to this, Unltd offers grant funding to support new social enterprises. This includes grants of £500, £5,000 or £15,000, subject to a competitive application process with specific eligibility criteria for each amount. In all instances, the council and its partners work with these funders to ensure that the social enterprise or cooperative is accessing the type of funding that best meets their needs.</p>
3.16	<p>To provide Elected Members with further information on the wider support available to the social enterprise and cooperative sector, it is proposed that Social Enterprise Northern Ireland and Cooperative Alternatives are invited to make a presentation at a future meeting of the City Growth and Regeneration Committee.</p>
3.17	<p>In addition to the mentoring and financial support available through the Council programme, officers have put in place a range of other support to enhance opportunities for social enterprises and cooperatives. Examples of this include working with our Markets Unit to secure space for local social enterprises and cooperatives at St George’s Market to test trade, as well as offering opportunities at our twilight and continental markets. There is also engagement with the commercial waste team to allow social enterprises to reuse our waste products. We are also actively exploring how social enterprises and cooperatives can secure additional access to council and other public sector tendering opportunities, by looking at models such as a “Social Value Procurement Framework” which will allocate points for social value in relevant procurement exercises.</p> <p><u>Support to Scale and Grow</u></p>
3.18	<p>One of the key challenges identified through the enterprise framework is the need to encourage more businesses to scale and grow to turnover of more than £3million. Following the success of the initial Way to Scale Initiative in partnership with Catalyst Inc and Invest NI, officers have been working with both organisations to develop the offering for businesses with growth ambitions and potential. Through last year’s Way to Scale programme, 10 businesses accessed support which included a series of workshops, access to the</p>

entrepreneurship development programme at MIT in Boston, and a one week residential in Boston to develop market strategies and build network support to realise the growth ambitions of their businesses.

3.19 The objective of the Way to Scale programme is to support fundamental change in the Innovation Driven Enterprise (IDE) landscape in Northern Ireland by catalysing a significant increase in the number of knowledge economy companies scaling to £100million+ in enterprise value. The short term objectives of the 2018 programme are as follows:

- 50% participant CEOs exceed £2M revenue within 24 months
- 20% participant CEOs exceed £500K of export sales within 18 months

3.20 As a result of programme activity, the 10 participants have reported that they are on track to achieve the following results by 2020.

Participant revenue pre-programme	£4,211,000
Participant revenue post-programme	£23,650,000
Participant exports pre-programme	c£1,900,000
Participant exports post-programme	c£15,000,000
Participant jobs pre-programme	67
Participant jobs post-programme	148
Participant jobs supported pre-programme	100
Participant jobs supported post-programme	222

3.21 A six month post programme progress update will take place in October, this will verify that participants are on track to achieve the anticipated outcomes.

3.22 In addition to the qualitative results and projections set out above, participants also indicated that it had given them a new level of confidence in their ability and in their decision-making skills within the business, as well as a better understanding of their customer needs. Finally, participants valued the new networks and business contacts in the US market that they had developed as a result of their engagement in the programme. As part of the evaluation, some examples of the comments from participating businesses were:

- “I have initiated a much more aggressive growth plan”
- “Creating a different culture in work, hiring for more senior roles to move the business forward”
- “We have raised our goals and expectations of the size of business we can get to”
- “Introduced the global mind set, ambition and capability for growth ...made me set expectations and targets higher”
- “I held a funding day and generated debt and equity funding offers of £2M”
- “From the changes made, our revenue forecast for this quarter now equals all of last year’s”
- “I am already beginning to see a strong pipeline developing that is 500% - 600% of what we are doing now”
- “It has brought a practicality and rigour to how we understand and develop our customer offering”
- “The programme paved the way to business contacts in US market which will have a massive impact on our future growth”.

3.23

Building on the learning from last year, the new programme, as approved by the City Growth and Regeneration Committee in August 2019, has been enhanced to enable up to 60 businesses in the city to access support to encourage CEO transformation, enhance business modelling and develop sales strategy. The programme will encompass four core elements, including a Belfast bootcamp for 60 businesses in October, a one week Boston Residential at Massachusetts Institute of Technology’s Entrepreneurship Development Programme for 10 selected businesses (January 2020), a peer-to-peer workshop series with Catalyst Inc (to support a minimum of 10 businesses) and a Go to Market programme (for 10 businesses) which will take place in Boston for one week in early March 2020 and which will focus on market development strategies and tactics.

**Financial and Resource Implications**

3.24

All new activity included in the report will be resourced from the 2019/20 Economic Development budget agreed by this Committee on 6 March 2019.

**Equality or Good Relations Implications/Rural Needs Assessment**

3.25

Each of the proposed projects referenced in this report is informed by statistical research, stakeholder engagement and complementary policies and strategies. The unit is currently undertaking a process of equality screening on the overall work programme, this will ensure



	consideration is given to equality and good relation impacts throughout the delivery of each project.
<b>4.0</b>	<b>Document attached</b>
4.1	Crowdfunder approach to eligibility, due diligence and fraud prevention