

Update on the Motion on Small and Medium Enterprises referred to the Committee by the Council on 4th July, 2016

The notice of motion included four key points:

1. creating a substantial investment citywide investment fund to incentivise start up and growth for example, through low interest loans;
2. engaging with the Department for Finance and Land and Property Services on the potential to offer rates incentives, such as time limited rates holidays, to start ups or expanding SMEs;
3. engaging a number of experts e.g. dealing with legal/financial issues, who can be loaned to a start-up or expanding SME free of charge for a 12 month period. Again, the Council will engage with the Executive to see if it will match fund this particular initiative; and
4. appointing a full-time Belfast Small Business/Social Economy Commissioner who will proactively work to help grow this crucial sector of our economy. This person must have extensive knowledge and direct expertise of SME creation and expansion.

1. Create a substantial investment citywide investment fund to incentivise start up and growth for example, through low interest loans

Since the initial response to the notice of motion in August 2016 which identified a range of support available to new and small businesses seeking finance to start and grow their business, the financial support available for business has increased. This includes a range of options such as grant funding, low interest loans, and investment options. An overview of the available finance options is included in this appendix. Officers have further developed relationships with stakeholders such as Invest NI, Enterprise NI, local banks, Prince's Trust, Catalyst, Techstart NI among others to ensure that we are able to appropriately signpost new and existing businesses to the available financial options.

Our view is that there is sufficient access to funding in the market place and that there is no gap in the market for the council to provide low interest loans at this point.

2. Engage with the Department for Finance and Land and Property Services (LPS) on the potential to offer rates incentives, such as time-limited rates holidays, to start-ups or expanding SMEs

Members will be aware that LPS currently operates the Small Business Rates Relief (SBRR) Scheme. The SBRR scheme came into effect in April 2010 initially for a term of five years, but has since been extended annually on review. SBRR is available based on the Net Annual Value of the businesses property, businesses that meet the following criteria can access relief:

- Business properties with an NAV of £2,000 or less will receive a reduction of 50 per cent relief;
- Business properties with an NAV of more than £2,000 but not more than £5,000 will receive 25 per cent relief;
- Business properties with an NAV of more than £5,000 but not more than £15,000 will receive a 20 per cent relief.

Business rates is the primary source of income for the Council. The District Rate makes up 44% of the rates bill, with the rest, 56%, being the regional rate. Approximately 78% of our income comes from the District Rate, of which 64% comes from non-domestic (Business) Rates, and 36% from Domestic Rates.

LPS has recently concluded a consultation on business rates. Following a presentation on the key issues to the SP&R Committee, the Council submitted a response highlighting a number of factors. These included:

- Need to give consideration to how local authorities can be given the power to introduce reliefs to reflect the specific circumstances of their locality and local economy
- Need to consider how the rating system can be aligned to support growing the economy.
- Need to consider how the rating system can be used to support city centre living
- Need to introduce mechanisms to eliminate any form of tax avoidance or evasion
- Need to improve the collection and administration of rates
- Need to consider the use of technology to maximise the collectable rate
- Need to consider how the rating system can integrate the ability to pay and individual business circumstances as part of rates assessments

- Need to consider the possibility of introducing new revenue-raising powers
- Need to conduct a fundamental review of reliefs, exemptions, and exclusions
- Need to consider the introduction of a business growth accelerator
- Need to review the effectiveness of the rates hardship scheme
- Need to consider how the rating system can be aligned to support specific sectors.

Since 2016, there has been a significant increase in co-working space in the Belfast City Council area, with the introduction of Ormeau Baths, the Fintech Hub, Glandore Belfast and the Foundry. Each of these locations have strong occupancy levels each averaging at around 80%.

In 2016, Belfast City Council in partnership with ERDF and Invest NI, launched the Innovation Factory providing a workspace and business support service for small, growth-focused businesses. Working towards target occupancy levels of 71% by March 2020, the current occupancy rate is 68%.

In 2019, Invest NI launched the flexible workspace loan scheme. The scheme was introduced in response to a limited availability of start-up and early stage move-on workspace across Northern Ireland and a lack of funding to support development of new workspace. The scheme was open to developers with plans to develop accommodation of this nature - this includes private developers, social enterprises and Local Enterprise Agencies. The budget for the scheme is £5.5m and will be funded through Financial Transactions Capital. It offers loans up to a maximum of 40% of total development costs – commercial rates will apply after the initial loan period. All proposals which apply with the scheme must align with Council and Invest NI Strategic priorities and the council endorsed each of the expressions of interest prior to submission.

This scheme closed for applications in August 2019 and we are aware of 2 Belfast-based applications that have moved to the second stage in the process.

In summary, the council continues to engage with DoF and LPS to explore how the rates regimes can be used as an enabler to encourage more local businesses and to support business growth. The business support and workspace environment has changed significantly since the notice of motion and there are new models for encouraging business growth that involve different ways of working, involving a sharing of overheads and a “full service” cost covering not only property overheads but also business growth support.

3. Engage a number of experts e.g. dealing with legal/financial issues, who can be loaned to a start-up or expanding SME free of charge for a 12 month period. The council will engage with the Executive to see if they will match fund this particular initiative

Through the delivery of our business growth support, Belfast City Council has put in place a range of specialist mentors who provide support to business as and when required to deal with financial and legal issues (as well as other business growth challenges). In addition to the council's support, Invest NI and Intertradelreland now have available a range of financial supports for companies to access finance to support salary costs. In addition to this the Federation of Small business membership includes legal and financial advice and support. Obviously there has not been an opportunity to engage with the NI Executive on this issue but, should the Executive come back in place, officers will explore the potential to secure additional support for this work.

4. Appoint a full-time Belfast Small Business/Social Economy Commissioner who will proactively work to help grow this crucial sector of our economy

Since the response to the notice of motion was submitted in 2016, there has been a significant amount of progress in this area. While the council has not directly appointed a full-time Small business/Social Economy commissioner, we have appointed a commissioner for resilience whose role is to help the city prepare for potential scenarios which could challenge the city's ability to function and progress as a sustainable economy and good place to live.

As part of the response to the previous notice of motion, officers looked to Dublin City Council who, at the time, had just put in place a Dublin Start Up Commissioner. The main focus of the role was to promote Dublin as a great place to do business, attracting new investment and supporting new tech start-ups. This role has now been wound down and some of the services are integrated as part of the work of Dublin's Digital Tech Hub.

In 2018, Invest NI commissioned an enterprise champion for the region. Eleanor McEvoy was the CEO of Budget Energy Ltd and panellist on RTE's Dragons' Den. Eleanor's role aims to provide an advisory to entrepreneurship stakeholders, promote entrepreneurship and acting as a role model, encouraging networking and collaborative working.

Social Enterprise NI have also put in place a Young Ambassador, Aimee Clint of Books by Stella, in order to raise awareness of Social Enterprise models among younger people and encourage them to consider it as a career choice. Through the delivery of our social enterprise and co-operative support programme, we are currently recruiting a number of area champions to raise awareness and promote social enterprise and co-operatives in our local communities.

In summary, it is proposed that Council officers continue to engage with the local business community and key stakeholders to ensure that the pipeline of support to encourage new business start and growth is relevant to meet their needs.

Details of available finance for local businesses and social enterprises/co-operatives

Start Up Incentives / Grants

PBelfast City Council, Kick-Start programme

Belfast based start-ups businesses trading for two years or less, or those that have the potential to start trading within six months can access a range of specialist mentoring and access to workshops. Through this initiative new businesses can also access up to £1,500 in incentives to overcome barriers to starting up.

For more information contact Economic Development: (028) 9027 0482

Bank Loans

9 out of 10 loans are accessed through NI banks and the approval rate is higher in NI (92%) compared to the rest of Britain (8/10)

The Competition Markets Authority (CMA) carry out regular surveys among SMEs on the business banking service quality in NI. The table below represents SME satisfaction levels in overdraft and loan services where businesses are asked how likely they would be to recommend their provider's SME overdraft and loan services to other SME's. Note that Nationwide is entering the market to offer bespoke services to SME businesses.

Ranking



Loan Funding

Northern Ireland Start Up and Small Business Loan Fund

Fund Manager: Ulster Community Investment Trust

An £8m loan fund for NI based individuals, private companies and social enterprises in the SME and micro enterprise size range and in the start-up or growth phases of development. Loans are typically unsecured and range between £10k and £100k (maximum £15k for start-up businesses).

For more information visit:

www.nisblf.com

Growth Loan Fund II (ERDF)

Fund Manager: Whiterock Finance

A £30m loan fund designed to support export focused NI SMEs demonstrating growth or strong growth potential. Loans are typically between £100k and £500k.

For more information visit:

www.whiterockfinance.co.uk

This fund is part-financed by the European Regional Development Fund under the EU Investment for Growth and Jobs Programme 2014 – 2020.

Growth Finance Fund

Fund Manager: Whiterock Finance

A £30m loan fund designed to support export focused NI SMEs demonstrating growth or strong growth potential. Loans are typically between £500k and £2m.

For more information visit:

www.whiterockfinance.co.uk

Equity Funding

Techstart NI (ERDF)

Fund Manager: Techstart Ventures

A collection of funds providing support to NI based entrepreneurs, seed/early stage SMEs and university spin-outs. Support includes a £30m SME equity fund, investing between £50k-£750k in any one round and up to £2m over a series of funding rounds, and a £4.5m Proof of Concept Grant Fund.

For more information visit:

www.techstart.vc

This fund is part-financed by the European Regional Development Fund under the EU Investment for Growth and Jobs Programme 2014 – 2020

Co-Fund NI II (ERDF)

Fund Manager: Clarendon Fund Managers

A £50m equity fund for SMEs based in Northern Ireland. The fund co-invests alongside business angels and other private investors. The fund can provide co-investment in deals typically valued between £150k and £1m and up to £1.25m over a series of investment rounds, at a ratio of up to 50%.

For more information visit:

www.cofundni.com

This fund is part-financed by the European Regional Development Fund under the EU Investment for Growth and Jobs Programme 2014 – 2020.

Crescent IV (ERDF)

Fund Manager: Crescent Capital

A venture capital fund with the potential to invest £54m in innovative, high growth potential SMEs within the technology, life sciences and manufacturing sectors. Individual investments will range from £500k to £2.5m with an upper limit of £5m over a series of investment rounds.

For more information visit:

www.crescentcapital.co.uk

This fund is part-financed by the European Regional Development Fund under the EU Investment for Growth and Jobs Programme 2014 – 2020.

HBAN

Fund Manager: Clarendon Fund Managers

HBAN (Halo Business Angel Network) is the all island Business Angel network, a joint initiative between Invest NI, InterTradeIreland and Enterprise Ireland. The HBAN programme encourages business angels to operate within syndicates and it also provides a matching service between companies seeking investors and business angels.

For more information visit:

www.hban.org

Finance for Social Enterprises and Co-operatives

Ulster Community Investment Trust (UCIT)

A loan fund exclusive to Community organisations, charities and social enterprises, both large and small, located in Northern Ireland and the Republic of Ireland. UCIT provide loans between £25,000 - £500,000 to finance the following buildings and equipment, working capital, cash

shortfalls, bridging finance against delayed grants or other confirmed income and restructuring of debt.

For more information visit <https://www.ucitltd.com/loans> or the lending team can be contacted on Tel: 028 90315003.

UNLTD

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.

For more information visit - <https://www.unltd.org.uk/our-support/starting-up/>

Cooperative and Community Finance

A UK-wide lender who are owned and democratically controlled by their members, who are usually employees, customers or members of a community. Loans are available to employee or community-owned social enterprises, including co-operatives, community businesses, development trusts and businesses developed from the charitable and voluntary sector from £10,000 to £75,000 are available, they can also lend up to £150,000 using other funds.

For more information visit - <https://coopfinance.coop/borrow/>

Crowd Fund Belfast Pilot

In January 2020 Belfast City Council will launch a crowd funding pilot with Crowdfunder UK. This pilot will provide support for developing and running a crowdfunding campaign for up to 10 social enterprises or co-operatives in the city. Belfast City Council will offer match funding of up to £5,000 for each of the organisations that deliver a successful campaign and meet the required eligibility criteria.

For more information contact the Economic Development Unit on (028) 9027 0482