

ESSENTIAL REFERENCE PAPER 'B'

East Herts Council Discretionary Business Growth Incentive Scheme - Evaluation

1. Overview:

The Discretionary Business Growth Incentive Scheme (DBGIS) was designed to encourage economic growth in East Herts, as part of the Council's Economic Development Vision (2015 – 2019). It began in April 2017, ran until 31 March 2019 and £150,000 was allocated from the New Homes Bonus Reserve to support it. The scheme recognised that East Herts relies on small and micro-sized businesses for its prosperity, and offered up to 50% business rate relief for one year if any of the following criteria were met:

- A business not registered in the district is planning to relocate/ open up a new property in the district
- A business is already registered in the district but looking to enlarge premises through an extension or relocation
- A business is already registered in the district but is forced to relocate as the landlord no longer wishes to use the premises for commercial use and has not renewed the lease
- A business is already registered in the district, with one or more properties and plans to open up another

The expected benefits of the scheme, as agreed by Executive, were:

- To encourage businesses from outside the district to locate in East Herts
- To incentivise small businesses within the district to grow
- To improve the district council offer to businesses and strengthen the relationship with the business community as a whole
- To provide some evidence of what levels of business rate support are needed to encourage growth in the district ahead of 2019/20 when local authorities are able to set their own rates

2. Summary:

The following outputs were achieved over the 2 years:

- The scheme received 37 applications from business owners
- 18 businesses were awarded grants (size of which ranged from £1800 – £9500)
- A total of £84,920.93 was awarded across these 18 businesses. This is less than anticipated
- In terms of sectors most of the successful applicants were businesses based in town centres (13 of the 18 can be classed as town centre retailers)
- There was a reasonable split of applications and awards across the district however Bishop's Stortford was the town in which most awards were given (8 out of the 18)

Details on the grants awarded can be found below:

Company	Area	Sector
Mr Barber Shops Ltd (Hertford)	Hertford	Town centre retail
Sovereign Dry Cleaners Ltd	Ware	Town centre retail
Hair By Elements Ltd	Bishop's Stortford	Town centre retail
Eye Mind Heart Ltd	Hertford	Town centre retail
Star Food and Wine	Ware	Town centre retail
Mr Elliott Kienanver	Bishop's Stortford	Town centre retail
Trivirtual	Bishop's Stortford	Town centre entertainment
The Party Box	Bishop's Stortford	Town centre retail
P&B Furniture	Bishop's Stortford	Town centre retail

Bishops Stortford Ltd	Bishop's Stortford	Town centre retail (post office)
Herts Allstars	Hadham	Town centre entertainment
Ware Express Food and Wine Ltd	Ware	Town centre retail
Wolfelec Ltd	Bishop's Stortford	Motor trade distributor
Mr Tanaka	Hertford	Town centre hospitality
Mr Barber Shops Ltd (Stortford)	Bishop's Stortford	Town centre retail
Gadget Inns	Ware	Town centre retail
Hertford Nails	Hertford	Town centre retail
Buntingford Auto Services	Buntingford	Motor trade

3. Analysis of benefits

A summary of the benefits identified at the start of the scheme can be found below:

Success criteria	Update
To encourage businesses from outside the district to locate in East Herts	It is hard to evidence that the availability of a grant was a key factor in a business setting up in East Herts (various other factors such as the local market and population, accessibility, availability of space and rents are more likely to be influencing factors). However specific businesses such as Mr Barber and Trivirtual fed back that being able access a grant was crucial in setting up these new businesses. In the case of Mr Barber this enabled opening up of 2 branches instead of just 1 as originally intended.
To incentivise small	As per above it is hard to evidence that this

<p>businesses within the district to grow</p>	<p>directly influenced a decision to expand however the majority of applicants applied under this criteria and Bishop's Stortford Ltd informed us that the grant was a deciding factor in operating a post office service from their business.</p> <p>Given most applications related to expanding premises or moving within the district this is clear evidence there is a preference for local business owners to stay in the area and expand where this is possible (rather than moving to other districts)</p>
<p>To improve the district council offer to businesses and strengthen the relationship with the business community as a whole</p>	<p>Enquiries to the scheme allowed the Business Engagement Manager to develop a better understanding of small businesses operating within the area. It also provided unexpected ancillary benefits. For example upon investing some applications it emerged that company directors were in arrears for other businesses. As a council we were able to consider applications only on the basis that previous accounts were settled.</p>
<p>To provide some evidence of what levels of business rate support are needed to encourage growth in the district ahead of 2019/20 when local authorities are able to set their own rates</p>	<p>This is not applicable as central government plans to localise retention of business rates have been put on hold.</p>

Considering why retail is over represented some of the following reasons may apply:

- Turnover of vacant units in town centres is higher – meaning more opportunity for new or expanding businesses
- Proximity and governance networks of town centre businesses – when one business has received a grant this spreads by word of mouth encouraging others to apply
- Visibility – a number of applicants became aware of the scheme via walk ins (ie. officers walking past a new business and going in and speaking to them)
- It is also possible there wasn't enough direct marketing/ targeting and awareness raising of businesses outside of town centres

We also anticipated the £150,000 to be fully allocated. To have £65,079.07 “left over” was unexpected and in dialogue with some of the applicants the following reasons may apply:

- The thresholds for eligibility (rateable value of between £12,000 - £40,000) naturally excluded some businesses. Some applicants were above the £40,000 value and therefore were not eligible
- The language of “grant” was confusing to some applicants, who did not understand the administration process. Rather than providing an upfront sum (which may have enabled businesses to invest in stock, equipment, a staff member etc), it relied on businesses to take advantage of the fact that they could make reduced business rate payments for a number of months, and to direct these saved funds to a different purpose. This relied on small businesses to undertake a degree of forward planning, and failed to take into account the more ‘day to day’ nature in which many small businesses operate. The Council knows of at least one business owner (e.g. Milady Tea and Coffee Shop, Ware) who made initial enquiries and met with the Business Engagement Manager, who would have been eligible for the grant, but did not proceed with the application.

4. Feedback from the businesses:

Business owners who benefitted from the grant have been extremely positive about the scheme, and happy to help the Council to publicise it by appearing in the local press and business press:

Karl Foster, owner of Mr Barbers, Bishops Stortford: "We're really pleased to have been given a grant, because, as everyone knows, a new business is a great outlay, so a saving is very helpful at this point.

"We're enjoying being in Bishops Stortford as it's my home town - I was actually born here. It will also be our base for the Head Office. We have two great local barbers working out of the shop, so the grant has helped us improve their start in North Street."

(Council news release, Sept 2017)

Zahid Chaudhry, owner of Sovereign Dry Cleaners, Ware: "The application process for the discount was easy although it took a couple of months to arrange. It's very helpful especially in our first year with all the bills that come in."

(Featured in article in Inspire Magazine January-February 2019, Herts Chamber of Commerce:

https://issuu.com/benham/docs/inspire_30_january_2019)

Martine South, owner of Party Box, Bishops Stortford: "I phoned the council's business manager and he came into the shop to see me. It took a bit of chasing but it was quite straightforward and I really didn't have to do a lot of work to receive a discount."

(Featured in article in Link Magazine Autumn-Winter 2018)

5. Marketing:

The scheme was marketed through various channels:

- a feature in the Bishop's Stortford Independent in October 2018

- a feature in Inspire magazine in January 2019 (Hertfordshire Chamber of Commerce)
- a feature in the residents' magazine - Link
- regular updates on social media channels (Facebook, Twitter and LinkedIn)
- Hertford Town Council marketed and supported the scheme through their social media channels.

In addition to these marketing methods, the Business Engagement Manager built relations with local commercial property agents to raise small business awareness of the scheme. These relationships, while useful in establishing good networks between the Council and local property agents, did not result in large numbers of applications.

As the scheme progressed, a further marketing method was introduced, using enquiries from small businesses to the Business Rates team as an opportunity to raise awareness. The Business Rates team discussed the grant scheme with potentially eligible businesses and the Business Engagement Manager followed up these leads by calling potential applicants for further discussion. As the scheme progressed this route came to be the main means of referral for new businesses.

6. Key conclusions:

- It is reasonable to say the grant scheme has made an impact to the 18 businesses directly
- The take up was not as high as expected and there is a balance on the overall £150,000 allocated
- Retail sector is over represented in terms of awards so perhaps more targeted marketing of other sectors could be done in future (retail is not the most prevalent sector in the district)
- Grant concept not well understood. A different descriptor could be used in future
- The nature of the grant (as business rate relief) meant that three different departments within the Council needed to be involved in

the application process and grant administration. If the grant were to be provided in future as an upfront sum, the number of departments involved could potentially be reduced, and confusion around the administration of the grant (both internally and for recipients) could be avoided.

- The scheme focussed on small businesses' use of premises. It may be the case that many start-ups or small businesses in the district require a different form of support in order to expand, and may benefit more from a different type of grant, rather than business rate relief
- No one applied under the criteria of being moved on by their landlord. The likely reason is that when this is the case they haven't been able to find suitable premises to then apply for the grant