
SUPPORT FOR START-UPS AND ENTREPRENEURIAL BUSINESSES

Purpose of report

1. To provide Members with an overview of the Council's support of Start-ups and Entrepreneurial Businesses in Cardiff and the work undertaken by this Committee during the 2013/14 work programme focussed on small businesses.

Background

2. A start-up company is an entrepreneurial venture which is typically a newly emerged, fast-growing business that aims to meet a marketplace need by developing or offering an innovative product, process or service. These companies are generally involved in the design and implementation of the innovative processes of the development, validation and research for target markets.
3. Start-ups are usually small and initially financed and operated by a handful of founders or one individual. Because start-ups don't have much history and may have yet to turn a profit, investing in them is considered high risk and access to finance can be limited.
4. Start-ups and small businesses contribute to local economies by bringing growth and innovation to the community in which the business is established. Small businesses also help stimulate economic growth by providing employment opportunities and by attracting talent who invent new products or implement new

solutions for existing ideas. Larger businesses also often benefit from small businesses within the same local community, as many large corporations depend on small businesses for the completion of various business functions through outsourcing. New and young companies are often the primary source of job creation in an economy and these firms also contribute to economic dynamism by injecting competition into markets and spurring innovation.

5. The important role the Council plays in attracting and supporting businesses in Cardiff is recognised within the 2016/17 Corporate Plan and Economic Development Directorate Delivery Plan 2016-18. The vision for Cardiff set out in the Corporate Plan is 'To be Europe's most liveable Capital City', and in delivering this vision the following is identified:

Cardiff will connect Wales to the world and be a Capital city that attracts business, investment, talent and tourism.¹

6. The Corporate Plan's third priority is "Creating more jobs and better paid jobs". The Plan states;

Increasing the number and quality of jobs is essential to improving the quality of life for people in the city and wider region. The Council is therefore committed to helping create the conditions that will enable businesses to succeed, for attracting high quality investment and for more and better jobs to be created in the city.

Working closely with the business community and other public and third sector organisations – in the city, across the wider city-region, nationally and internationally - will be essential in creating the right environment to deliver sustainable economic development.

[...]

Economic success in the knowledge economy is dependent on growing, attracting and keeping talented people, and so quality of life is becoming as important as

¹ The City of Cardiff Council Corporate Plan 2016 - 2018 [<https://goo.gl/QLKTXg>]

the quality of job opportunity on offer. As Cardiff grows its development will need to be managed in a sustainable, resilient and inclusive way if the city is to retain its high quality of life, with a particular focus on achieving a modal shift towards sustainable travel.

7. The Economic Development Directorate Delivery Plan² provides an important link between the Corporate Plan, the work of directorates and the objectives set for individual employees. In relation to Start-ups and Entrepreneurial Businesses the following Directorate Actions are relevant:

- Deliver 4 successful Social Innovation Fund (SIF) project funding applications (EDC16).
- Attract or support business to expand or locate in Cardiff.

The milestones set within the Directorate Delivery Plan are to deliver one successful SIF project funding application and secure at least one new inward investment or expansion project per quarter.

8. The following performance indicator is relevant in the context of support for start-up businesses:

- (EEI001) New and safeguarded jobs in businesses supported by the Council, financially or otherwise.

The target set for 2016/17 is for 500 jobs to be supported by the Council. Figures from the Quarter 1 2016-17 Directorate Performance Report show that 214 jobs have been supported by the Council in the first quarter.

Workshops and Business Starter Units

9. The Council manages nine sites across the city aimed at encouraging new and expanding local businesses through business units with easy-in easy-out terms.

² Economic Development Directorate Delivery Plan 2016-2018 [<https://goo.gl/6fJV5s>]

The sites can be found in Grangetown, Butetown, Ely, Fairwater, Gablafa, Rumney, Splott and St Mellons. There is a 93% occupancy rate in the workshops, with 100% occupancy in the Ely Brewery workshops.

10. Cardiff Business Technology Centres (CBTC) are 'incubators' run by the Council.

There are three facilities across the city – one adjacent to Cardiff University on Sengenydd Road, and two in Capital Business Park, Wentloog. The centres provide flexible serviced accommodation and easy access to business support services, tailored to the needs of new technology and science-based businesses.

11. Criteria against which prospective tenants for CBTC are considered are as follows:-

- Tenants should be new start or developing knowledge-driven and/or technology based small firms.
- The firms should have existing or potential linkages to the higher education sector.
- The firms should have a viable Business Plan and should have a target of developing from the relevant Centre to new premises within 3-5 years.
- Tenants should be able to demonstrate that they will benefit from the supportive environment provided by the location, accommodation and related services.

12. Cardiff Council previously held a stake in Cardiff Medicentre located at Heath Park campus. The Medicentre was a Joint Venture between Cardiff Council, the Welsh Government, Cardiff University and Cardiff and the Vale Local Health Board. In January 2014 a report to Cabinet³ identified that the Council had been approached by Cardiff University with regard to its stake in the Medicentre. The decision at this meeting gave approval for the Council to “complete the disposal of the Council’s interest in the Cardiff Medicentre”. It was also agreed to “Ring-fence the capital receipt generated from the disposal of the Council’s interest in the Cardiff Medicentre to enable the development of new incubation space in priority regeneration areas in the city.”

³ Disposal of Cardiff Medicentre – Cabinet Report – 29 January 2014 [<https://goo.gl/Qk5lHi>]

13. The Council has been proactive in securing additional incubation and accelerator space through the Tramshed development and the attraction of the Entrepreneurial Spark at One Central Square, which provides support and mentoring for entrepreneurs.

Social Innovation Fund

14. The Social Innovation Fund was launched following a report to Cabinet in July 2014⁴. The decision made at this meeting authorised the allocation of £70,000 from existing budgets to a new Cardiff Social Innovation Fund. The aim of this fund was to support the development of new and sustainable social enterprises to add value to the city's economy and communities by developing capacity for innovative social enterprises to grow. The fund would be targeted at new social enterprises, and be used to kick-start development rather than to support revenue costs of current enterprises. Additional (non-financial) support would also include access to Council expertise, partner support from the public, private and third sector, and access to wider partnership projects and funding streams. A representative Board was established to make decisions with regard to the award of the Cardiff Social Innovation Fund. Officers are in discussions with partners with a view to leveraging further funding for these activities.

Cardiff Capital Fund

15. Cardiff Capital Fund was set up in 2009 with a view to provide financial assistance in the form of grants, loans and equity investments to new and established businesses across Cardiff. The fund aims to support innovative, high growth companies within the key economic sectors with the potential to create or safeguard jobs in Cardiff. Loans or Equity investments of up to £50,000 are available and are focussed on small and medium-sized enterprises in Cardiff within the key economic sectors including the ICT, Creative Industries, Bio/Life

⁴ Developing a Social Innovation Fund – Cabinet Report – 17 July 2014 - [<https://goo.gl/GEk4cz>]

Sciences, Manufacturing, Financial and Business Services and Green Technologies.

16. The Council also acts as a signpost to direct businesses to alternative sources of funding such as Welsh Government, Finance Wales, Business Wales, European Commission and specialist funding bodies.

Task and Finish Report

17. During the 2013/14 work programme, the Economy and Culture Scrutiny Committee produced two reports focussed on small businesses and innovation in Cardiff.
18. Published in November 2013, the report 'Higher Education Innovation in Cardiff' focussed on the role higher education institutions can make in providing innovative business start ups, and the role the Council can plan in supporting this. The report made 14 recommendations to the Cabinet. The full report can be found via the following link <https://goo.gl/4Uyqb7> and the Cabinet response including the recommendations made and Cabinet comments can be found attached at **Appendix A**. The majority of the recommendations made in this report are appropriate within the scope this meeting.
19. Published in January 2014, the report 'Small Business' made 16 recommendations to the Cabinet. The full report can be found via the following link <https://goo.gl/wNm8Wd> and the Cabinet response including the recommendations made and Cabinet comments can be found attached at **Appendix B**. Members may wish to note that recommendations 1, 5 and 12 are particularly relevant to the focus of this item.

R1. [Cabinet] Supports small businesses in Cardiff to succeed in overcoming the challenges they uniquely face, in particular by increasing joint working between

Council teams [...] and by vesting lead championship and responsibility for supporting small firms across the whole organisation within one Council function.

R5. [Cabinet] agree appropriate targets for the number and value of contracts awarded to the small business sector, and publish the results each year.

R12. [Cabinet] Addresses concerns expressed by small businesses about the difficulty of gaining timely advice from Council officers over a range of inquiry areas including grants, business development and operational issues – either through a centralised contact service, through Cardiff Business Council, through a Council service area or through another effective mechanism.

Way Forward

20. The Leader, Councillor Phil Bale has been invited to attend and may wish to give a statement. Jon Day (Economic Policy Manager) and Rhian Jones (Principal Business Development Officer) will also be in attendance to deliver a presentation and to answer Members' questions.

Legal Implications

21. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure

Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

22. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/ Council will set out any financial implications arising from those recommendations.

Recommendations

23. The Committee is recommended to give consideration to the information attached to this report and received at this meeting and to submit any recommendations, observations or comments to the Cabinet Member.

Davina Fiore
Director of Governance and Legal Services
30 September 2016