

Report of the Director of Housing, Economy and Regeneration  
Portfolio of the Executive Member for Economy and Strategic Planning

## **Supporting the York Economy**

### **Summary**

1. Throughout the Covid-19 pandemic, City of York Council has had a clear focus on working closely with the business community, supporting small and micro businesses, and promoting our unique approach to economic development – “the York way”.
2. In March 2020, the Council allocated £1.14m of its own funds to support micro businesses that were not eligible for the Government grant regimes that had been introduced. Grants of up to £1,000 were provided to 1,114 businesses, together with a year’s free membership of the Federation of Small Businesses.
3. The discretionary funding committed by the Council recognised small, micro and one-person businesses, including the many self-employed people ineligible for Government support, as a foundation of our economy, and was able to provide immediate and critical support in the earliest days of the pandemic. These businesses were facing financial difficulties because of COVID-19 and needed to adapt to new trading arrangements.
4. An independent evaluation of this Micro Business Grant (MBG) scheme has now been completed (see Annexes A and B), and that report identifies a wide range of impacts on the York economy including:
  - 294 businesses that were at severe risk of closure were still trading a year later due to the grants
  - 635 businesses were helped to diversify or adapt their products and services through use of the grants

- Our focus on micro businesses excluded from mainstream support had a significant positive impact on the mental health and wellbeing of business owners
5. Working with our local business networks – the Federation of Small Businesses, the Chamber of Commerce, Institute of Directors, Indie York and York Business Improvement District – has been at the heart of our approach over the past year. All of the initiatives we have undertaken to help businesses through the pandemic, to support the reopening of the economy and to make temporary and longer term changes to the business environment have been co-designed with these networks. We are committed to continuing this approach.
  6. Independent businesses, particularly those trading directly with the consumer, have a shared interest in promoting their trading locations to residents and visitors through Traders’ Associations. While the best known of these in York is Bishy Road Traders, the model has really taken off in our city and is a key part of our approach. Six Traders Associations have been awarded Additional Restrictions Grant (ARG) funding to enable them to jointly promote their neighbourhoods (see Annex C).
  7. As the city emerges from the pandemic, much attention is being given to our aspiration to “Build Back Better”. This is exemplified by the York charity Good Business Foundation’s Good Business Charter (see Annex D). It is proposed that City of York Council becomes a signatory to the Charter, and that York becomes the first Good Business Charter City, promoting the Charter as a business-led approach to responsible business practices.
  8. Taken together, these three initiatives:
    - Focus on micro businesses – the foundation of our economy
    - Support for business-led collaboration through networks and Traders Associations and the events and festivals they promote
    - The Good Business Charter as a framework for Building Back Better demonstrates clearly the unique approach to economic development that York is following:
      - We value the contribution of businesses, whatever their size or sector.

- We support collaboration and networking, encouraging business communities to thrive.
- We celebrate the commitments that good businesses make to their staff, their customers, their suppliers and to society.

## Recommendations

9. The Executive is asked to:

- 1) Note the significant economic impacts resulting from its decision in March 2020 to invest £1.14m in micro businesses

Reason: To recognise the sizeable economic and social impact of the Council's micro business grant scheme on York's small business community and business owners, and better understand the challenges they face in adapting to, and recovering from, Covid-19

- 2) Endorse the continued focus on working with networks and Traders Associations to build a stronger business community

Reason: To continue the Council's commitment to working with local businesses and build a stronger sense of community.

- 3) Note that the findings of the MBG evaluation and our work with networks and Traders Associations will inform plans to spend the outstanding allocation of Additional Restrictions Grant funding once trading restrictions are lifted, and instruct the Head of Economic Growth to bring proposals for the use of those funds back to Executive at the earliest opportunity.

Reason: To support the further recovery of micro businesses and the York economy

- 4) Subject to the receipt of additional ARG funding from Government to allocate £100k of ARG funds to support the delivery of events and festivals across the city and delegate implementation of that fund to the Corporate Director of Place in consultation with the Executive Member for Economy & Strategic Planning.

Reason: To support economic recovery

- 5) Sign up to the Good Business Charter and commit York to becoming the first Good Business Charter City

Reason: To promote responsible business practices and provide a practical framework which enables York to Build Back Better.

### **Impacts of the Micro Business Grants scheme (MBG)**

10. The COVID-19 global pandemic has had a significant and long-term impact on the business community.
11. At the onset of the pandemic in early 2020, Members set aside £1m of Council funding to offer immediate support of up to £1,000 to micro and small businesses in York. This included one-person businesses and self-employed people who did not qualify for Government support but were facing financial difficulties because of COVID-19 and/or had a need to adapt to new trading arrangements.
12. The Council's Micro Business Grant scheme was able to provide much needed funding to 1,114 small and micro businesses in York. For some this has been the only source of grant funding to which they have had access over the course of the last 15 months.
13. In February 2021, the Council procured consultants to undertake an evaluation of the MBG to enable the organisation to:
  - assess the impact of the funding for recipients
  - understand the experience of businesses in applying to fund to inform how the scheme could be improved, if repeated
  - identify what further support requirements small and micro businesses have in dealing with the economic impact of COVID-19 and aiding recovery efforts.
14. Following the completion of an open tender process, Blueberry Marketing Limited was selected to undertake the evaluation work. Their full report is provided at Annex A.

## Survey Design

15. Research for the project was carried out by means of telephone interviews with MBG recipients, based on a series of questions agreed between the Economic Growth team and Blueberry Marketing. A total of 318 interviews were undertaken, with calls lasting on average between 30 – 40 minutes.
16. The questions put to participants were designed to draw out not only the economic impact of the funding, but also the human and social impacts, including how households and employees were supported and, indirectly, the mental health and wellbeing of individuals connected to those businesses
17. A conversational, information tone of questioning encouraged interviewees to speak openly about their experiences, purposely moving the emphasis of the evaluation away from pure data analysis to a more holistic assessment of the grant impact i.e. the impact on the individual. This allowed genuine conversations to take place, and the feedback received was overwhelmingly positive, open and very honest.
18. It is clear that, for many grant recipients, the funding helped to safeguard against both business and personal hardship, and in some cases meant the difference, literally and figuratively, between surviving or not.
19. Aside from the practical themes of business survival and investment, feedback from participants evidenced that this support from the Council was deeply personal and important:

*“It kept me alive and kept the business alive.”*

*“I would've gone under if it wasn't for the grant.”*

*“It kept me in business.”*

*“I can't really explain how much of a difference it made. ...it really lifted me up mentally to know that we had a bit of help with the car rental costs, the tax, feeding my children which is what every father*

*cares about more than anything. Thank you so much again it was greatly appreciated.”*

*“It made such a difference getting the help from you, just at the very beginning, the fact of not knowing what you would be getting in the bank and the stress of that mentally, it really helped. It made me so relieved and I actually cried when the email came through.”*

*“It was a massive emotional support to be perfectly honest as I had dropped to my knees at that point and I have put so much effort into this but I had got back to square one again. It was what I needed and it was a validation of me as a human at that point because there was no furlough or anything to help me so I want to say thank you to the system for that.”*

*“I must truly extend my thanks to you as in 15 years of trading, we have never had any help at all and the microgrant was the first thing we have ever received, and it absolutely made our day and our year as it has set the ball rolling and we are moving forwards now in a way that I didn't think we could.”*

## **Key findings and potential follow up work**

20. The Evaluation Report, attached at Annex A, provides a detailed independent assessment of the economic impact of the MBG scheme, as well as identifying the strengths and weaknesses of the grant process to inform future grant schemes. The work also identifies future business support needs and provides insights on internet and transport connectivity and their impact on York's business community.
21. Central to the feedback has been appreciation and positivity towards the Council for recognising that financial support was going to be essential, and acting very quickly to ensure that it reached those most in need to allow them to react to unprecedented circumstances.
22. The infographic at Annex B summarises the findings of the study.
23. Notable findings include:
  - 26.4% of respondents stated they were at risk of permanently ceasing to trade at some point in the last year but managed to

avoid this risk due to funding from the MBG. Extrapolating these figures across the 1,114 total grant recipients, it is estimated that the Council's MBG funding prevented 294 York businesses from ceasing to trade permanently, and over 500 families and employees from falling into personal and financial hardship.

- A diverse range of businesses qualified for support, and the three largest sectors receiving funding were construction (24.2%), personal services (22.4%), and creative and arts (17.6%). This is reflective of the three largest sectors within the York small and micro business community, although the overall range of businesses the Council was able to support was far broader, including, for example, market traders, the leisure industry, taxi drivers and travel and tourism firms.
- In terms of business size, 96% of grant recipients employed 1 to 5 people. This shows the importance of the hidden foundation economy to York, a factor often overlooked in favour of the big name businesses which are more familiar locally.
- 57% of business were able to adapt or diversify due to the support received.
  - Digitisation was the most common form of adaptation with 42.3% of respondents who had diversified or adapted falling into this category
  - 24.2% of businesses who had diversified or adapted developed new products or services
  - 18.7% changed business model and 18.1% accessed new markets
  - 5.2% of respondents invested in equipment, technology, products and materials as a result of the MBG.

24. Despite the small size of these businesses, they realised that flexing their existing business model was one of the best chances of surviving the new trading environment, and had the vision needed to expand into new markets, offer new products, and appeal to new customers, even with a relatively small sum of money. The pay-off for some has been beyond expectation, with businesses winning lucrative contracts, gaining international customers, entering a new

world of technology and shifting their whole business model to deal in the virtual, rather than the physical.

25. Businesses were asked what further support they required to help improve competitiveness, with access to finance coming in at the top of list. Other key areas raised were sales and marketing, mental health and wellbeing, support around starting, growing and managing a business, innovation and adapting your business, training, skills support and apprenticeships, and digital and ICT.
26. Grant recipients were also asked whether the quality of their internet connectivity had placed any limitations on their ability to do business over the last year, recognising that many businesses would have transitioned online as a result of the pandemic. 42.1% of respondents noted that their internet connectivity had placed limits on their ability to do business, highlighting this as an area for further exploration by the Council. This is despite York's reputation as a city with world class connectivity.
27. As part of the MBG application process, businesses were offered a year's free membership of the Federation of Small Businesses (FSB), a key partner organisation. Although not all of those who took up the membership offer took use of the available services, feedback on member benefits and organisational support was largely positive, including comments welcoming the provision of legal advice, networking opportunities, information sharing and access to reduced business insurance costs.
28. Practically, whilst there is scope to make minor revisions to the grant application process in order to make it more accessible and to address the 'timeout' settings in the page, 96% of applicants found applying for the MBG to be straightforward.
29. This valuable intelligence on business support needs will feed into the development of future support, including use of the remaining Additional Restrictions Grant (ARG) funds, the Business Support Voucher scheme already agreed as part of the Council's ARG allocation, and ongoing partnership working with business support providers and York's business membership organisations.
30. Additionally, our forthcoming engagement on the Council's new Economic Strategy will deepen our understanding of local



infrastructure constraints for both York's business community and residents.

## **Evaluation Conclusions**

31. Based on the evidence provided by this evaluation, any previous misconceptions about the responsiveness, creativity and flexibility of foundation economy businesses – often written off as “lifestyle businesses” and therefore lacking in growth potential and not worthy of public-sector support - can be dispelled. We have found these businesses to be full of innovation, ready to adapt and develop their business models, and have shown that they are a foundation of the economy, providing crucial income and employment to thousands of households across York.
32. The notion that large amounts of funding must be provided to businesses in order to support innovation and adaptation, typically through grants of up to £20,000, is also demonstrated not to be the case, with these small enterprises showing that a little investment can go a long way.
33. Whilst there is no doubt that numerous ongoing challenges remain for businesses as they emerge from lockdown, it is clear that the Council's MBG scheme has had a significant impact on business confidence and resilience, and provided a lifeline to many at a critical time.

## **Communication**

34. The findings from this study have been important, in some cases surprising, altering perceptions of how small and micro businesses function as part of the wider business ecosystem.
35. Work is now ongoing to disseminate the findings of the evaluation, including using the case studies as part of a much wider communications campaign to highlight the importance of the foundation economy and those business within it. This includes collaborating with external partners to share the study results through webinars, national news pieces, and a potential White Paper to challenge misconceptions around the role of small and micro businesses within the broader economic infrastructure.

36. The Council also has a continued role in ensuring ongoing engagement with the small business community, and in addition to follow up work as a result of this project, this will be a major element of the consultation work on the refreshed Economic Strategy.

### **Supporting Traders' Associations and Business Networks**

37. Our commitment as a Council to work in collaboration with the city's business networks, large and small, has been discussed many times in reports to Executive. At the heart of this approach is a close partnership with Federation of Small Businesses, York & North Yorkshire Chamber of Commerce, the Institute of Directors, Indie York and the York BID.
38. In March 2021, Executive approved the allocation of £70k of Additional Restrictions Grant to support Trader-led initiatives. Following an open call for proposals, £30k of projects have now been agreed. These are listed at Annex C. The remaining funding will be offered through a second call for proposals launching in July, with a focus on activities which will support winter trading.
39. The objective is to provide Traders' Associations with resources which can drive greater footfall and spend in their local areas and strengthen community links. The principle of "Shop Local" will promote more use of local shops and services by York residents, keeping money circulating in the local economy and reducing the city's carbon footprint. It is vital that this funding supports activity across the whole city. We have been working closely with Traders' Associations in Acomb and Haxby to support their retail centres, and through Indie York who represent independent traders within the Ring Road.
40. Significant further funds remain in York's Additional Restrictions Grant allocation, but have yet to be received from Government. In the first instance, this money must be used to support businesses to survive lockdown and emerge into new trading conditions. The MBG evaluation has demonstrated the impact that relatively small amounts of funding can make on micro businesses, and also highlighted that such businesses are not used to getting support from the public purse.
41. As we have heard from businesses, there is a particular need to support digital transformation, the adoption of e-commerce and e-Point of Sale technology, as well as through practical adaptations

such as outside trading space, including bad-weather coverage. If grant criteria are left sufficiently broad, we have also seen that businesses will seek to innovate on their own terms and that such an approach is a good use of public funds.

42. With the economy under severe restrictions for more than 12 months, many of the regular events and festivals that help to animate the city and provide opportunities to businesses to engage with new audiences face significant challenges in returning to the city. This is a particular concern in the periods outside of the school holidays such as the lead up to Christmas and January and February 2022. The York Food and Drink Festival, Ice Trail, Yorvik Viking Festival, York Design Week, and numerous other such events are all in need of support as they seek to restart after the pandemic.
43. The normal approach of these festivals and events is to seek sponsorship and commercial support, which is currently impacted by depleted reserves in businesses, and there is a strong case to allocate some ARG funding to support such festivals and events. There is some urgency as events must begin to advertise and commit to expenditure several months in advance and cannot do so if their ability to operate is compromised by a lack of up front funding. It is in the best interests of the broader economy for the organisers to run these events.
44. It is therefore proposed to allocate £100k of the expected additional ARG funds to support business-led events and festivals to return to the city in a safe manner. These events and festivals should support open access for residents and visitors and provide opportunities for a range of new and existing businesses. It is not the intention to support exclusive events or those where only a fixed set of traders can get involved. The criteria will reflect these aspirations.
45. At the time of writing it is not clear when current trading restrictions will be lifted, with considerable concern over the rising numbers of cases arising from the Delta variant. In order to support reopening timely decisions will need to be made to allocate this ARG funding which must all be spent by the end of the current financial year. It is therefore proposed to delegate the detailed allocation to the Corporate Director for Place in consultation with the Executive Member for Economy and Strategic Planning. Detailed plans will be reported to Executive.

## Good Business Charter

46. The [Good Business Charter](#) is one of many models in use which seek to encourage businesses to adopt a holistic approach to their social, environmental and economic impacts.
47. In York, we have already had experience with the One Planet York model, which initiated similar work but started from an environmental perspective. [Research](#) by Manchester Metropolitan University and JRF in advance of the development of the [Greater Manchester Good Employment Charter](#) identified 6 local initiatives in a similar vein, including the [Scottish Business Pledge](#), [Oldham Fair Employment Charter](#), [Birmingham Business Charter for Social Responsibility](#) and [Croydon Good Employer Charter](#). Other similar models include [Business in the Community](#), [Blueprint for Better Business](#) and various accreditation bodies such as [B Corporation](#).
48. Such Charters are used for a range of purposes, from campaigning on issues such as fair pay and the environment, through to underpinning public procurement approaches in Birmingham. They are typically instigated by the public sector as an attempt to influence private sector behaviour and deliver outcomes for public good.
49. In terms of its relevance to York, the recent Council motion on Doughnut Economics has highlighted our ambitions with regard to carbon reduction and economic prosperity, recognising the need to find a “sweet spot” which enables successful, responsible businesses to thrive in York. A Charter approach, encouraging businesses to review their practices across a wide range of social and environmental indicators, would express our ambitions well. There have already been calls through Scrutiny for such an initiative to be part of our new inclusive Economic Strategy.
50. Good Business Charter (GBC), launched in February 2020 just prior to the Covid pandemic, represents a private-sector led approach to business charters. It seeks to be an affordable UK approach for businesses to demonstrate their commitment to ethical trading at all levels. GBC, and the Good Business Foundation which promotes the charter, is driven by Julian Richer, a York-based entrepreneur and business leader with a track record both of running an ethical

business (Richer Sounds) and in establishing charities which represent faith-based approaches to making a difference.

51. The Foundation has assembled an impressive [group of Trustees](#) including nominees from CBI and TUC, a chair with substantial media experience and the leaders of the Living Wage Foundation and the New Economics Foundation. More broadly, the Foundation is working with the Federation of Small Businesses on small business accreditation and its website features endorsements from the Royal Society of Arts among others.
52. In terms of businesses adopting GBC, the scheme launched with Richer Sounds, Brompton Bicycles, Deloittes, Capita and London City Airport as members, and has grown to have [more than five hundred accredited members](#) over its first year. In York, the University of York and Aviva are already members, and work is under way to expand local membership to include other education institutions, charities and businesses large and small.
53. The charter covers [10 components](#) (also see Annex D):
  - Real Living Wage
  - Fairer Hours and Contracts
  - Employee Well-being
  - Employee representation
  - Diversity and inclusion
  - Environmental responsibility
  - Pay fair tax
  - Commitment to customers
  - Ethical sourcing
  - Fair payment to suppliers
54. All are approached from an ethical stand point, with the businesses signing up to the charter expected to meet some minimum standards (for example on paying the real living wage, committing to reducing environmental impact, not engaging in tax avoidance, signing up to the Prompt Payment Code).
55. These 10 components map strongly on to the Doughnut Economics model, highlighting the balance to be found between commercial and economic success, environmental impacts and social issues. As well as the clear commitments on environmental responsibility, paying fair tax and to ethical sourcing, the charter demands that business

commit to paying the real living wage, recognising the voice of employees, and valuing diversity and inclusion.

56. There is an annual cost for businesses and organisations to use the Charter. For public bodies such as the Council, this is £500 per annum. For businesses, the costs are related to the number of employees on the payroll, and have been designed to keep the costs low and enable businesses of all sizes to sign up. For sole traders up to businesses with 50 employees, the cost is £25 per year. For larger businesses, it is £1 per employee up to a maximum of £2500. In the first year of membership, there is no charge. The Charter seeks to be affordable and accessible to all who sign up to the standards it espouses.
57. Working with the Foundation, we are seeking to make York the first Good Business Charter City. This would involve the Council signing up to the Charter, together with at least two of a University, the local NHS Trust and a large local business. University of York and Aviva are already accredited members, and the York Teaching Hospital NHS Foundation Trust has been approached to explore their interest. The FSB are promoting the Charter, as are TUC, CBI and other business networks. Other cities are showing interest in being the first to be accredited, and there is an opportunity for us to be at the forefront of this growing movement.
58. In the medium and longer term, we would seek to include the Charter as part of our emerging Economic Strategy and 10 year plan, and there are opportunities to promote membership through the Business Leaders Group and the City Partnership Group.

### **Potential implications**

59. For CYC to be accredited members, we would need to fill in an online form confirming that we meet the requirements of the Charter (see Annex C). An initial review suggests that none contain any areas that would be challenging for CYC – we are already a Living Wage Council, recognise diversity and employee representation, are committed to carbon-zero and operate fair procurement approaches. Just as with our existing Living Wage Employer accreditation, there is no requirement for Council suppliers or providers to adopt the Charter.
60. For York to become the first Good Business Charter City, there would be some additional time resource to commit in championing our

approach and promoting membership more broadly to the business community and other public bodies.

## **Council Plan**

61. Our approach to economic development, as exemplified in the MBG scheme, our work with business networks and Traders Associations, and the Good Business Charter support the following elements of City of York's Council Plan 2019 - 2023:

- Well paid jobs and an inclusive economy
- Good health and wellbeing
- An open and effective Council

## **Implications**

62.

- Financial – In the first year, GBC accreditation is free, and in subsequent years, the fee would be £500 per annum.
- The Council has not yet received the additional allocation of ARG and expects to receive a further £1.4m on June 23<sup>rd</sup> 2021. The decision to allocate a further £100k to support events is therefore subject to receipt of the additional grant funding from Government.
- Human Resources (HR) – we already meet all the requirements of the Good Business Charter.
- Equalities – Promoting the Charter would support the broader adoption of positive approaches to supporting diversity in the workplace within other employers in the city and beyond.
- Legal - None
- Crime and Disorder - None
- Information Technology (IT) - None
- Property –None
- Other - None

## **Risk Management**

63. There is a low risk that Government will not provide the funds which have been claimed from the additional ARG allocation. The recommendation is therefore that the allocation of £100k to the festivals and events fund is subject to the receipt of those funds which are expected on 23<sup>rd</sup> July 2021.

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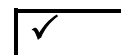
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### Specialist Implications Officer(s) List information for all

None

**Wards Affected:** [List wards or tick box to indicate all]

**All**



**For further information please contact the authors of the report**

### Background Papers:

None.

### Annexes

**Annex A** – City of York Council Micro Business Grant Scheme  
Evaluation Report

**Annex B** – Infographic: Key findings of the MBG evaluation

**Annex C** – Traders' fund allocations

**Annex D** – Good Business Charter criteria for accreditation



## **List of Abbreviations Used in this Report**

ARG – Additional Restrictions Grant

GBC – Good Business Charter

MBG - Micro Business Grant (scheme)

FSB – Federation of Small Businesses